

Consolidated financial statements and independent auditors' report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

31 December 2017

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Independent auditors' report

To the shareholders of
Kuwait Financial Centre – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Financial Centre - Kuwaiti Public Shareholding Company (the “Parent Company”) and Subsidiaries, (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the State of Kuwait.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Valuation of financial instruments carried at fair value

At 31 December 2017, the Group has financial instruments classified as Available for Sale (AFS) investments and carried at fair value. These AFS investments include investments in private equity participation amounting to KD13,634 thousand (2016: KD11,050 thousand) as disclosed in note 18 which represent 8% (2016: 7%) of the total assets. In determining the fair value of these investments, often there is significant measurement uncertainty as these have been based on the valuation models that are primarily dependent on the nature of the underlying assets in those investments and discount rate etc. The Group’s policy on fair value estimation and related fair value disclosures are given in notes 5.11 and 35 respectively to the consolidated financial statements.

Independent auditors' report to the shareholders of Kuwait Financial Centre - KPSC (continued)

Valuation of financial instruments carried at fair value (continued)

Our audit procedures included, among others, verifying the appropriateness of the models used by the management and the reliability of the data that was used as input to these models such as valuation information provided by the underlying general partners or administrators of the private equity investments. We also verified the appropriateness of adjustments, if any, made by the Group to these amounts to substantiate that the investee's fair values was determined in accordance with IFRS 13 fair value measurement. We also verified the accuracy of the prior period valuations to the respective audited financial statements of the investees to assess the historical accuracy of the valuation estimates.

Management fee and commission

The Group manages various funds and portfolios on a fiduciary basis for its customers. In addition, the Group provides corporate advisory and other financial services to clients in debt and capital markets. The Group recognized management fee and commission arising from these services of KD7,302 thousand (31 December 2016: KD7,782 thousand) for the year ended 31 December 2017 as disclosed in the consolidated statement of profit or loss. The recognition of management fees, performance fees and commission is dependent on the terms of the underlying management contracts and corporate advisory mandates agreed between the Group and its clients and/or the funds it manages. Management fees is calculated as a percentage of net asset value of the Assets Under Management and varies across different funds and products. Management fee income is computed by applying the rate agreed contractually with its customers to the net asset value of these portfolios. The Group's policy on revenue recognition is disclosed in note 5.3 to the consolidated financial statements.

Our audit procedures included evaluating the design and implementation of controls management has put in place over valuing underlying fiduciary assets and testing the operating effectiveness of those controls. We have also selected samples of portfolios under management and verified if the underlying assets in those portfolios are fair valued based on market quotes as of the year-end date. We have also re-computed the related management fee on the selected sample of portfolios by applying the contractually agreed management fee with the customers on the fair value of those portfolios.

Other Information included in the Group's 2017 annual report

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2017, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2017 after the date of our auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for used by the State of Kuwait, 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.

Independent auditors' report to the shareholders of Kuwait Financial Centre - KPSC (continued)

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Independent auditors' report to the shareholders of Kuwait Financial Centre - KPSC (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

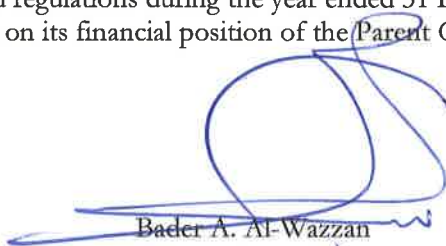
Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 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 violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2017 that might have had a material effect on the business or on its financial position of the Parent Company.



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Kuwait
6 February 2018

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2017 KD '000	Year ended 31 Dec. 2016 KD '000
Revenue			
Interest income	8	722	671
Dividend income		1,283	1,091
Management fees and commission	9	7,302	7,782
Gain from investments at fair value through profit or loss	10	3,340	622
Gain on redemption/sale of available for sale investments		2,733	2,437
Gain on liquidation of subsidiaries	7	48	-
Share of results of associate and joint venture	19	(153)	(151)
(Loss)/gain on sale of investment properties	20	(405)	490
Net rental income		490	416
Foreign currency exchange gain		25	545
Other income		14	23
		15,399	13,926
Expenses and other charges			
General and administrative expenses	11	(8,273)	(7,757)
Finance costs	12	(1,502)	(1,258)
Reversal of provision for credit losses	17	1	3
Other expenses		(21)	(177)
Impairment of available for sale investments	18	(299)	(171)
Impairment of investment properties	20	(993)	(451)
		(11,087)	(9,811)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration			
		4,312	4,115
Provision for contribution to KFAS		(43)	(39)
Provision for NLST		(134)	(124)
Provision for Zakat		(53)	(50)
Provision for Directors' remuneration	29	(105)	(84)
Profit for the year		3,977	3,818
Profit/(loss) for the year attributable to:			
Owners of the Parent Company		4,428	4,030
Non-controlling interests		(451)	(212)
Profit for the year		3,977	3,818
Basic and diluted earnings per share attributable to the owners of the Parent Company			
	13	9 Fils	8 Fils

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2017 KD '000	Year ended 31 Dec. 2016 KD '000
Profit for the year	3,977	3,818
Other comprehensive loss:		
<i>Items that will be reclassified subsequently to statement of profit or loss</i>		
<i>Available for sale investments:</i>		
- Net change in fair value arising during the year	774	(670)
- Transferred to consolidated statement of profit or loss on redemption/sale	(2,733)	(2,437)
- Transferred to consolidated statement of profit or loss on impairment	299	171
<i>Foreign currency translation:</i>		
- Exchange differences arising on translation of foreign operations	(477)	78
Share of other comprehensive (loss)/income of associate and joint venture	(19)	5
Total other comprehensive loss	(2,156)	(2,853)
Total comprehensive income for the year	1,821	965
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Parent Company	2,281	1,342
Non-controlling interests	(460)	(377)
	1,821	965

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Assets			
Cash and bank balances	14	7,622	12,237
Time deposits	14	1,430	9,857
Investments at fair value through profit or loss	15	49,498	48,033
Accounts receivable and other assets	16	7,131	5,317
Loans to customers	17	272	253
Available for sale investments	18	49,842	41,870
Investment in associate and joint venture	19	3,231	3,002
Investment properties	20	46,450	35,745
Equipment		631	434
Total assets		166,107	156,748
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	21	10,309	8,327
Bank borrowings	22	17,516	8,146
Bonds issued	23	25,000	25,000
Total liabilities		52,825	41,473
Equity			
Share capital	24	48,080	48,080
Share premium	25	7,902	7,902
Statutory reserve	26	15,756	15,280
Voluntary reserve	26	14,111	13,635
Other components of equity	27	2,890	5,037
Retained earnings		3,679	3,341
Equity attributable to the owners of the Parent Company		92,418	93,275
Non-controlling interests	7	20,864	22,000
Total equity		113,282	115,275
Total liabilities and equity		166,107	156,748


