

دیمہ  
capital کابیتال

2018  
ANNUAL REPORT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

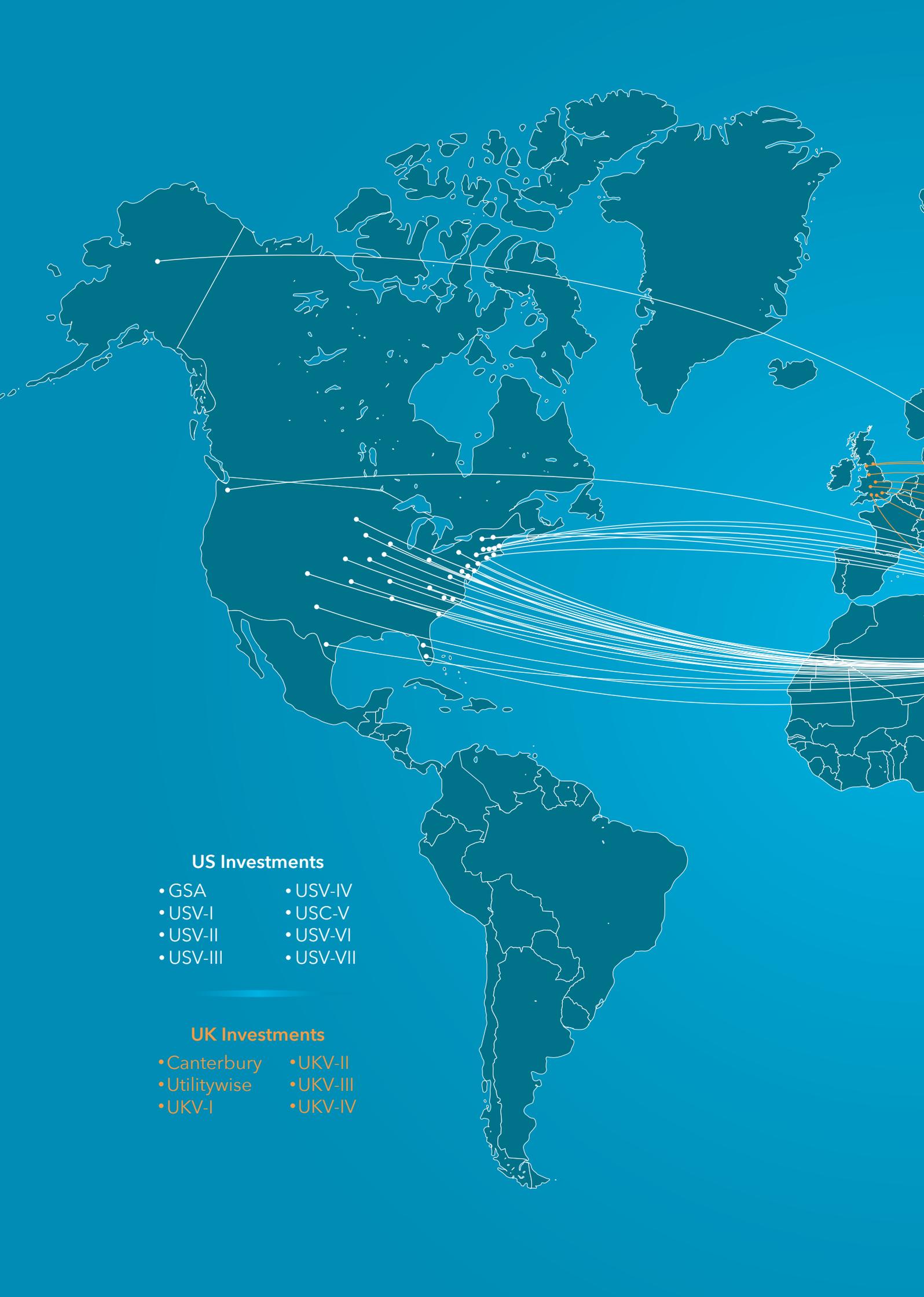
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capital كابتال

