



ANNUAL  
REPORT  
**2016**





دیمه کابیتال  
dimah capital

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



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

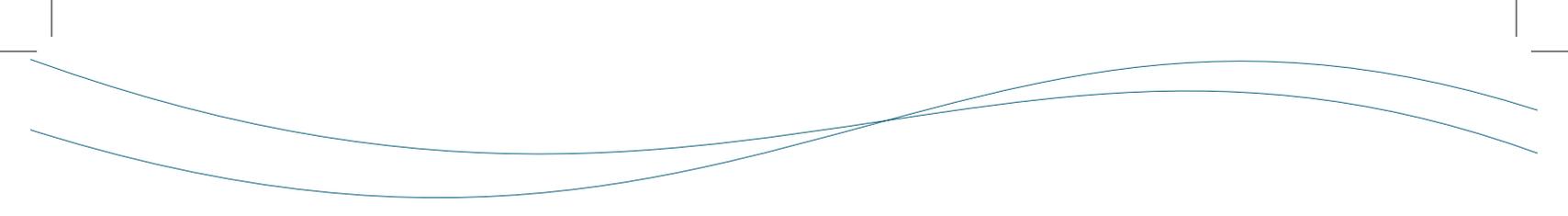
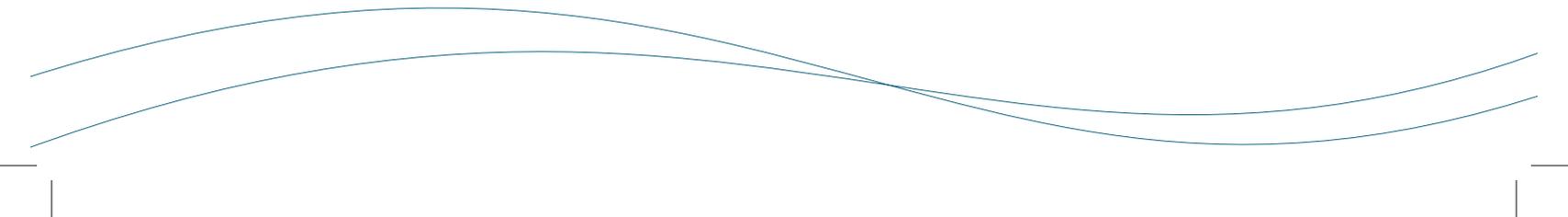


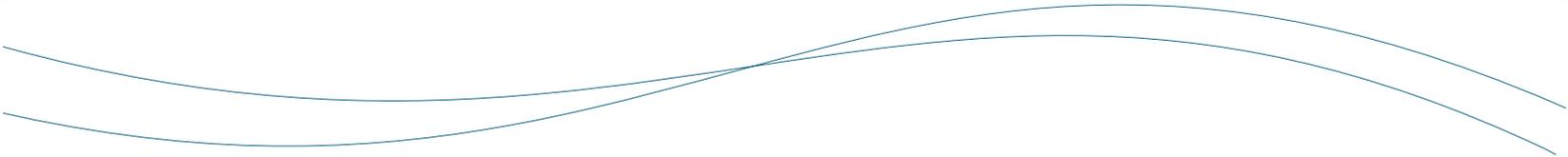
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BOARD OF  
**Directors**

Mr. Nawaf Hussain Marafi

*Chairman*

Mr. Hosam Nasser Al Muzaiel

*Vice Chairman*

Mr. Yousef Khaled Al Marzook

*Board Member*

Mr. Fahad Abdulrahman Al Sanea

*Board Member*

Mr. Fouad Saleh Al Shehab

*Board Member*



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## Chairman's Message

Peace and Allah's Mercy and Blessings be upon you.

### **Assalamu Alaikum wa Rahmatullahi wa Barakatuh**

On behalf of my fellow Board Members and myself, it gives me great pleasure to welcome you to the annual ordinary General Assembly meeting and present you with the 11th annual report. This report contains the consolidated financial statements of Dimah Capital, the Independent Auditor's report, the Fatwa and Sharia'a Supervisory Board report, the External Sharia'a Auditor's report, the Corporate Governance report, the Audit Committee report and the key financial performance indicators of the Company for the financial year ending 31 December 2016.

### **Honorable Shareholders,**

The year 2016 has seen Dimah Capital transform on multiple levels, whereby the company has maintained and sustained growth in profits and introduced improvements to its operations across all sectors. The Company maintained growth and capitalized on new and lucrative investments, despite the volatility of global markets and fundamental changes to the geopolitical landscape.

The Company's strategy centers on achieving superior returns with risk mitigation through sectorial and geographic diversification into countries with sustained development. With the grace of Allah, and in cooperation with its strategic partners, Dimah Capital succeeded in securing profitable international transactions and acquiring several income generating real estate properties valued at USD 300 million. This, coupled with the recent restructuring and re-organization efforts, has enabled the Company to establish a team of highly qualified and skilled professionals that will secure the continued growth of our investment portfolios and development of services offered to our valued clients.

### **Honorable Shareholders,**

Thanks to Allah Almighty, the Company succeeded in improving its performance. The Company achieved total revenues of KD 2,563,462, compared to KD 2,002,471 in 2015, an increase of 28%. The company was able to reduce its total expenses to KD 1,297,103, compared to KD 1,672,725 in 2015, a decrease of 22.5%. This resulted in a net profit of KD 1,219,001, compared to KD 325,323 in 2015, an increase of 275%. Earnings per share of 8.13 fils compared to 2.17 fils in 2015. The Company's total assets amounted to KD 20,150,197, whereas total liabilities decreased to KD 615,349 from KD 3,012,746 for 2015, a decrease of 79.5%. The shareholders' equity increased to KD 19,531,908, by 10% compared to KD 17,776,365 in 2015.

Accordingly, the Board of Directors recommends the distribution of a 5% cash dividend (5 fils per share) for the financial year ending 31 December 2016, a total value of KD 750,000 (Kuwaiti Dinar Seven Hundred and Fifty Only).

The Board of Directors is also seeking your approval of KD 25,000 as a compensation for Board Members for their efforts in 2016. Members of the Board of Directors do not receive any other benefits from Dimah Capital.