 Diraar Yusuf Alghanim
 Chairman


 Manaf AbdulAziz Alhajeri
 Chief Executive Officer

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company						Sub Total KD '000	Non- controlling interests KD '000	Total KD '000
	Share capital KD '000	Share premium KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Other components of equity (note 27) KD '000				
					Retained earnings KD '000	Retained earnings KD '000			
Balance at 1 January 2017	48,080	7,902	15,280	13,635	5,037	3,341	22,000	115,275	
Net change in non-controlling interests	-	-	-	-	-	-	1,346	1,346	
Effect arising on liquidation of subsidiaries (refer note 7)	-	-	-	-	-	-	(2,241)	(2,241)	
Effect of change in ownership percentage of subsidiaries (refer note 7)	-	-	-	-	-	(253)	253	-	
Payment of cash dividend (refer note 28)	-	-	-	-	-	(2,885)	-	(2,885)	
Payment of cash dividend to non-controlling interests share holders	-	-	-	-	-	-	(34)	(34)	
Transactions with owners	-	-	-	-	-	(3,138)	(676)	(3,814)	
Profit/(loss) for the year	-	-	-	-	-	4,428	(451)	3,977	
Total other comprehensive loss	-	-	-	-	(2,147)	-	(9)	(2,156)	
Total comprehensive (loss)/income for the year	-	-	-	-	(2,147)	4,428	(460)	1,821	
Transfer to reserves	-	-	476	476	-	(952)	-	-	
Balance at 31 December 2017	48,080	7,902	15,756	14,111	2,890	3,679	20,864	113,282	

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company										Non-controlling interests	Total		
	Share capital KD '000	Share premium KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Treasury shares KD '000	Treasury shares reserve KD '000	Other components of equity (note 27)		Retained earnings KD '000	Sub Total KD '000			KD '000	KD '000
							Treasury shares KD '000	Other components of equity KD '000						
Balance at 1 January 2016	53,130	7,902	14,847	14,793	(16,342)	7,973	7,725	4,132	94,160	18,043	112,203			
Cancellation of treasury shares (refer note 28)	(5,050)	-	-	-	5,050	-	-	-	-	-	-			
Loss on cancellation of treasury shares (refer note 28)	-	-	-	-	11,292	(7,973)	-	(3,319)	-	-	-			
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	4,511	4,511			
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	-	177	177	(177)	-			
Payment of cash dividend	-	-	-	(1,591)	-	-	-	(813)	(2,404)	-	(2,404)			
Transactions with owners	(5,050)	-	-	(1,591)	16,342	(7,973)	-	(3,955)	(2,227)	4,334	2,107			
Profit/(loss) for the year	-	-	-	-	-	-	-	4,030	4,030	(212)	3,818			
Total other comprehensive loss	-	-	-	-	-	-	(2,688)	-	(2,688)	(165)	(2,853)			
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(2,688)	4,030	1,342	(377)	965			
Transfer to reserves	-	-	433	433	-	-	-	(866)	-	-	-			
Balance at 31 December 2016	48,080	7,902	15,280	13,635	-	-	5,037	3,341	93,275	22,000	115,275			

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2017 KD '000	Year ended 31 Dec. 2016 KD '000
OPERATING ACTIVITIES			
Profit for the year		3,977	3,818
Adjustments for:			
Interest income		(722)	(671)
Dividend income		(1,283)	(1,091)
Depreciation		388	340
Gain on redemption/sale of available for sale investments		(2,733)	(2,437)
Gain on liquidation of subsidiaries		(48)	-
Share of results of associate and joint venture		153	151
Loss/(gain) on sale of investment properties		405	(490)
Impairment of available for sale investments		299	171
Impairment of investment properties		993	451
Reversal of provision for credit losses		(1)	(3)
Finance costs		1,502	1,258
		2,930	1,497
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(6,457)	(6,933)
Accounts receivable and other assets		(1,829)	(257)
Loans to customers		(19)	184
Accounts payable and other liabilities		1,959	1,926
Net cash used in operating activities		(3,416)	(3,583)
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		31	(760)
Purchase of equipment		(361)	(307)
Proceeds from redemption/sale of available for sale investments		16,482	17,258
Purchase of available for sale investments		(23,680)	(6,011)
Addition to investment properties		(13,726)	(7,596)
Proceeds from sale of investment properties		1,279	1,286
Increase in investment in joint venture		(401)	(144)
Proceeds from liquidation of subsidiaries (net of cash and cash equivalent)		5,061	-
Dividend received from associate		-	86
Dividend income received		1,283	1,091
Interest income received		737	697
Net cash (used in)/from investing activities		(13,295)	5,600
FINANCING ACTIVITIES			
Dividend paid		(2,933)	(2,358)
Dividend paid to non-controlling interests shareholders		(34)	-
Proceeds from bank borrowings		14,517	2,395
Repayment of bank borrowings		(5,147)	(1,934)
Proceeds from issue of bonds issued		-	25,000
Repayment of bonds issued		-	(22,000)
Net change in non-controlling interests		(894)	4,511
Finance costs paid		(1,778)	(1,429)
Net cash from financing activities		3,731	4,185
(Decrease)/increase in cash and cash equivalents		(12,980)	6,202
Foreign currency adjustments		(31)	(166)
Cash and cash equivalents at the beginning of the year	14	21,237	15,201
Cash and cash equivalents at the end of the year	14	8,226	21,237

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Kuwait Financial Centre – KPSC (“the Parent Company”) was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company is listed on the Boursa Kuwait and is governed under the directives of the Central Bank of Kuwait and Capital Markets Authority of Kuwait.

The Extraordinary General Assembly held on 19 April 2017 approved the amendments to Parent Company’s objectives and these amendments have been documented in the commercial register on 30 April 2017 and published in the official gazette on 30 April 2017.

The principal activities of the Parent Company are as follows:

- Funding import and export operations, whether by direct credit or accepting drafts drawn on the company for short terms, as well as brokerage in securing the banking facilities for clients in Kuwait and abroad.
- Undertake the job of broker between borrowers and lenders, undertake approved agency works for the payment processes arising from issuing medium and long term securities, in addition to keeping securities on behalf of the clients.
- Dealing and trading in the foreign currencies and the precious metal markets inside and outside Kuwait.
- Undertake all the services which assist to extend and support the money and capital market capacity in Kuwait and fulfil its needs within the limits of the law and the procedures or instructions issued by the Central Bank of Kuwait. The company may have an interest or participate in any manner with the bodies practicing business similar to its business or which may assist it to achieve its objectives inside or outside Kuwait and it may acquire such bodies or append them to itself.
- Offering personal, commercial and consumer loans, undertake finance operations on the basis of margin related to investment operations in the local and international markets, trading currencies, as well as the finance operations related to pledging investment portfolios and securities, and undertaking finance and brokerage in international and local commercial operations.
- Investment in the various economic sectors such as the industrial, real estate, agricultural, services and other sectors, whether directly or by contribution through existing companies or incorporating these companies related to the said activity or acquire projects which fulfil such objective.
- Undertake the functions of investment trustees and investment portfolio management for the account of third parties with the required loaning and borrowing operations.
- Unregistered securities broker in the stock exchange.
- Investment portfolio manager.
- Collective investment scheme manager.
- Investment advisor.
- Placement agent.
- Custodian.

The Parent Company may carry out similar or complementary or necessary or related to its above mentioned activities after getting the approval from the regulatory authorities.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

The address of the Parent Company's registered office is PO Box 23444, Safat 13095, State of Kuwait.

The Parent Company's Board of Directors approved these consolidated financial statements for issue on 6 February 2018 and are subject to the approval of the General Assembly of the shareholders of the Parent Company.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets available for sale and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company and all values are rounded to the nearest thousand (KD '000), except when otherwise indicated.

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the Group but did not have any significant impact on the consolidated financial position or the results for the year. Information on these new standards which are relevant to the Group, is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses – Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IAS 7 Statement of Cash Flows- Amendments (continued)

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
 - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
 - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

The Group's liabilities arising from financing activities comprise of bank borrowings (note 22) and bonds issued (note 23). The application of the amendments did not have any significant impact on the consolidated financial statements of the Group.