**Dimah Capital Investment Company (KSC Closed)**

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[www.dimah.com.kw](http://www.dimah.com.kw)

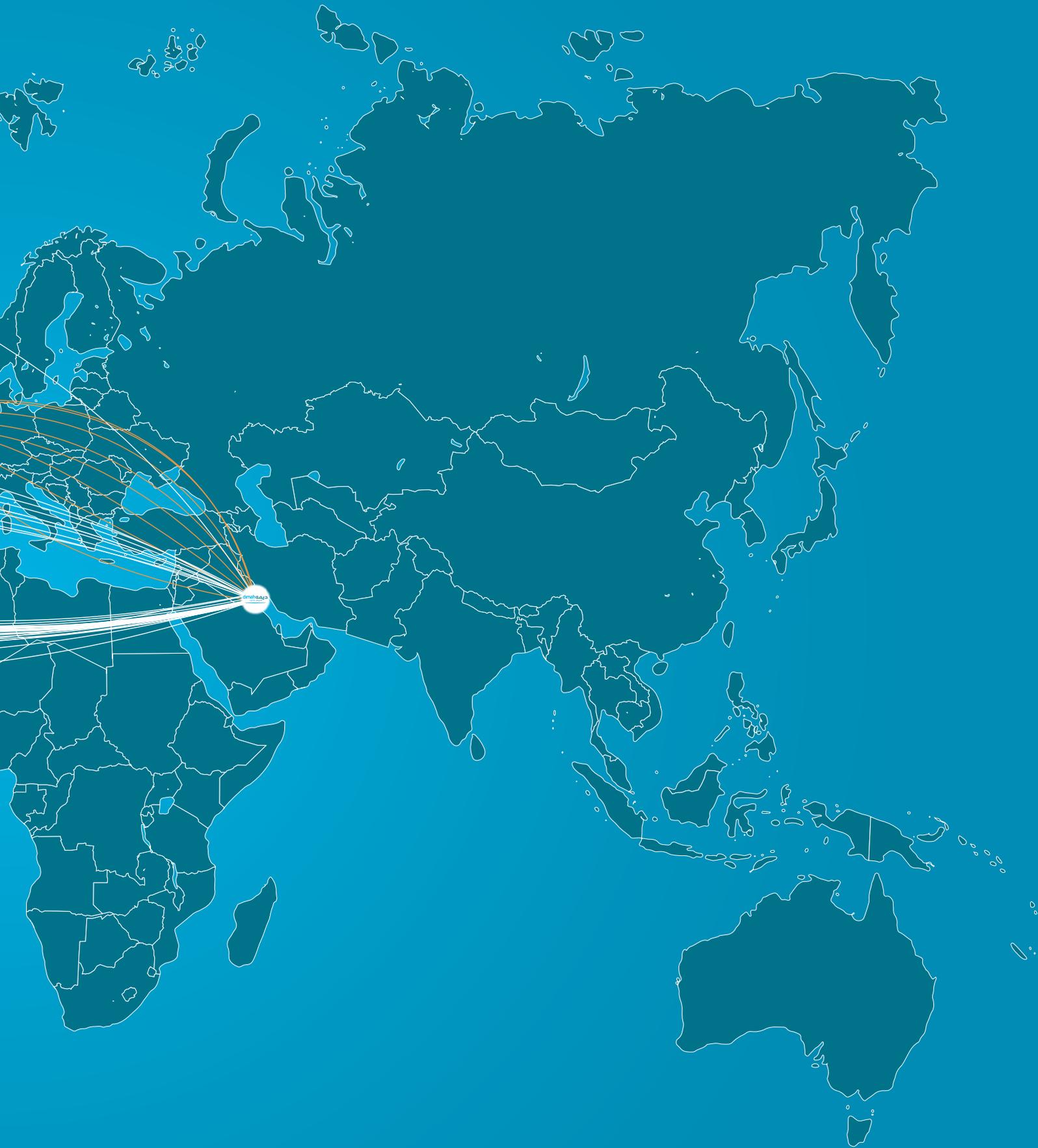


### US Investments

- GSA
- USV-I
- USV-II
- USV-III
- USV-IV
- USC-V
- USV-VI
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### UK Investments