## **Honorable Shareholders,**

During this financial year, with the grace and generosity of Allah, we strive to achieve further growth and to capitalize on the most profitable and lucrative opportunities. With the assistance of Allah, we shall continue on our path and vision towards new horizons and aspire to provide the best investment opportunities to our valued clients. Dimah Capital works, within all of its activities and sectors, by carefully selecting their investment ventures to ensure that proper due diligence is carried out, all whilst strictly adhering to the principals of the Islamic Sharia'a. In addition, the Company believes that the principals of proper and effective corporate governance and transparency, Allah willing, shall lead to tangible and sustainable development of our investments in the global markets.

## **Honorable Shareholders,**

In conclusion, I would like to express our sincere appreciation and thanks for your continuous trust and support, as we strive to meet your expectations. I would also like to extend my sincere gratitude to my fellow Board Members for their continuous efforts and tireless work, and to their eminence, members of the Fatwa and Sharia'a Supervisory Board for their cooperation and valued contributions.

Finally, we cannot overlook the extensive efforts and commitment of Dimah Capital's management and staff that have enabled the achievement of our exceptional results driven by persistence towards enhancing performance.

We pray to Allah that our joint efforts be successful, and we thank you for your attendance and participation.



**Nawaf H. Marafi**

**Chairman**

## Fatwa and Sharia Supervisory Board Report of Dimah Capital Investment Company

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

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

You have assigned us the task of reviewing the contracts and transactions completed by the Company during the period from 1 January 2016 to 31 December 2016. Our responsibility entailed expressing an independent opinion regarding the Company's compliance with the principles of Shari'a "Islamic Law" while carrying out its businesses activities.

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

The Fatwa and Shari'a Supervisory Board certifies:

- 1.The Company has fulfilled its duties in executing contracts and tranactions in accordance with principles of Shari'a for the perios from 1 January 2016 to 31 December 2016.
2. All revenues resulted from sources or methods that are prohibited by Islamic Sharia have been set aside to be disposed of in charity.
- 3.The calculation of Zakat has been conducted in accordance with the principles approved of by the Fatwa and Shari'a Supervisory Board.

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

**Praise be to Allah, Lord of the Worlds.**

### Fatwa and Sharia Supervisory Board Members

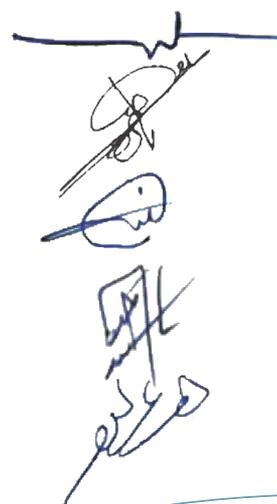
Dr. Nayef Mohammed Al-Ajmi

Dr. Nathem Mohammed AIMisbah

Dr. Sulaiman Marafie Safar

Dr. Khaled Shajjaa-AIOtaibi

Dr. Ibrahim Abdullah Al-Subai



## Audit Committee Report Dimah Capital

Shareholders of Dimah Capital  
Peace be upon you all ,,,

The Board Audit Committee has the responsibility of insuring the integrity of the financial reporting and insuring the sufficiency and efficiency of the internal controls of the Company as per the regulatory bodies' requirements during 2016.

During the year, the Committee has conducted two meetings, and accomplished the following:

- Review and approve the Company's internal audit plan for years 2016 and 2017;
- Coordinate with the external auditors and follow up their work, in addition to reviewing the interim and annual financial statements, and providing recommendations to the Board;
- Review and discuss the Internal Audit Department works and the accomplishments of the audit plan;
- Approval of appointing the head of Internal Audit Department in April 2016 as per the requirements of the regulatory bodies;
- Review the results of regulatory bodies' reports, and insuring that all required measures are taken in that regard;
- Insuring the Company's compliance with the related laws, policies, and regulations;
- Review and discuss the appointment letters of external auditors, including the contractual terms and conditions and professional fees, and providing the Board with recommendations in terms of provided services.

In light of the performed works of the Audit Committee during 2016, the Committee considers that the approved and implemented internal controls are sufficient and satisfactory.

### Audit Committee Members



Head of Audit Committee  
Foad Saleh Al Shehab



Member  
Yousif Khaled Al Marzouq



Member  
Fahad Abdul Rahman Al Sane'

# Governance Report

## Values and ethical behavior

With reference to Law No. 22 of 2015 amending certain provisions of Law No. 7 of 2010 concerning the establishment of the Capital Market Authority (“CMA”) and the organization of security activities (“CMA Law”), in light of its executive regulations issued with the Resolution No. 72 of 2015 (“Executive Regulations of CMA Law”), and to enable Dimah Capital Investment Co. K.S.C. (Closed) (“the Company”) insuring a sound governance philosophy and implementation of its administrative requirements as stipulated in Law No. 1 of 2016 regarding Kuwaiti Commercial Companies (“Kuwaiti Commercial Companies”). The Company, not only abiding with the legal text of the Law, but also implementing the values and ethics upon which the Law was formed, by continuously observing the spirit of the Law itself.

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

Based on the above, and in light of the Company’s philosophy that values and ethical behavior serve as the main driver of all legal commitments on the Company, as well as being the essence of the sound governance, the Company has worked hard on carrying out organizational changes aiming to realize the core objectives of Governance rules, through the continuous commitment to the guidelines and procedures stipulated by the CMA as indicators for the sound governance. Such indicators, amongst others, were implemented not only on the Board level, but on all levels of the Company as well, which will be explained below.

We would like to state that governance rules are not some kind of annual procedure, but rather a continuous process which requires continuous development and refining ethics and values in the Company as a whole. We believe that any action would not be correct unless the owner of that action had sound ethics and principles. We will continue documenting our ethical behavior and the extent of our loyalty to our ethical and legal duties.

## Company’s administrative and general structure

- The Company has developed a balanced administrative structure based on: (a) having balanced Corporate Levels, each of which having a specific purpose and job description. And (b) each of these levels is filled with individuals with ethical eligibility, qualifications, and technical experience according to fit and proper criteria specified by the Executive Regulations of CMA Law, as well as other international rules regarding money market activities.
- In addition to creating a sound environment of effective teamwork, it allows every individual in the administrative structure to perform its specified job without being detached from the rest of the team, by:
  1. The clear definition of roles and responsibilities of each member in addition to having a clear job description.
  2. Safe sharing and disclosure of information according to the administrative level of each individual as per the legal allowed limits and regularized by the disclosure standards.