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments

The Amendments to IAS 12 make the following changes:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

The application of the amendments did not have any impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B10-B16) apply to an entity's interests in a subsidiary, joint venture or an associate irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

The application of the amendments did not have any impact on the consolidated financial statements of the Group as none of the Group entities are classified as, or included in disposal group that is classified as held for sale.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to be relevant to the Group's consolidated financial statements.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	Effective date deferred indefinitely. Adoption is still permitted.
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IAS 28.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IFRS 9 Financial Instruments

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of expected impact are as follows:

- the classification and measurement of the financial assets based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) will be recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI will be recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets will continue to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 and of the circumstances that existed at that date, management of the Group expects that the impact of adoption of IFRS 9 on 1 January 2018 would be as follows:

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement:

- Management holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost. However, certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

The Group's debt type financial assets mainly consist of trade receivables, due from related parties and cash and cash equivalent and these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

- Certain unlisted equity securities classified as available for sale investments amounting to KD9,466 thousand are carried at fair value and included under note 18 to the consolidated financial statements. These investments qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the fair valuation reserve will no longer be subsequently reclassified to profit or loss on de-recognition under IFRS 9, which is different from the current treatment. This will affect the amounts recognized in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

Certain debt instruments classified as available for sale investments amounting to KD5,412 thousand are carried at fair value and included under note 18 to the consolidated financial statements. These are held within a business model whose objective is to collect the contractual cash flows that are solely payment of principle and interest on the principle outstanding. Accordingly, these financial assets will be classified as measured at amortized cost under IFRS 9, which is different from the current treatment.

All other investments classified as available for sale investments amounting to KD34,964 thousand are carried at fair value and included under note 18 to the consolidated financial statements. These investments do not qualify to classify as measured at amortized cost or as FVTOCI under IFRS 9. Accordingly, these investments will be classified as measured at FVTPL under IFRS 9, which is different from the current treatment. This will affect the amounts recognized in the Group's fair value reserve and retained earnings and as such there will be no material impact on equity due to changes in these classification.

The Group intends to continue same classification for investments at fair value through profit or loss under IFRS 9.

- There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments – Impairment (continued)

Impairment:

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, instalment credit loans and trade receivables, due from related parties either on a 12-month or lifetime basis. Instalment credit debtors are subject to the minimum provisioning requirements of the Central Bank of Kuwait. Management believes that the impairment allowance for the instalment credit debtors under the CBK requirements exceed the requirements of IFRS 9.

The Group expects to apply simplified approach to impairment for accounts receivable and due from related parties as required or permitted under the standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 “Revenues”, IAS 11 “Construction Contract” and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
 - non-cash consideration and asset exchanges
 - contract costs
 - rights of return and other customer options
 - supplier repurchase options
 - warranties
 - principal versus agent
 - licencing
 - breakage
 - non-refundable upfront fees, and
 - consignment and bill-and-hold arrangements.

The Group has assessed the impact of IFRS 15. Based on the assessment, adoption of IFRS 15 is not expected to have any material effect on the Group’s consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRIC 23 Uncertainty over income tax treatments

The Interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specified item of income in a tax return is an uncertain treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

5 Summary of significant accounting policies

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

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interests
- 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
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5.1.1 Structured entities

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 Revenue recognition

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates and trade discounts.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised;

5.3.1 Rendering of services

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.3 Revenue recognition (continued)

Fee income from providing transaction services

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

5.3.2 Interest income

Interest income is reported on an accrual basis using the effective interest method.

5.3.3 Dividend income

Dividend income, other than those from investment in associates, are recognised at the time the right to receive payment is established.

5.3.4 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

5.3.5 Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the real estate to the purchaser and the amount of revenue can be reliably measured.

5.4 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.5 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.6 Taxation

5.6.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.6.2 National Labour Support Tax (NLST)

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Taxation (continued)

5.6.3 Zakat

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

5.6.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.7 Investment in associate

Associate is an entity over which the Group is able to exert significant influence but which is neither subsidiary nor joint venture. Investment in associate is initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associate.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its' associate are eliminated to the extent of the Group's interest in the entity. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associate and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8 Investment in joint venture

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities required unanimous consent of parties sharing control. A joint venture is a joint arrangement which by the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures as an investment and accounts for it using the equity method.

5.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs, subsequently, investment properties are accounted for using the cost model whereby these investment properties are stated at cost less accumulated depreciation and impairment losses, if any. The Group depreciates its investment property except land on the straight-line method over their expected useful lives range of over 30-45 years for properties held outside Kuwait.

Investment properties are de-recognised 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. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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

5.10 Equipment

Vehicles and other equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Vehicles and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of vehicles and other equipment.

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 arising from items of equipment.

The following useful lives are applied:

- Office equipment and software: 3 to 5 years
- Vehicles: 3 to 4 years
- Furniture and fixtures: 7 to 10 years
- Decorations: 7 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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 recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Financial instruments

5.11.1 Recognition, initial measurement and derecognition

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

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

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

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

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

5.11.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.2 Classification and subsequent measurement of financial assets (continued)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All material income and expenses relating to financial assets that are recognised in the consolidated statement of profit or loss are presented within interest & other income or under a separate heading in the consolidated statement of profit or loss.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The Group categorises loans and receivables into following categories:

- ***Loans and advances***

Loans and advances are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- ***Accounts receivable and other assets***

Receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- ***Cash and cash equivalents***

Cash and cash equivalents comprise cash and bank balances, together with time deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- ***Financial assets at FVTPL***

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.2 Classification and subsequent measurement of financial assets (continued)

- *Financial assets at FVTPL (continued)*

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

- *AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in the consolidated statement of profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in the consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to the consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a Group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in the consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.11.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, accounts payable and other liabilities, bonds and derivatives financial instruments.

The subsequent measurement of financial liabilities depends on their classification as follows:

Accounts payable and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Borrowings

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.3 Classification and subsequent measurement of financial liabilities (continued)

Murabaha payables

Murabaha payables represent amount payable on deferred settlement basis for assets purchases under murabaha arrangements. Murabaha payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Bonds

Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTSI.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in consolidated statement of profit or loss, are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTSI except for derivatives designated as hedging instruments in cash flow hedge relationships or fair value hedge relationship, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in consolidated statement of profit or loss.

At the time the hedged item affects consolidated statement of profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

All derivative financial instruments are recognised in the consolidated statement of financial position as either assets (positive fair values) or liabilities (negative fair values).

Derivative financial instruments used by the Group include foreign exchange forwards contracts.

Note 33 sets out details of the fair values of the derivative instruments.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.13 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.14 Offsetting of financial instruments

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

5.15 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 35.

5.16 Equity, reserves and dividend payments

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.16 Equity, reserves and dividend payments (continued)

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwait Dinars.
- Change in fair value reserve – comprises gains and losses relating to available for sale financial assets.

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent Company are recorded separately within equity.

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

5.17 Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the Group. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.18 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.19 Foreign currency translation

5.19.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.19 Foreign currency translation (continued)

5.19.2 Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to the consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.20 End of service indemnity

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

In addition to the end of service benefits with respect to its Kuwaiti national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.21 Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in these consolidated financial statements.

5.22 Segment reporting

The Group has two operating segments: the asset management and investment banking. In identifying these operating segments, management generally follows the Group's service lines representing its main services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

6 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimations and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments, the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

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

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.3 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.1 *Impairment of associate and joint venture*

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

6.2.2 *Impairment of available for sale equity investments*

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.3 *Impairment of receivables*

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

6.2.4 *Impairment of loans to customers*

An estimate of the collectible amount of loans to customers is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

6.2.5 *Useful lives of depreciable assets*

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

6.2.6 *Fair value of financial instruments*

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (refer note 35).