## Board of Directors

- **Board approach in management**

Based on the its responsibility of managing the Company, as being mandated by the Shareholders, the Board practices its lawful rights for the best interest of the Shareholders, with no distinction between majority and minority Shareholders except what relates to their proportionate rights. The Board manages the Company to the best interests of the Shareholders and to maximize the value of their investments and shareholdings along with safeguarding their rights by empowering competitiveness and achieving constant and balanced growth rates.

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

- **Board Composition**

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

### **Nawaf Hussain Marafi** Chairman – non-executive

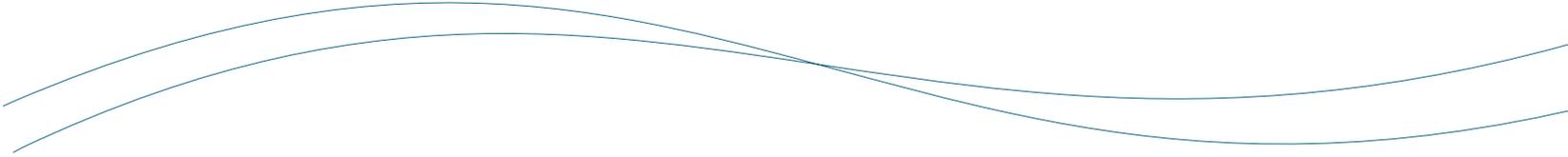
Holder of a Master degree in business administration in 2005 from Cardiff University UK. He has 19 years of experience in the field of financial and petroleum services. He has been the Chairman of Dimah Capital since April 2015. Additionally, he has been the CEO and Board Member of Al Imtiaz Investment Group since January of 2014.

### **Husam Nasser Al Muzaiel** Deputy Chairman - CEO

Graduate from KIA program in 1998, and holder of Bachelor's Degree in accounting in 1995 from Cairo University. He has 21 years of experience in the field of financial and investment business management as well as managing real estate investments locally and internationally. He has been the CEO of Dimah Capital since March 2016 and a Board Member since August 2014.

### **Fouad Saleh Al Shehab** Board Member – Independent Member

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



**Yousif Khaled Al Marzouq**  
**Board Member – non-executive**

Holder of an equivalent to the Master's degree – bank credit management – in 2004 from the Financial and Banking Studies institute, Kuwait, and the Bachelor's Degree in General Management in 2000 from California's San Bernardino University, USA. He has 14 years of experience in the field of local and international investment. He has been a Board Member of Dimah Capital since 2014.

**Fahad Abdul Rahman Al Sane**  
**Board Member – non-executive**

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

**Hamoud Thani Al Enezi**  
**Board Member – non-executive (previous Member)**

Holder of the Bachelor's degree in financing financial institutions in 2006 from Kuwait University. He has 10 years of experience in the field of investment and finance. He was a Board Member of Dimah Capital from 2014 to 2016.

**Issa Mohammad Habib**  
**Board Member – non-executive (previous Member)**

Holder of a Diploma in business management – Banking Studies in 1992 from Bahrain Institute for Banking and Financial Studies. He has 36 years of experience in the field of banking and financial analysis. He was a Board Member of Dimah Capital from 2014 to 2016.

Member	Meeting No. (1) held on 23/2/2016	Meeting No. (2) held on 23/2/2016	Meeting No. (3) held on 10/4/2016	Meeting No. (4) held on 25/5/2016	Meeting No. (5) held on 7/6/2016	Meeting No. (6) held on 7/6/2016	Meeting No. (7) held on 26/6/2016	Meeting No. (8) held on 4/9/2016	Meeting No. (9) held on 4/9/2016	Meeting No. (10) held on 25/10/2016	Meeting No. (11) held on 29/11/2016	Meeting No. (12) held on 12/12/2016	No. of meetings
1- Nawaf Hussain Marafi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
2- Husam Nasser Al Muzaiel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
3- Fouad Saleh Al Shehab											✓	✓	2
4- Yousif Khaled Al Marzouq			✓	✓			✓	✓	✓		✓		6
5- Fahad Abdul Rahman Al Sane								✓	✓	✓		✓	4
6- Issa Mohammad Habib (former member- resignation)	✓	✓	✓		✓	✓	✓						6
7- Hamoud Thani Al Enezi (former member- replaced by No. 5)	✓	✓	✓	✓	✓	✓	✓						7

The Board has conducted 12 meetings during 2016, with attendance rate of 82%.

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

The Board maintains written minutes for its meetings, containing:

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

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

## Main roles of the Board

1. Restructure of the Company's Board.
2. Appoint the Company's CEO.
3. Form the Board Committees According to regulatory requirements.
4. Approve annual and interim financial statements.
5. Approve the Company's Organization Structure as per regulatory requirements.
6. Follow up the Company's strategic plan and achievements.
7. Approve all bylaws and charters for all Board Committees.
8. Review Shari'a audit reports issued by the Shari'a Compliance Department.
9. Approve and review the annual budget.

## Board Committees

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

## Risk Management Committee

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

## Committee formation

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

## Key roles and responsibilities

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

In addition to the above, and to insure independence and integrity, the Company's structure includes an independent risk management role reporting directly to the Risk Management Committee and the Board in compliance with the regulatory requirements of Rule No. (5) in the Governance Rules. Following is the Risk Committee report about the nature of risks facing the Company's operations as per the periodic risk management reports:

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

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

## Audit Committee

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

## Committee formation

- |                                     |                      |
|-------------------------------------|----------------------|
| • <b>Yousif Khaled Al Marzouq</b>   | <b>Chairman</b>      |
| • <b>Fahad Abdul Rahman Al Sane</b> | <b>Member</b>        |
| • <b>Fouad Saleh Al Shehab</b>      | <b>Member</b>        |
| • <b>Hamoud Thani Al Enezi</b>      | <b>Former Member</b> |
| • <b>Issa Mohammad Habib</b>        | <b>Former Member</b> |

- Al Imtiaz international Construction Contracting Co., represented by Mr. Issa Mohammad Habib, has resigned.
- Mr. Fahad Abdul Rahman Al Sane was appointed in succession of Mr. Hamoud Thani Al Enezi, in representation of Al Imtiaz International Real Estate Co. on 4/9/2016.
- Mr. Fouad Saleh Al Shehab was appointed as an independent Board Member on 29/11/2016.

## **Key roles and responsibilities**

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

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

## **Board and Executive Management Written undertakings regarding the soundness and integrity of the prepared financial reports.**

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

In the context of the work of the Audit Committee and the decisions of the Board, we would like to clarify that there are no conflict between the recommendations of the Audit Committee and the decisions of the Board.

In addition, we would like to emphasize the independence and impartiality of the external auditor as it works and expresses its opinion in the interest of the company and its shareholders according to the rules of transparency and justice.

## **Nominations and Remuneration Committee**

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

## Committee formation

- |                           |                 |
|---------------------------|-----------------|
| • Nawaf Hussain Marafi    | <b>Chairman</b> |
| • Husam Nasser Al Muzaiel | <b>Member</b>   |
| • Fouad Saleh Al Shehab   | <b>Member</b>   |

## Key roles and responsibilities

1. Provide the Board with recommendations regarding nominations and re-nominations of Board Members.
2. Coordinate with the CEO to receive resumes for applicants for executive roles, as required, and assist in discussing and reviewing applications, and providing the Board with recommendations.
3. Review independency standards as per regulatory requirements, and provide recommendations about the same for approval, and to insure independency for all independent Board Members.
4. With coordination with the Executive Management, approve the succession plan for Executive Management Members and key officers, including the succession in case of emergencies or unexpected vacancies. The annual review of the extent of sufficiency of succession for the Executive Management Members and key officers.

## Report of the remuneration of the Board, Executive Management, and the Financial Manger

A- Board of Directors remuneration: The Committee recommends giving annual remuneration to the Board Members at the amount of KD 25,000. This recommendation is subject to the approval of the Shareholders at the Annual General Assembly Meeting. It is worth mentioning that no significant deviations from the Board approved remunerations and incentives policy were observed in calculating the Board remunerations.

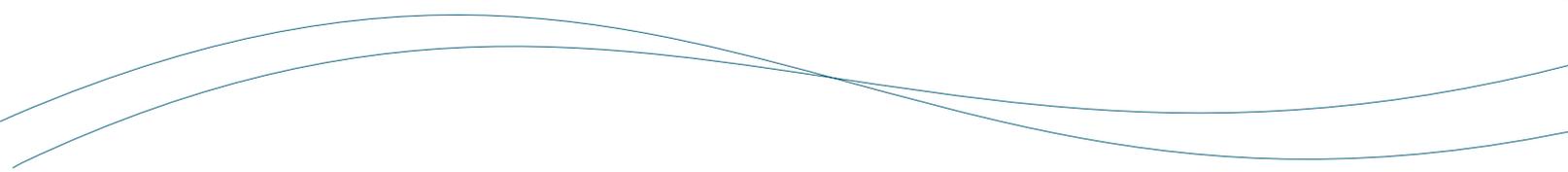
B- Executive Management and Financial Manager remuneration: The Committee recommends not giving annual remuneration to the Executive Management, the Financial Manager, and the rest of staff.

## Executive Committee

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

## Committee formation

- |                            |                 |
|----------------------------|-----------------|
| • Nawaf Hussain Marafi     | <b>Chairman</b> |
| • Husam Nasser Al Muzaiel  | <b>Member</b>   |
| • Yousif Khaled Al Marzouq | <b>Member</b>   |



## Key roles and responsibilities

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

## Policies and Procedures

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

## Whistleblowing Policy

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

## Anti-Money Laundering and Terror Financing

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

## Stakeholders

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

## Shareholders' rights

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

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

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

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

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

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

## Disclosure and transparency

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

## Social responsibility

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



**Husam Nasser Al Muzaiel**  
Vice Chairman



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

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH  
INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

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

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

#### Opinion

We have audited the consolidated financial statements of Dimah Capital Investment Company - K.S.C. (Closed) "The Parent Company" and its subsidiaries (The Group) which comprise the consolidated statement of financial position as of December 31, 2016, and the consolidated statement of profit or loss, 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 of December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.  
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

#### **Report on Other Legal and Regulatory Requirements**

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

We further report that, during the course of our audit, we have not become aware, of any material violations, during the year ended December 31, 2016, of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of the banking business, and its related regulations. Also in our opinion, we have not become aware of any material violations of Law No. 7 of 2010 concerning the Capital Markets Authority and Organization of Security Activity, and its amendments and Executive Regulations during the financial year ended December 31, 2016 that might have a material effect on the business or financial position of the Parent Company.

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

<u>ASSETS</u>	Note	<u>2016</u>	<u>2015</u>
Cash on hand and at banks		357,164	3,246,690
Wakala Investments	3	20,600	2,325,554
Accounts receivable and other debit balances	4	2,045,511	747,436
Due from ultimate parent company	5	178,930	160
Financial assets available for sale	6	13,540,663	10,042,744
Investment in associates	7	2,397,259	2,325,430
Investment properties	8	1,499,664	1,384,294
Property and equipment	9	110,406	719,730
<b>Total assets</b>		<b><u>20,150,197</u></b>	<b><u>20,792,038</u></b>
 <u>LIABILITIES AND EQUITY</u>			
<b>Liabilities:</b>			
Accounts payable and other credit balances	10	552,471	2,959,494
Provision for end of service indemnity	11	62,878	53,252
<b>Total liabilities</b>		<b><u>615,349</u></b>	<b><u>3,012,746</u></b>
 <b>Equity:</b>			
Capital	12	15,000,000	15,000,000
Statutory reserve	13	398,136	271,501
Voluntary reserve	14	398,136	271,501
Cumulative changes in fair value		522,848	64,309
Effect of changes in other comprehensive income of associates		125,313	47,310
Retained earnings		3,087,475	2,121,744
Equity attributable to Parent Company's shareholders		<u>19,531,908</u>	<u>17,776,365</u>
Non-controlling interests		2,940	2,927
<b>Total equity</b>		<b><u>19,534,848</u></b>	<b><u>17,779,292</u></b>
<b>Total liabilities and equity</b>		<b><u>20,150,197</u></b>	<b><u>20,792,038</u></b>

The accompanying notes (1) to (24) form an integral part of the consolidated financial statements.