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2017 %	31 Dec. 2016 %	
Mar-Gulf Management Inc.	USA	100.00	100.00	Assets management
Markaz First Management and Economic Consultancy Company – KSCC	Kuwait	95.00	95.00	Economic consultancy
Markaz Fixed Income Fund (note 7.1.1)	Kuwait	78.21	73.66	Investment Fund
Markaz Mena Islamic Fund (note 7.1.2)	Kuwait	100.00	75.00	Investment Fund
Mawazeen International Fund (note 7.1.4)	Kuwait	-	58.95	Investment Fund
MDI Holding Limited (note 7.1.4)	Cayman Islands	-	66.66	Property management
MDI Management Limited	Cayman Islands	66.66	66.66	Property management
MDI Ventures Ltd	Cayman Islands	50.00	50.00	Property management
Markaz Offshore I Ltd.	Cayman Islands	100.00	100.00	Investment
Marmore Mena Intelligence Private Limited	India	98.73	98.73	Consultancy
Aradi Development Limited	Cayman Islands	96.89	96.89	Real Estate
Markaz Real Estate Investment Company WLL	KSA	100.00	100.00	Real Estate
Rimal Venture Company WLL	Bahrain	100.00	100.00	Assets management
Markaz Arabian Fund (note 7.1.1)	Bahrain	58.92	58.17	Investment Fund
Arab Gulf Real Estate Development Company WLL	Kuwait	99.85	99.85	Real Estate
Bay View Real Estate Company WLL	Kuwait	99.85	99.85	Real Estate
Boardwalk International Real Estate Company WLL	Kuwait	99.85	99.85	Real Estate
Al Rihab Real Estate Development Company WLL	Kuwait	99.85	99.85	Real Estate
Al Bandriya Real Estate Company WLL	Kuwait	99.85	99.85	Real Estate
Sand Park Real Estate Co. SPC (note 7.1.3)	Kuwait	100.00	-	Real Estate

7.1.1 The ownership of Markaz Fixed Income Fund increased by 4.55% and Markaz Arabian Fund increased by 0.75% due to changes in units held by non-controlling interest holders as a result of addition and redemption of the fund's units. These changes in the ownership resulted in a net loss of KD253 thousand which was included in the consolidated statement of changes in equity.

7.1.2 On 19 July 2017 one of the unit holders of Markaz Mena Islamic Fund ("the Fund") redeemed their entire unit holding in the Fund representing 25% of the Fund's total outstanding units, resulting in the increase in the Parent Company's ("Fund Manager") holding to 100% of the Fund's outstanding units. This is in accordance with the Fund's Articles of Association.

7.1.3 During the year, the Group has incorporated this subsidiary.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.1.4 Liquidation of subsidiaries

During the year, the Group has liquidated its 58.95% owned subsidiary fund “Mawazeen International Fund”. The Parent Company received a total consideration of KD3,268 thousand from the liquidation and the resulting gain of KD43 thousand was recognised in the consolidated statement of profit or loss for the year.

The details of the share of proceeds from the liquidation of subsidiary fund are as follows:

	KD '000
Investments at fair value through profit or loss	4,992
Cash and cash equivalents	478
Accounts payable and other liabilities	(4)
Net assets value at the date of liquidation	<u>5,466</u>
Net assets value attributable to the non-controlling interests	<u>(2,241)</u>
Net assets value attributable to owners of the Parent Company	<u>3,225</u>
Total consideration received (excluding cash and cash equivalents)	5,066
Add: cash and cash equivalents	478
Total consideration received (including cash and cash equivalents)	<u>5,544</u>
Total consideration received (including cash and cash equivalents) attributable to the owners of the Parent Company	<u>3,268</u>

Gain recognised by the Group from the liquidation proceeds is as follows:

	KD '000
Total consideration received	3,268
Net assets value at the date of liquidation	<u>(3,225)</u>
Gain on liquidation of subsidiary	<u>43</u>

Further during the year, the Group has also liquidated its 66.66% owned subsidiary “MDI Holding Limited”. The resulted gain of KD5 thousand was recognised in the consolidated statement of profit or loss for the year.

7.2 Subsidiaries with material non-controlling interests

The Group includes four subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		(Loss)/profit allocated to NCI		Accumulated NCI	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	%	%	KD '000	KD '000	KD '000	KD '000
Arab Gulf Real Estate Development Company WLL	0.15	0.15	(157)	(63)	3,424	2,290
Bay View Real Estate Company WLL	0.15	0.15	(36)	(200)	4,920	4,487
Markaz Arabian Fund	41.08	41.83	65	(20)	4,101	4,230
Al Rihab Real Estate Development Company WLL	0.15	0.15	(78)	(30)	3,906	2,160
Individually immaterial subsidiaries with non controlling interests			(245)	101	4,513	8,833
			<u>(451)</u>	<u>(212)</u>	<u>20,864</u>	<u>22,000</u>

KD34 thousand dividend was paid to the NCI during the year (31 December 2016: Nil).

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for Arab Gulf Real Estate Development Company WLL, before intra Group eliminations, is set out below:

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Non-current assets	9,667	5,625
Current assets	1,004	1,438
Total assets	10,671	7,063
Liabilities	(3,459)	(2,099)
Total liabilities	(3,459)	(2,099)
Equity attributable to the owners of the Parent Company	3,788	2,755
Non-controlling interests	3,424	2,209
Total equity	7,212	4,964
	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Revenue	-	-
Loss for the year attributable to the owners of the Parent Company	(166)	(67)
Loss for the year attributable to NCI	(157)	(63)
Loss for the year	(323)	(130)
Total other comprehensive income	86	42
Total comprehensive loss for the year	(237)	(88)
Total comprehensive loss for the year attributable to the owners of the Parent Company	(122)	(45)
Total comprehensive loss for the year attributable to NCI	(115)	(43)
Total comprehensive loss for the year	(237)	(88)
	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Net cash from/(used in) operating activities	1,368	(910)
Net cash used in investing activities	(4,391)	(1,453)
Net cash from financing activities	3,007	2,216
Net cash outflow	(16)	(147)

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for Bay View Real Estate Company WLL, before intra Group eliminations, is set out below:

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Non-current assets	11,956	6,441
Current assets	1,072	2,069
Total assets	13,028	8,510
Liabilities	(5,746)	(1,734)
Total liabilities	(5,746)	(1,734)
Equity attributable to the owners of the Parent Company	2,362	2,289
Non-controlling interests	4,920	4,487
Total equity	7,282	6,776
	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Revenue	-	-
Loss for the year attributable to the owners of the Parent Company	(16)	(88)
Loss for the year attributable to NCI	(36)	(200)
Loss for the year	(52)	(288)
Total other comprehensive (loss)/income	(120)	67
Total comprehensive loss for the year	(172)	(221)
Total comprehensive loss for the year attributable to the owners of the parent company	(53)	(68)
Total comprehensive loss for the year attributable to NCI	(119)	(153)
Total comprehensive loss for the year	(172)	(221)
	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Net cash from/(used in) operating activities	228	(1,100)
Net cash used in investing activities	(4,445)	(1,055)
Net cash from financing activities	4,752	3,131
Net cash inflow	535	976

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for Markaz Arabian Fund, before intra Group eliminations, is set out below:

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Current assets	10,035	10,218
Total assets	10,035	10,218
Liabilities	(53)	(107)
Total liabilities	(53)	(107)
Equity attributable to the owners of the Parent Company	5,881	5,881
Non-controlling interests	4,101	4,230
Total equity	9,982	10,111
	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Revenue	384	197
Profit/(loss) for the year attributable to the owners of the Parent Company	92	(28)
Profit/(loss) for the year attributable to NCI	65	(20)
Profit/(loss) for the year	157	(48)
Total other comprehensive income/(loss)	38	(21)
Total comprehensive income/(loss) for the year	195	(69)
Total comprehensive income/(loss) for the year attributable to the owners of the Parent Company	115	(40)
Total comprehensive income/(loss) for the year attributable to NCI	80	(29)
Total comprehensive income/(loss) for the year	195	(69)
	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Net cash from operating activities	439	3,136
Net cash used in financing activities	(129)	(677)
Net cash inflow	310	2,459

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for Al Rihab Real Estate Development Company WLL, before intra Group eliminations, is set out below:

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Non-current assets	8,500	4,879
Current assets	674	709
Total assets	9,174	5,588
Liabilities	(233)	(308)
Total liabilities	(233)	(308)
Equity attributable to the owners of the Parent Company	5,035	3,120
Non-controlling interests	3,906	2,160
Total equity	8,941	5,280
	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Revenue	-	-
Loss for the year attributable to the owners of the Parent Company	(106)	(42)
Loss for the year attributable to NCI	(78)	(30)
Loss for the year	(184)	(72)
Total other comprehensive loss	(98)	-
Total comprehensive loss for the year	(282)	(72)
Total comprehensive loss for the year attributable to the owners of the Parent Company	(161)	(42)
Total comprehensive loss for the year attributable to NCI	(121)	(30)
Total comprehensive loss for the year	(282)	(72)
	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Net cash (used in)/from operating activities	(390)	3
Net cash used in investing activities	(3,623)	(4,876)
Net cash from financing activities	4,111	5,191
Net cash inflow	98	318

Notes to the consolidated financial statements (continued)

8 Interest income

	Year ended 31 Dec. 2017 KD '000	Year ended 31 Dec. 2016 KD '000
Time deposits	33	92
Investments at fair value through profit or loss	35	111
Available for sale investments	463	437
Loans to customers	17	16
Other	174	15
	722	671

9 Management fees and commission

Management fees and commission relate to income arising from the Group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory services.

10 Gain from investments at fair value through profit or loss

	Year ended 31 Dec. 2017 KD '000	Year ended 31 Dec. 2016 KD '000
Change in fair value of investments at fair value through profit or loss	2,410	1,264
Gain /(loss) on sale of investments at fair value through profit or loss	930	(642)
	3,340	622

11 General and administrative expenses

	Year ended 31 Dec. 2017 KD '000	Year ended 31 Dec. 2016 KD '000
Staff costs	5,184	4,687
Depreciation	388	340
Other expenses	2,701	2,730
	8,273	7,757

12 Finance costs

	Year ended 31 Dec. 2017 KD '000	Year ended 31 Dec. 2016 KD '000
Bonds issued	1,243	1,045
Bank borrowings	259	213
	1,502	1,258

Notes to the consolidated financial statements (continued)

13 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share attributable to the owners of the Parent Company is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year.

	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
Profit for the year attributable to the owners of the Parent Company (KD '000)	4,428	4,030
Weighted average number of shares outstanding during the year	480,801,747	480,801,747
Basic and diluted earnings per share attributable to the owners of the Parent Company	9 Fils	8 Fils

14 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following accounts:

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Cash and bank balances	7,622	12,237
Time deposits with banks	1,430	9,857
	9,052	22,094
Less: Time deposits maturing after three months	(826)	(857)
Cash and cash equivalent for the purpose of consolidated statement of cash flows	8,226	21,237

The Group's time deposits carry an average effective interest rate of 0.81% (31 December 2016: 1.25%) per annum.

15 Investments at fair value through profit or loss

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Trading :		
Local quoted securities	2,903	1,909
Foreign quoted securities	23,763	15,389
	26,666	17,298
Designated on initial recognition:		
Local managed funds	22,071	20,244
Foreign quoted securities	-	9,180
Fixed income securities	761	1,311
	22,832	30,735
	49,498	48,033

Notes to the consolidated financial statements (continued)

15 Investments at fair value through profit or loss (continued)

The interest rates on fixed income securities range from 7.00% to 9.00% (31 December 2016: 6.50% to 9.00%) per annum.

16 Accounts receivable and other assets

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Management fees and commission receivable	1,196	1,109
Prepayments	507	462
Advance payments	1,775	2,781
Due from a related party (refer note 29)	2,118	-
Interest receivable	77	92
Other receivables	1,458	873
	7,131	5,317

17 Loans to customers

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Personal loans	761	743
Provision for credit losses	(489)	(490)
	272	253

The maturity profile of loans to customers is as follows:

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Between one month and six months	3	4
Between six months and one year	3	12
Over one year	269	239
Non-performing loans	486	488
	761	743

Provision for credit losses is made in accordance with Central Bank of Kuwait requirements including general provision on the balance of regular facilities for which no specific provisions are made. The total non-performing loans which have been fully provided amounts to KD486 thousand (31 December 2016: KD488 thousand).

The interest rate on personal loans ranged from 2.00% to 6.50% (2016: 2.00% to 6.50%) per annum. All loans are denominated in KD or US Dollars.

Notes to the consolidated financial statements (continued)

18 Available for sale investments

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Quoted securities	4,362	4,973
Unquoted securities	1,305	1,518
Managed funds	25,129	18,872
Equity participation	13,634	11,050
Debt instruments (a)	5,412	5,457
	49,842	41,870

- a) Investment in debt instrument amounting to KD432 thousand (31 December 2016: KD446 thousand) are secured by charges over real estate properties and carry average interest rate of 7.25% (31 December 2016: 7.25%) per annum.

Debt instruments include investment in sukuk amounting to KD4,974 thousand (31 December 2016: KD4,985 thousand) carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2016: 2% above Central Bank of Kuwait discount rate) per annum.

- b) During the year, the Group recognised an impairment loss of KD299 thousand (31 December 2016: KD171 thousand) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

19 Investment in associate and joint venture

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Investment in associate (refer note 19.1)	1,904	2,041
Investment in joint venture (refer note 19.2)	1,327	961
	3,231	3,002

19.1 The details of the Group's investment in associate are as follows:

Company name	Principal Activities	Place of incorporation	31 Dec.	31 Dec.	31 Dec.	31 Dec.
			2017 %	2016 %	2017 KD'000	2016 KD'000
First Equilease for Equipment and Transportation Company-KSCC (Unquoted)	Transportation and Renting	Kuwait	17.24	17.24	1,904	2,041
					1,904	2,041

The movement of investment in associate during the year is as follows:

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Carrying value at the beginning of the year	2,041	2,267
Share of results of associate	(128)	(145)
Share of other comprehensive (loss)/income	(9)	5
Dividend received	-	(86)
	1,904	2,041

Notes to the consolidated financial statements (continued)

19 Investment in associate and joint venture (continued)

19.2 The details of the Group's investment in joint venture are as follows:

Company name	Principal Activities	Place of incorporation	31 Dec.	31 Dec.	31 Dec.	31 Dec.
			2017	2016	2017	2016
			%	%	KD'000	KD'000
MZES Gayrimenkul Alim Satim Company (Unquoted)	Real Estate	Turkey	50	50	1,327	961
					1,327	961

The movement of investment in joint venture during the year is as follows:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Carrying value at the beginning of the year	961	823
Additions during the year	401	144
Share of results of joint venture	(25)	(6)
Share of other comprehensive loss	(10)	-
	1,327	961

19.3 Summarised financial information of Group's associate and joint venture are set out below:

	First Equilease		MZES	
	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Non-current assets	1,590	2,458	2,488	1,814
Current assets	9,916	10,070	181	122
Non-current liabilities	(45)	(44)	-	-
Current liabilities	(180)	(287)	(15)	(14)
Non-controlling interests	(239)	(358)	-	-
Equity attributable to the owners of the Parent Company	11,042	11,839	2,654	1,922
	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Revenue	752	1,133	-	-
Loss for the year	(742)	(844)	(50)	(12)
Other comprehensive (loss)/income for the year	(52)	30	(20)	-

Notes to the consolidated financial statements (continued)

19 Investment in associate and joint venture (continued)

Reconciliation of the above summarised financial information of the associate and joint ventures with the carrying amount in the consolidated statement of financial position is given below:

	First Equilease		MZES	
	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Net assets of the associate and joint venture	11,042	11,839	2,654	1,922
Group's ownership interest (%)	17.24	17.24	50	50
Group's share of net assets	1,904	2,041	1,327	961
Carrying amount	1,904	2,041	1,327	961

The Group has accounted for its share of results of joint venture using management accounts as at 31 December 2017.