Nawaf H. Marafi  
 Chairman



Hosam Nasser Al-Muzaiel  
 Vice Chairman

	Note	2016	2015
<b>Revenue:</b>			
Net investment income	15	580,869	980,785
Structuring and marketing income	16	1,060,965	233,842
Management income		444,022	340,914
Wakala income		8,192	30,428
Gain on sale of lands		-	160,687
Group's share of results from associates	7	(6,174)	65,316
Change in fair value of investment properties	8	115,370	-
Gain from sale of property and equipment	9	275,034	2,467
Other income		85,184	188,032
<b>Total revenue</b>		<b>2,563,462</b>	<b>2,002,471</b>
<b>Expenses:</b>			
General and administrative expenses	17	1,223,609	1,173,611
Depreciation	9	48,498	49,395
Impairment loss for financial assets available for sale	6	24,996	86,133
Impairment loss for investment in associates	7	-	363,586
<b>Total expenses</b>		<b>1,297,103</b>	<b>1,672,725</b>
Profit for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS), Zakat and Board of Directors' remuneration		1,266,359	329,746
Contribution to KFAS		(10,649)	(2,079)
Contribution of Zakat		(11,696)	(2,284)
Board of Directors' remuneration	18	(25,000)	-
<b>Net profit for the year</b>		<b>1,219,014</b>	<b>325,383</b>
Attributable to:			
Parent Company's shareholders		1,219,001	325,323
Non-controlling interests		13	60
<b>Net profit for the year</b>		<b>1,219,014</b>	<b>325,383</b>

The accompanying notes (1) to (24) form an integral part of the consolidated financial statements.

DIMAH CAPITAL INVESTMENT COMPANY - K.S.C. (CLOSED) AND ITS SUBSIDIARIES (THE GROUP)  
 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (All amounts are in Kuwaiti Dinars)

ANNUAL  
 REPORT  
 2016

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Net profit for the year</b>		<u>1,219,014</u>	<u>325,383</u>
<b>Other comprehensive income:</b>			
<b><u>Items that may be reclassified subsequently to profit or loss</u></b>			
Related to financial assets available for sale:			
- Changes in fair value of financial assets available for sale	6	458,539	64,314
- Reversal due to sale of financial assets available for sale		-	(91,372)
- Reversal on impairment of financial assets available for sale	6	-	1,517
Group's share of other comprehensive income from associates	7	<u>78,003</u>	<u>47,310</u>
<b>Other comprehensive income for the year</b>		<u>536,542</u>	<u>21,769</u>
<b>Total comprehensive income for the year</b>		<u>1,755,556</u>	<u>347,152</u>
Attributable to:			
Parent Company's shareholders		1,755,543	347,092
Non-controlling interests		<u>13</u>	<u>60</u>
<b>Total comprehensive income for the year</b>		<u>1,755,556</u>	<u>347,152</u>

The accompanying notes (1) to (24) form an integral part of the consolidated financial statements.

**DIMAH CAPITAL INVESTMENT COMPANY - K.S.C. (CLOSED) AND ITS SUBSIDIARIES (THE GROUP)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016**  
(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders						Non- controlling interests	Total
	Capital	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Effect of changes in other comprehensive income of associates	Retained earnings		
Balance as of December 31, 2014	24,937,593	238,532	238,532	89,850	-	1,862,359	27,366,866	27,369,733
Capital decrease	(9,937,593)	-	-	-	-	-	(9,937,593)	(9,937,593)
Total comprehensive (loss) income for the year	-	-	-	(25,541)	47,310	325,323	347,092	347,152
Transfer to reserves	-	32,969	32,969	-	-	(65,938)	-	-
Balance as of December 31, 2015	15,000,000	271,501	271,501	64,309	47,310	2,121,744	17,776,365	17,779,292
Total comprehensive income for the year	-	-	-	458,539	78,003	1,219,001	1,755,543	1,755,556
Transfer to reserves	-	126,635	126,635	-	-	(253,270)	-	-
<b>Balance as of December 31, 2016</b>	<b>15,000,000</b>	<b>398,136</b>	<b>398,136</b>	<b>522,848</b>	<b>125,313</b>	<b>3,087,475</b>	<b>19,531,908</b>	<b>19,534,848</b>

The accompanying notes (1) to (24) form an integral part of the consolidated financial statements.

	2016	2015
<b>Cash flows from operating activities:</b>		
Profit for the year before contribution Kuwait Foundation for the Advancement of Science (KFAS), Zakat and Board of Directors' remuneration	1,266,359	329,746
Adjustments:		
Net investment income	(580,869)	(980,785)
Wakala income	(8,192)	(30,428)
Gain on sale of lands	-	(160,687)
Group's share of results from associates	6,174	(65,316)
Change in fair value of investment properties	(115,370)	-
Gain from sale of property and equipment	(275,034)	(2,467)
Depreciation	48,498	49,395
Impairment loss for financial assets available for sale	24,996	86,133
Impairment loss for investment in associates	-	363,586
Provision for end of service indemnity	37,107	44,297
	403,669	(366,526)
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(1,907,561)	3,531,521
Due from ultimate parent company	5,530	2,101,107
Murabaha receivables	-	889,539
Accounts payable and other credit balances	43,939	(187,801)
Cash (used in) generated from operations	(1,454,423)	5,967,840
KFAS paid	(2,079)	(7,644)
Zakat paid	(2,284)	(8,807)
Payment for end of service indemnity	(27,481)	(86,736)
Net cash (used in) generated from operating activities	(1,486,267)	5,864,653
<b>Cash flows from investing activities:</b>		
Wakala Investments	2,304,954	(2,284,794)
Paid for purchase of financial assets available for sale	(2,584,822)	(8,345,068)
Proceeds from sale of financial assets available for sale	215,011	11,697,690
Paid for purchase of investment in associates	-	(2,452,256)
Proceeds from wakala income	8,192	30,428
Paid for purchase of property and equipment	(108,440)	(378)
Proceeds from sale of property and equipment	760,000	6,250
Dividend income received	495,790	280,662
Net cash generated from (used in) investing activities	1,090,685	(1,067,466)
<b>Cash flows from financing activities:</b>		
Paid from capital decrease	(2,493,944)	(7,395,322)
Net cash used in financing activities	(2,493,944)	(7,395,322)
Net decrease in cash on hand and at banks	(2,889,526)	(2,598,135)
Cash on hand and at banks at the beginning of the year	3,246,690	5,844,825
Cash on hand and at banks at the end of the year	357,164	3,246,690

The accompanying notes (1) to (24) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Dimah Capital Investment Company - K.S.C. (Closed) "The parent company" is a Kuwaiti Closed Shareholding Company registered in State of Kuwait and was incorporated based on Article of Incorporation Ref. No. 5653 / Vol. 1 on July 15, 2007 and its subsequent amendments, the latest of which was notarized in the commercial register under Ref. No.323021 dated November 1, 2016.

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

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

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

The Company is 68.05% owned by Al Imtiaz Investment Group Company - K.S.C. (Public) (The Ultimate parent company).

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

The total number of employees of the Company as of December 31, 2016 is 26 employees (2015 – 18 employees).

The new Companies Law No. 1 of 2016 was issued on January 24, 2016 and it was published in the Official Gazette on February 1, 2016, which replaced the Companies Law No 25 of 2012 and its amendments. According to Article No. 5, the new Law will be effective retrospectively from November 26, 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on July 12, 2016 and was published in the Official Gazette on July 17, 2016, which cancelled the Executive Regulations of Law No. 25 of 2012. The adoption of the new Companies Law and its executive regulations is not expected to have any effect on the Parent Company.

The consolidated financial statements were authorized for issue by the Board of Directors on -----, 2017. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

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

a) Basis of preparation:

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

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

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

**Standards and Interpretations issued and effective**

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2016.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments, effective prospectively for annual periods beginning on or after January 1, 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IAS 1 – Disclosure Initiative

The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify some judgments used in the presentation of consolidated financial statements. The amendments make changes about:

- Materiality, where it clarifies that, information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and consolidated statement of profit or loss and other comprehensive income, where they introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

#### Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 confirm that the exemption from preparing consolidated financial statements under IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. However, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose are to provide services and activities that are related to the investment activities of the investment entity parent. All other subsidiaries of an investment entity should be measured at fair value.

Consequential amendments have been made to IAS 28 to confirm that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity, even if the investment entity parent measures all its subsidiaries at fair value. IAS 28 has been also amended to permit an entity to retain the fair value measurement applied by an associate or joint venture that is an investment entity to its interests in subsidiaries rather than applying uniform accounting policies.

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities.

#### **Annual Improvements to IFRS – 2012 – 2014 Cycle:**

##### Amendments to IFRS 7 – Financial Instruments: Disclosures

The amendments to this standard are effective for annual periods beginning on or after 1 January 2016. They clarify that for servicing agreements, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context, and adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. Another amendment to IFRS 7 clarifies that the additional disclosure required by the amendments to IFRS 7 is not specifically required for all interim periods, unless required by IAS 34.

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

#### **Standards and Interpretations issued but not effective**

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

##### Amendment to IAS 7 – Disclosure Initiative

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

##### IFRS 9 - Financial Instruments

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

IFRS 15 - Revenue from contracts with customers

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

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

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property and equipment and intangible assets.

The Group is in the process of calculating the expected effect on its consolidated financial statements from the impact of these amendments and standards.

b) Principles of consolidation:

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

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Percentage of ownership %</u>	
			<u>2016</u>	<u>2015</u>
Al-Wather for General Trading and Construction Company - W.L.L.	State of Kuwait	General Trading	99	99
Dimah Advisory for Consulting Services W.L.L.	Cayman Islands	Consulting activities	100	-

(a) During the year ended December 31, 2016, the Group incorporated Dimah Advisory for Consulting Services W.L.L.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company:

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquire, on a transaction-by-transaction basis.

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

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

c) Financial instruments

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

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

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

- Financial assets:

- 1- Wakala investments:

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

2- Accounts receivable:

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

3- Financial investments

Initial recognition and measurement

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

Financial assets available for sale:

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months from the end of the reporting period.

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

Subsequent measurement

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

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

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

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

Derecognition

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

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

### Impairment

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

### • Financial liabilities

#### 1) Accounts payable:

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

#### d) Investment properties

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

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

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

If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### e) Associates

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

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

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

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

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

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

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

f) Property and equipment

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

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss.

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

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

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

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

g) Impairment of assets

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

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

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

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

h) Provision for end of service indemnity

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

i) Dividend distribution to shareholders

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

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

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

j) Capital

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

k) Revenue recognition

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

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

**Wakala income**

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

**Dividend income**

Dividend income is recognized when the right to receive payment is established.

**Gain on sale of investments**

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

**Revenue on sale of properties**

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

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is either, easily measurable and accrued or is not significant in relation to the overall value of the contract.

If all except for the last criterion listed above are fulfilled, the percentage of completion method is adopted to recognize revenue.

**Structuring, marketing and management services income**

Structuring, marketing and management services income are recognized when the service is provided for customers.

**Other income**

Other income are recognized on accrual basis.

l) **Provisions:**

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

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

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the consolidated profit of the parent company before deducting contribution to Kuwait Foundation for the advancement of science, contribution to Zakat and after deducting the Company's share of income from shareholding associates and transfer to statutory.

n) Contribution to Zakat

Zakat is calculated at 1% on the consolidated profit of the parent Company before contribution to Kuwait Foundation for the Advancement of Sciences and Zakat and after deducting cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

o) Foreign currencies

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

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

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

p) Contingencies:

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

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

q) Fiduciary assets:

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

r) Critical accounting estimates and judgments:

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

a) Judgments:

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

1- Revenue recognition

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

2- Classification of land

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

a) Investment properties

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

3- Provision for doubtful debts

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

4- Classification of financial assets

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss" or "available for sale". The Group follows the guidance of IAS 39 on classifying its financial assets.

The Group classifies financial assets as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. All other financial assets are classified as "available for sale".

5- Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimates and assumptions:

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

1- Fair value of unquoted equity investments

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

2- Provision for doubtful debts:

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

3- Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognized in the consolidated statement of profit or loss. One main method was used to determine the fair value of the investment properties:

- (a) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

4- Impairment of non-financial assets

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

3. Wakala investments

Wakala investments represent contracts with Islamic financial institution, carrying an effective rate of return of 1.5% per annum (December 31, 2015 – 0.55% to 1.25% per annum) with average maturity of one year.