The above associate and joint venture are private companies therefore quoted market prices are not available.

20 Investment properties

The movement in investment properties is as follows:

	Lands KD'000	Projects under development KD'000	Buildings KD'000	Total KD'000
31 December 2017				
Cost				
At 1 January 2017	17,817	4,965	13,259	36,041
Additions*	-	13,731	331	14,062
Disposals	-	-	(1,833)	(1,833)
Impairment	(380)	-	(613)	(993)
Foreign currency adjustment	(402)	-	(122)	(524)
At 31 December 2017	17,035	18,696	11,022	46,753
Accumulated depreciation				
At 1 January 2017	-	-	(296)	(296)
Charge for the year	-	-	(156)	(156)
Relating to disposals	-	-	149	149
At 31 December 2017	-	-	(303)	(303)
Net book value				
At 31 December 2017	17,035	18,696	10,719	46,450

Notes to the consolidated financial statements (continued)

20 Investment properties (continued)

	Lands KD'000	Projects under development KD'000	Buildings KD'000	Total KD'000
31 December 2016				
Cost				
At 1 January 2016	19,881	6,952	2,474	29,307
Additions*	-	7,727	34	7,761
Transfer to building	(1,414)	(9,598)	11,012	-
Disposals	(540)	-	(279)	(819)
Impairment	(451)	-	-	(451)
Foreign currency adjustment	341	(116)	18	243
At 31 December 2016	17,817	4,965	13,259	36,041
Accumulated depreciation				
At 1 January 2016	-	-	(140)	(140)
Charge for the year	-	-	(179)	(179)
Relating to disposals	-	-	23	23
At 31 December 2016	-	-	(296)	(296)
Net book value				
At 31 December 2016	17,817	4,965	12,963	35,745

At 31 December 2017, the fair value of the investment properties is KD48,979 thousand (31 December 2016: KD39,688 thousand). Investment properties were revalued by independent evaluators using market comparable approach that reflects recent transaction prices for similar properties and is therefore classified under level 2. In estimating the fair value of investment properties, the highest and best use is their current use. There has been no change to the valuation technique during the year.

During the year, the Group recognised an impairment loss of KD993 thousand (31 December 2016: KD451 thousand) in respect of certain investment properties.

The Group sold certain investment properties in USA for aggregated sale consideration of KD1,279 thousand (31 December 2016: KD1,286 thousand) and realizing a loss of KD405 thousand (31 December 2016: gain of KD 490 thousand).

*During the year borrowing cost of KD336 thousand (2016: KD165 thousand) has been capitalised to investment properties under development.

The Groups investment properties are located as below:

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
North America	392	2,093
GCC	46,058	33,652
	46,450	35,745

Notes to the consolidated financial statements (continued)

21 Accounts payable and other liabilities

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Accrued expenses	2,405	2,439
Post-employment benefits	2,875	2,293
Dividend payable	362	410
Payable to contractors	2,787	1,474
Other liabilities	1,880	1,711
	10,309	8,327

22 Bank borrowings

This represents following bank borrowings:

- a. Unsecured loan facilities amounting to KD24,922 thousand obtained from local commercial banks carry interest rate ranging from 1.50% to 2.50% above Central Bank of Kuwait discount rate. Outstanding balance of this loan as at 31 December 2017 amounted to KD4,128 thousand (31 December 2016: KD1,747 thousand).
- b. Murabaha facility was obtained from a local Islamic bank amounting to KD5,958 thousand (31 December 2016: KD4,979 thousand) with a profit rate of 1.5% above Central Bank of Kuwait discount rate and matured in January 2018 and further rolled over till July 2018.
- c. An unsecured loan facility was obtained from a foreign commercial bank amounting to AED151,350 thousand equivalent to KD12,436 thousand and carries an interest rate of 3.25% to 3.50% above 3 month EIBOR. Outstanding balance of this loan as at 31 December 2017 amounted to AED68,577 thousand equivalent to KD5,635 thousand. (31 December 2016 AED17,017 thousand equivalents to KD1,420 thousand).
- d. An unsecured credit facility amounting to USD 10 million was obtained from a foreign commercial bank which carries an interest rate of 2.88% per annum. Outstanding balance of this loan as at 31 December 2017 amounted to USD5,950 thousand equivalent to KD1,795 thousand.

23 Bonds issued

On 26 December 2016, the Parent Company issued unsecured debenture bonds in the principle amount of KD25,000 thousand as follows:

- KD13,550 thousand with a fixed rate of 5% payable quarterly in arrears maturing on 26 December 2021.
- KD11,450 thousand with variable rate of 2.25%, above Central Bank of Kuwait Discount rate, which is payable quarterly in arrears maturing on 26 December 2021.

24 Share capital

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Authorised: 480,801,747 shares of 100 Kuwaiti Fils each	48,080	48,080
Issued and fully paid: 480,801,747 shares of 100 Kuwaiti Fils each	48,080	48,080

Notes to the consolidated financial statements (continued)

25 Share premium

Share premium is not available for distribution.

26 Reserves

The Companies Law and the Parent Company's Articles of Association require 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the statutory reserve. The shareholders of the Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

According to the Parent Company's Articles of Association and the Companies Law, 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

27 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2017	4,141	896	5,037
Available for sale investments :			
- Net change in fair value arising during the year	769	-	769
- Transferred to consolidated statement of profit or loss on redemption/sale	(2,732)	-	(2,732)
- Transferred to consolidated statement of profit or loss on impairment	299	-	299
Exchange differences arising on translation of foreign operations	-	(464)	(464)
Share of other comprehensive loss of associate and joint venture	-	(19)	(19)
Total other comprehensive loss	(1,664)	(483)	(2,147)
Balance at 31 December 2017	2,477	413	2,890
Balance at 1 January 2016	6,988	737	7,725
Available for sale investments :			
- Net change in fair value arising during the year	(687)	-	(687)
- Transferred to consolidated statement of profit or loss on redemption/sale	(2,331)	-	(2,331)
- Transferred to consolidated statement of profit or loss on impairment	171	-	171
Exchange differences arising on translation of foreign operations	-	154	154
Share of other comprehensive income of associate	-	5	5
Total other comprehensive (loss)/income	(2,847)	159	(2,688)
Balance at 31 December 2016	4,141	896	5,037

Notes to the consolidated financial statements (continued)

28 Proposed dividends and Annual General Assembly

The Board of Directors of the Parent Company has proposed a cash dividend of 7 Fils per share amounting to KD3,366 thousand for the year ended 31 December 2017. The proposed dividend is subject to the approval of the shareholders at the Parent Company's Annual General Assembly

The Annual General Assembly of the shareholders held on 19 April 2017 approved cash dividend of 6 Fils per share amounting to KD2,885 thousand. Dividends were paid after the Annual General Assembly of the shareholders.