4. Accounts receivable and other debit balances

	<u>2016</u>	<u>2015</u>
Advance payments (a)	1,498,567	665,290
Accrued structuring and marketing income	333,807	-
Accrued management income (b)	120,000	-
Prepaid expenses and other	93,137	82,146
	<u>2,045,511</u>	<u>747,436</u>

- a) Advance payments is represented as follows:

	<u>2016</u>	<u>2015</u>
Advance payments to purchase financial assets available for sale	1,494,867	607,090
Advance payments to purchase property and equipment	3,700	58,200
	<u>1,498,567</u>	<u>665,290</u>

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

- (b) Subsequent to the date of the consolidated financial statements, an amount of KD 120,000 for accrued management income was collected.

5. Related party disclosures

The Group has entered into various transactions with related parties, i.e. the ultimate parent company and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

<b><u>Balances included in the consolidated statement of financial position</u></b>	<u>Ultimate parent company</u>	<u>Other related parties</u>	<u>2016</u>	<u>2015</u>
Accounts receivable and other debit balances	-	<b>120,000</b>	<b>120,000</b>	6,647
Due from ultimate parent company	<b>178,930</b>	-	<b>178,930</b>	160

**Transactions included in the consolidated statement of profit or loss**

Net investment income	<b>202,457</b>	-	<b>202,457</b>	113,737
Management income	-	<b>251,734</b>	<b>251,734</b>	50,000
Gain from sale of property and equipment	<b>275,034</b>	-	<b>275,034</b>	-

**Key management compensation**

	<u>2016</u>	<u>2015</u>
Short term benefits	<b>231,707</b>	94,014
Post - employment benefits	<b>18,012</b>	7,933

6. **Financial assets available for sale**

	<u>2016</u>	<u>2015</u>
Quoted equity securities	<b>3,360,117</b>	2,579,556
Unquoted equity securities	<b>9,297,314</b>	6,607,053
Funds and portfolios	<b>883,232</b>	856,135
	<b><u>13,540,663</u></b>	<u>10,042,744</u>

It was not possible to reliably measure the fair value of unquoted equity securities amounting to KD 4,511,541 (December 31, 2015 – KD 6,607,053) due to non-availability of a reliable method that could be used to determine the fair value of such financial assets. Accordingly, they were stated at their cost less impairment losses.

The movement during the year is as follows:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	<b>10,042,744</b>	12,718,864
Additions (a)	<b>3,191,912</b>	8,345,068
Disposals	<b>(127,536)</b>	(11,000,886)
Change in fair value	<b>458,539</b>	65,831
Impairment loss	<b>(24,996)</b>	(86,133)
Balance at the end of the year	<b><u>13,540,663</u></b>	<u>10,042,744</u>

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

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

	<u>2016</u>	<u>2015</u>
<b><u>Currency:</u></b>		
Kuwait Dinar	<b>5,904,270</b>	5,123,710
US Dollar	<b>4,479,870</b>	3,205,636
GBP	<b>2,691,123</b>	1,247,998
Bahrain Dinar	<b>465,400</b>	465,400
	<b><u>13,540,663</u></b>	<u>10,042,744</u>

7. Investment in associates

Name of associate	Country of incorporation	Principal activities	Ownership percentage %		2016	2015
			2016	2015		
Ta'azur for Insurance Takaful Company - K.S.C. (Closed)	State of Kuwait	Insurance	30	30	2,316,044	2,167,569
Estidamah Holding Company - K.S.C. (Holding)	State of Kuwait	Holding	28.5	28.5	81,215	157,861
					<u>2,397,259</u>	<u>2,325,430</u>

The movement during the year was as follows:

	2016	2015
Balance at the beginning of the year	2,325,430	124,134
Additions	-	2,452,256
Share of results from associates	(6,174)	65,316
Group's share of associates' other comprehensive income	78,003	47,310
Impairment loss for the associates	-	(363,586)
Balance at the end of the year	<u>2,397,259</u>	<u>2,325,430</u>

Summarized financial information for material associate is as follows:

a) **Ta'azur for Insurance Takaful Company - K.S.C. (Closed)**

Summarized statement of financial position:

	2016	2015
Assets:		
Current assets	6,213,205	5,964,817
Non-current assets	1,511,322	1,265,814
Total assets	<u>7,724,527</u>	<u>7,230,631</u>
Liabilities:		
Current liabilities	4,381	5,402
Total Liabilities	<u>4,381</u>	<u>5,402</u>
Net Assets	<u>7,720,146</u>	<u>7,225,229</u>

The following adjustments on financial statements above were done to arrive the carrying value for the Group's share in Ta'azur for Insurance Takaful Company - K.S.C. (Closed) included in the consolidated financial statements.

	2016	2015
Net Assets of the associate	7,720,146	7,225,229
Group's ownership percentage in Ta'azur for Insurance Takaful Company - K.S.C. (Closed)	30%	30%
Carrying value of Ta'azur for Insurance Takaful Company - K.S.C. (Closed)	<u>2,316,044</u>	<u>2,167,569</u>

Summarized Statement of profit or loss and other comprehensive income:

	2016	2015
Other income	262,654	300,798
Other expenses	(13,245)	(4,646)
Net profit	<u>249,409</u>	<u>296,152</u>

8. Investment properties

	2016	2015
Balance at the beginning of the year	1,384,294	1,384,294
Change in fair value	115,370	-
Balance at the end of the year	1,499,664	1,384,294

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

The fair value of investment properties is based on valuations performed by two accredited independent valuation experts using recognized valuation techniques and principles as of December 31, 2016.

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

Class of investment property	Valuation technique	Level 1	Level 2	Level 3
Lands	Sales comparative	-	1,499,664	-
Total		-	1,499,664	-

9. Property and equipment

	Buildings	Computer	Tools and equipment	Furniture and fixtures	Vehicles	Total
<b>Cost:</b>						
As of December 31, 2015	738,280	153,505	25,201	19,496	8,000	944,482
Additions	-	3,661	4,664	100,115	-	108,440
Disposals	(738,280)	-	-	-	-	(738,280)
<b>As of December 31, 2016</b>	-	157,166	29,865	119,611	8,000	314,642
<b>Accumulated depreciation:</b>						
As of December 31, 2015	44,337	140,444	24,076	12,295	3,600	224,752
Charge for the year	24,677	9,088	1,115	12,018	1,600	48,498
Related to disposals	(69,014)	-	-	-	-	(69,014)
<b>As of December 31, 2016</b>	-	149,532	25,191	24,313	5,200	204,236
<b>Net book value:</b>						
<b>As of December 31, 2016</b>	-	7,634	4,674	95,298	2,800	110,406
As of December 31, 2015	693,943	13,061	1,125	7,201	4,400	719,730

During the year ended December 31, 2016, the Group has sold the buildings to the Ultimate Parent Company for total amount of KD 944,300 which resulted in a gain of KD 275,034.

10. Accounts payable and other credit balances

	2016	2015
Accrued share'a Zakat	334,016	250,439
Amount due to a shareholder for capital decrease (a)	48,327	2,542,271
Accrued staff leave	42,496	31,693
Accrued staff bonus	-	21,000
Unearned management income	14,450	76,519
Accrued expenses	26,250	-
Accrued KFAS	10,649	2,079
Accrued Zakat	11,696	2,284
Accrued Board of Directors' remuneration	25,000	-
Other credit balances	39,587	33,209
	552,471	2,959,494

- a) During the year ended December 31, 2016, the Group has settled an amount of KD 2,493,944 from the due to shareholders regarding the Parent Company's capital decrease during the year of 2015.

11. Provision for end of service indemnity

	2016	2015
Balance at beginning of the year	53,252	95,691
Charge for the year	37,107	44,297
Paid during the year	(27,481)	(86,736)
Balance at the end of the year	<u>62,878</u>	<u>53,252</u>

12. Capital

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

13. Statutory reserve

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

14. Voluntary reserve

As required by the Parent Company's Article of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

15. Net investment income

	2016	2015
Realized gain from sale of financial assets available for sale	87,475	696,804
Dividend income	493,394	283,981
	<u>580,869</u>	<u>980,785</u>

16. Structuring and marketing income

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

17. General and administrative expenses

During the year ended December 31, 2016, staff costs which are included in general and administrative expenses amounted to KD 605,606 (December 31, 2015 - KD 580,852).

18. Shareholders' General Assembly and Proposed dividends

The Board of Directors' meeting held on March 15, 2017 proposed to distribute cash dividends of 5 fils per share for the year ended December 31, 2016, and to distribute the board of directors' remuneration of KD 25,000 for the year ended December 31, 2016. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly of the parent company.

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

19. **Fiduciary assets**

The aggregate value of assets held in a trust or fiduciary capacity by the Parent Company (Items off consolidated statement of financial position) as of December 31, 2016 amounted to KD 55,764,101 (December 31, 2015 – KD 40,905,075).

20. **Financial risk management**

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

a) **Interest rate risk**

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

b) **Credit risk**

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

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

c) **Foreign currency risk**

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

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

	2016		2015	
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of comprehensive income (Kuwaiti Dinar)	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of comprehensive income (Kuwaiti Dinar)
US Dollar	±5%	±223,993	±5%	±160,282
Bahrain Dinar	±5%	±23,270	±5%	±23,997
GBP	±5%	±134,556	±5%	±62,400

d) **Liquidity risk**

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

Maturity Table for assets and liabilities as follows:

As of December 31, 2016	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	Total
<b>Assets</b>					
Cash on hand and at banks	357,164	-	-	-	357,164
Wakala investments	-	-	20,600	-	20,600
Account receivable and other debit balances	1,492,162	124,348	429,001	-	2,045,511
Due from ultimate parent company	-	178,930	-	-	178,930
Financial assets available for sale	-	-	-	13,540,663	13,540,663
Investment in associates	-	-	-	2,397,259	2,397,259
Investment properties	-	-	-	1,499,664	1,499,664
Property and equipment	-	-	-	110,406	110,406
<b>Total assets</b>	<b>1,849,326</b>	<b>303,278</b>	<b>449,601</b>	<b>17,547,992</b>	<b>20,150,197</b>
<b>Liabilities</b>					
Account payable and other credit balances	-	-	552,471	-	552,471
Provision for end of service indemnity	-	-	-	62,878	62,878
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>552,471</b>	<b>62,878</b>	<b>615,349</b>
<b>As of December 31, 2015</b>					
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	Total
<b>Assets</b>					
Cash on hand and at banks	3,246,690	-	-	-	3,246,690
Wakala investment	2,325,554	-	-	-	2,325,554
Account receivable and other debit balances	59,127	665,290	23,019	-	747,436
Due from ultimate parent company	-	160	-	-	160
Financial assets available for sale	-	-	-	10,042,744	10,042,744
Investment in associates	-	-	-	2,325,430	2,325,430
Investment properties	-	-	-	1,384,294	1,384,294
Property and equipment	-	-	-	719,730	719,730
<b>Total assets</b>	<b>5,631,371</b>	<b>665,450</b>	<b>23,019</b>	<b>14,472,198</b>	<b>20,792,038</b>
<b>Liabilities</b>					
Account payable and other credit balances	-	-	2,959,494	-	2,959,494
Provision for end of service indemnity	-	-	-	53,252	53,252
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,959,494</b>	<b>53,252</b>	<b>3,012,746</b>

e) **Equity price risk:**

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

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

	2016		2015	
	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated other comprehensive income (Kuwaiti Dinar)	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
<b>Market Indices</b>				
Kuwait Stock Exchange	±5%	± 168,006	±5%	± 128,978

21. Fair value measurement

The Group measures financial assets such as financial assets available for sale and non – financial assets such as investment properties at fair value at each reporting date.

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

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

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

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

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

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets available for sale</b>	<b>3,360,117</b>	<b>883,232</b>	<b>4,785,773</b>	<b>9,029,122</b>
	<b>3,360,117</b>	<b>883,232</b>	<b>4,785,773</b>	<b>9,029,122</b>
 <u>2015</u>	 Level 1	 Level 2	 Level 3	 Total
Financial assets available for sale	2,579,556	856,135	-	3,435,691
	2,579,556	856,135	-	3,435,691

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

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

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

The fair value details of investment properties are mentioned in Note 8.

22. Capital risk management

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

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

23. Contingent liabilities

As of December 31, the Group is contingently liable in respect of the following:

	<u>2016</u>	<u>2015</u>
Letters of guarantee	<u>-</u>	<u>19,579</u>

24. Comparative figures

Certain of the prior year amounts have been reclassified to conform to the amounts of current year presentation, which has no effect on the total equity, and the net profit of the Group.