The Annual General Assembly of the Shareholders held on 9 May 2016 approved cash dividend of 5 Fils per share amounting to KD2,404 thousand for the year ended 31 December 2015 through utilization an amount of KD813 thousand from the retained earnings and an amount of KD1,591 thousand from the voluntary reserve as of 31 December 2015. Dividends were paid after the General Assembly of the shareholders.

The Extraordinary General Assembly Meeting of the Shareholders ("EGAM") held on the same date approved the reduction of share capital by KD5,050 thousand by cancellation of 50,498,253 treasury shares at nominal value of 100 Fils each. The loss on cancellation of treasury shares amounting to KD11,292 thousand was first adjusted against treasury shares reserve amounting to KD7,973 thousand and the balance amount of KD3,319 thousand adjusted against retained earnings.

29 Related party transactions

Related parties represent associate, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entities entered into the following transactions with related parties.

	31 Dec. 2017	31 Dec. 2016
	KD '000	KD '000
Transactions included in the consolidated statement of profit or loss:		
Interest income on loans to customers	4	5
Management fees and commission	4,653	4,874
<hr/>		
Key management compensation:		
Salaries and other short term benefits	771	745
End of service benefits	184	93
Audit committee fees	15	15
Board of Directors' remuneration	105	165
	1,075	1,018
<hr/>		

	31 Dec. 2017	31 Dec. 2016
	KD '000	KD '000
Balances included in the consolidated statement of financial position:		
Loans to customers	32	93
Accounts receivable and other assets	723	528
Due from a related party*	2,118	-
Accounts payable and other liabilities	1,514	1,313

* This represents a secured short term advance payment given to a related party with an interest rate of 6% per annum.

Notes to the consolidated financial statements (continued)

30 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Group's profit or loss.

The revenues and profits generated by the Group from business segments are summarised as follows:

- a) Asset management
- GCC and MENA investments
 - International investments
 - Private equity
 - Real Estate
- b) Investment banking
- Corporate finance & advisory
 - Oil and gas
 - Treasury
 - Loans
 - Structured finance and derivatives

	Asset Management		Investment Banking		Total	
	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Segment revenue	13,759	11,426	1,640	2,500	15,399	13,926
Segment result	4,216	3,313	96	802	4,312	4,115
Provisions for KFAS, NLST, Zakat and Board of Directors' remuneration	(321)	(246)	(14)	(51)	(335)	(297)
Profit for the year	3,895	3,067	82	751	3,977	3,818
Total assets	142,102	126,741	24,005	30,007	166,107	156,748
Total liabilities	42,953	32,684	9,872	8,789	52,825	41,473
Interest income	145	111	577	560	722	671
Finance costs	(1,342)	(1,019)	(160)	(239)	(1,502)	(1,258)
Depreciation	(261)	(236)	(127)	(104)	(388)	(340)
Impairment of available for sale investments	(241)	(163)	(58)	(8)	(299)	(171)
Purchase of equipment	(60)	(215)	(301)	(92)	(361)	(307)
Addition to investment properties	(14,062)	(7,761)	-	-	(14,062)	(7,761)

Segment income above represents income generated from external customers. There was no inter-segment income during the year and previous year.

For the purposes of monitoring segment performance and allocating resources between segments:

- There are no assets used jointly by any reportable segment.
- There are no liabilities for which any segment is jointly liable

Notes to the consolidated financial statements (continued)

31 Fiduciary accounts

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2017 amounted to KD1,026,984 thousand (31 December 2016: KD934,787 thousand). The Group earned management fee of KD6,237 thousand (31 December 2016: KD6,346 thousand) from the asset management activities.

32 Commitments

	31 Dec. 2017 KD '000	31 Dec. 2016 KD '000
Commitments for purchase of investments	4,018	3,978
Commitments for investment properties	16,606	30,343
Letters of guarantee	-	11
	20,624	34,332

33 Derivative financial instruments

The contractual amounts of out-standing derivative instruments together with the fair value are as follows:

	31 Dec. 2017		31 Dec. 2016	
	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000
<i>Held for trading:</i>				
Forward foreign exchange contracts	10,903	17	7,656	(52)

34 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risks (including foreign currency risk, profit and interest rate risk, and equity price risk), credit risk and liquidity risk.

The Board of Directors of the Parent Company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The Group's risk management is carried out by the central risk management function and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Group is exposed to are described below.

34.1 Market risk

a) Foreign currency

The Group mainly operates in the GCC, USA and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Saudi Riyals and others. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

a) Foreign currency risk management (continued)

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
US Dollar	28,695	30,629
Saudi Riyals	5,320	5,374
Others	1,564	805

Foreign currency sensitivity is determined based on 2% (31 December 2016: 2%) increase or decrease in exchange rate. These has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit for the year.

	31 Dec. 2017		31 Dec. 2016	
	+ 2% KD'000	- 2% KD'000	+ 2% KD'000	- 2% KD'000
Profit or the year	712	(712)	736	(736)

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

b) Interest and profit rate risk

Interest and profit rate risk arises from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest and profit rate risk principally on its deposits, investments, bonds and borrowings which carry interest and profit at commercial rates. However, a reasonable possible change in interest rates would not have a significant impact on the Group's consolidated financial statements. The Board has established levels of interest and profit rate risk by setting limits on the interest and profit rate gaps for stipulated periods.

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, USA, and GCC. Equity investments are classified either as "investments at fair value through profit or loss" or "available for sale investments".

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the Group. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 2% higher/lower, the effect on the profit for the year and equity would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Investments at fair value through profit or loss	±533	±343	-	-
Available for sale investments	-	-	±87	±99

The Group's sensitivity to price risk in regards to its unquoted investments cannot be reliably determined due to numerous uncertainties and non-available of reliable information to determine future price of such investments.

34.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.2 Credit risk (continued)

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Bank balances	7,620	12,235
Time deposits	1,430	9,857
Accounts receivable and other assets (excluding prepayment and advance payments)	4,849	2,074
Investments at fair value through profit or loss	22,832	21,555
Loans to customers	272	253
Available for sale investments	30,541	24,329
	67,544	70,303

Except for loans to customers referred to in note 17 and available for sale investments referred to in note 18, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balance and term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 34.3.

34.3 Concentration of assets

The Group operates in different geographical areas. The distribution of financial assets by geographic region is as follows:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Kuwait	49,494	53,239
North America	4,489	7,492
GCC	2,484	6,619
Europe	10,272	2,725
Others	805	228
	67,544	70,303

34.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.4 Liquidity risk (continued)

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Upto 1 month KD'000	Upto 1-3 months KD'000	3-12 months KD'000	1 to 5 years KD'000	Total KD'000	Weighted average effective interest rate %
31 December 2017						
Financial liabilities						
Accounts payable and other liabilities	2,717	1,681	3,036	-	7,434	
Bank borrowings	9,754	240	2,312	5,890	18,196	2.9% to 5.3%
Bonds issued	-	313	938	28,750	30,001	5%
	12,471	2,234	6,286	34,640	55,631	
31 December 2016						
Financial liabilities						
Accounts payable and other liabilities	1,489	1,331	2,496	718	6,034	
Bank borrowings	4,987	37	113	3,306	8,443	4% to 5%
Bonds issued	-	305	916	31,107	32,328	4.75% to 5%
	6,476	1,673	3,525	35,131	46,805	

Maturity profile of assets and liabilities at 31 December 2017:

	Within 1 year KD'000	Over 1 year KD'000	Total KD'000
Assets			
Cash and bank balances	7,622	-	7,622
Time deposits	1,430	-	1,430
Investments at fair value through profit or loss	49,498	-	49,498
Accounts receivable and other assets	6,933	198	7,131
Loans to customers	5	267	272
Available for sale investments	4,974	44,868	49,842
Investment in associate and joint venture	-	3,231	3,231
Investment properties	-	46,450	46,450
Equipment	-	631	631
	70,462	95,645	166,107
Liabilities			
Accounts payable and other liabilities	7,434	2,875	10,309
Bank borrowings	11,943	5,573	17,516
Bonds issued	-	25,000	25,000
	19,377	33,448	52,825

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.4 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2016:

	Within 1 year KD'000	Over 1 year KD'000	Total KD'000
Assets			
Cash and bank balances	12,237	-	12,237
Time deposits	9,857	-	9,857
Investments at fair value through profit or loss	48,033	-	48,033
Accounts receivable and other assets	3,766	1,551	5,317
Loans to customers	16	237	253
Available for sale investments	-	41,870	41,870
Investment in associate and joint venture	-	3,002	3,002
Investment properties	-	35,745	35,745
Equipment	-	434	434
	73,909	82,839	156,748
Liabilities			
Accounts payable and other liabilities	5,316	3,011	8,327
Bank borrowings	4,979	3,167	8,146
Bonds issued	-	25,000	25,000
	10,295	31,178	41,473

34.5 Structured entities (Special Purpose Vehicle)

The Group has created certain Special Purpose Vehicles (SPVs) for the Group's asset management activities. These SPVs are used to raise funds from the Group's clients on the basis of product offering documents with eventual objectives of investments in specified asset classes as defined in the offering documents of the SPVs. These SPVs are managed on a fiduciary basis by the Group's asset management teams and as the Group does not control these SPVs as at the reporting date in accordance with the definition of control in IFRS 10, these SPVs are not consolidated into the Group's consolidated financial statements.

The Group's investments in SPV are subject to the terms and conditions of the respective SPV's offering documentation and, are susceptible to market price risk arising from uncertainties about future values of SPV's underlying assets.

The exposure to investments in SPVs at fair value, by strategy employed, is disclosed in the following table.

These investments are included in available for sale investments in the statement of consolidated financial position.

Funding Strategy	Type of activities	Number of SPVs	Fair value of Group's investment SPVs	% of Net asset attributable to Group
Equity	Investment in real estate	9	8,026	27.25%

The Group's interest in terms of units held in these SPV's are included in available for sale investments amounting to KD8,026 thousand (2016: KD2,489 thousand). The Group earned management fees amounting to KD 270 thousand (2016: KD168 thousand) from these SPV's and are included in management fees income.

Notes to the consolidated financial statements (continued)

35 Fair value measurement and summary of financial assets & liabilities by category

35.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Financial assets:		
<i>Loans and receivables at amortised cost:</i>		
- Cash and cash equivalents	9,052	22,094
- Accounts receivable and other assets (excluding prepayment and advance payments)	4,832	2,074
- Loans to customers	272	253
<i>Investments at fair value through profit or loss:</i>		
-At fair value	49,498	47,688
-At cost	-	345
<i>Available for sale investments:</i>		
- At fair value	49,842	41,870
<i>Derivative financial instruments</i>		
- At fair value	17	-
Total financial assets	113,513	114,324
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
- Accounts payable and other liabilities	10,309	8,275
- Bank borrowings	17,516	8,146
-Bonds issued	25,000	25,000
<i>Derivative financial instruments</i>		
- At fair value	-	52
Total financial liabilities	52,825	41,473

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values.

35.2 Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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

Notes to the consolidated financial statements (continued)

35 Fair value measurement and summary of financial assets & liabilities by category (continued)

35.2 Fair value hierarchy (continued)

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

31 December 2017

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through profit or loss				
Quoted securities	26,666	-	-	26,666
Managed funds-GCC	-	22,071	-	22,071
Fixed income securities	761	-	-	761
	27,427	22,071	-	49,498
Derivative				
Forward foreign currency contracts held for trading	-	17	-	17
Available for sale investments				
Quoted securities	4,362	-	-	4,362
Managed funds				
- GCC	-	14,427	-	14,427
- Others	-	10,702	-	10,702
Debt instruments	-	-	5,412	5,412
Equity participations	-	-	13,634	13,634
Unquoted securities	-	-	1,305	1,305
	4,362	25,129	20,351	49,842
	31,789	47,217	20,351	99,357

31 December 2016

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through profit or loss				
Quoted securities	26,478	-	-	26,478
Managed funds-GCC	-	20,244	-	20,244
Fixed income securities	966	-	-	966
	27,444	20,244	-	47,688
Derivative				
Forward foreign currency contracts held for trading	-	(52)	-	(52)
Available for sale investments				
Quoted securities	4,973	-	-	4,973
Managed funds				
- GCC	-	13,260	-	13,260
- Others	-	5,612	-	5,612
Debt instruments	-	-	5,457	5,457
Equity participations	-	11,050	-	11,050
Unquoted securities	-	-	1,518	1,518
	4,973	29,922	6,975	41,870
	32,417	50,114	6,975	89,506

There have been no significant transfers between levels 1 and 2 during the reporting period.

Notes to the consolidated financial statements (continued)

35 Fair value measurement and summary of financial assets & liabilities by category (continued)

35.2 Fair value hierarchy (continued)

Measurement at fair value

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

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds

Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund managers as of the reporting date.

Notes to the consolidated financial statements (continued)

35 Fair value measurement and summary of financial assets & liabilities by category (continued)

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at		Fair value Hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
	31 Dec. 2017	31 Dec. 2016				
	KD'000	KD'000				
Investments at fair value through Profit or loss:						
Quoted securities	26,666	26,478	1	Quoted bid prices	N/A	N/A
Managed funds	22,071	20,244	2	NAV Basis	N/A	N/A
Fixed income securities	761	966	1	Quoted bid prices	N/A	N/A
Derivative						
Forward foreign currency contracts held for trading	17	(52)	2	Foreign exchange rate	N/A	N/A
Available for sale investments						
Quoted securities	4,362	4,973	1	Quoted bid prices	N/A	N/A
Unquoted securities	1,305	1,518	3	Market multiple and adjusted NAV	Discount rate	Lower discount rates, results in higher fair value
Managed funds	25,129	18,872	2	NAV Basis	N/A	N/A
Debt instruments	5,412	5,457	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Equity participation	-	11,050	2	NAV Basis	N/A	N/A
Equity participation	13,634	-	3	Adjusted NAV Basis	Liquidity discount rate	Lower discount rates, results in higher fair value

The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variables used to fair value the level 3 investments were changed by 5%.

Notes to the consolidated financial statements (continued)

35 Fair value measurement and summary of financial assets & liabilities by category (continued)

Level 3 fair value measurements

The Group's financial assets and liabilities classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Available for sale Investments	
	31 Dec. 2017 KD'000	31 Dec. 2016'000 KD'000
Opening balance	6,975	7,017
Transfer from level 2 to level 3	13,634	-
(Redemption)/purchase	(116)	84
Losses recognised in other comprehensive loss	(142)	(126)
Closing balance	20,351	6,975

36 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, system failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of the overall risk management.

37 Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The capital structure of the Group consists of the following:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Bank borrowings and bonds issued	42,516	33,146
Less: Cash and cash equivalents	(8,226)	(21,237)
Net debt	34,290	11,909
Total equity	113,282	115,275

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2017 %	31 Dec. 2016 %
Net debt to equity ratio	30.27	10.33