- Canterbury
- Utilitywise
- UKV-I
- UKV-II
- UKV-III
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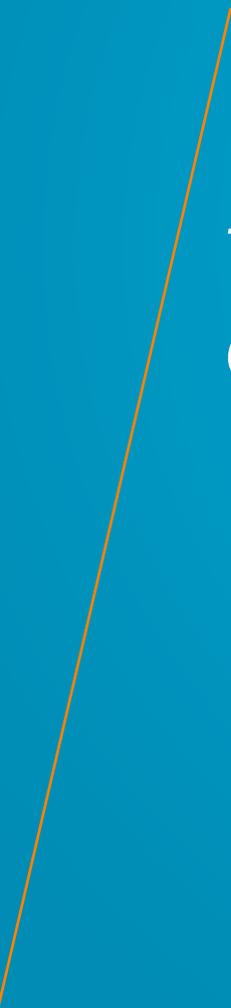




His Highness  
**Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah**  
The Amir of the State of Kuwait

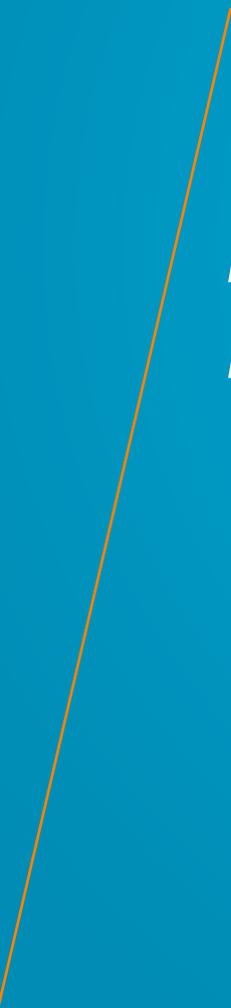


His Highness  
**Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah**  
The Crown Prince of the State of Kuwait



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*Board of  
Directors*

*Mr. Nawaf Hussain Marafi*  
Chairman

*Mr. Hosam Nasser Al Muzaiel*  
Vice Chairman

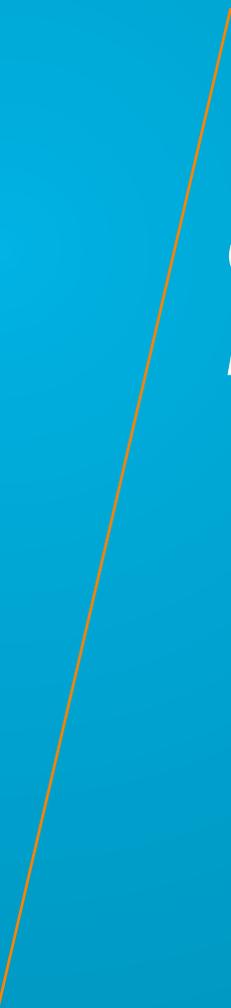
*Mr. Fouad Saleh Al Shehab*  
Board Member - Independent

*Mr. Yousef Khaled Al Marzook*  
Board Member

*Mr. Fahad Abdulrahman Al Sane*  
Board Member

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*Chairman's  
Message*

**Praise be to Allah Almighty, and Peace and Blessings be upon our Prophet Muhammad (PBUH), his Family and Companions.**

*“The year 2018 was a unique year in the Dimah Capital story and its success”*

**Dear Shareholders,**

On behalf of the Board of Directors of Dimah Capital Investment Company K.S.C.C., it gives me great pleasure to welcome you to the Annual General Assembly Meeting, and I thank you for your generous attendance. I am pleased to present to you the Company's 13th annual report, which contains the Consolidated Financial Statements of Dimah Capital for the year ended 31/12/2018; the Independent Auditor's report; the Fatwa and Sharia Supervisory Board's report; the External Sharia Auditor's report; the Corporate Governance report; the Audit Committee report; and key financial performance indicators of the Company for the year then ended.

The year 2018 was a unique year in the Dimah Capital story and its success. Our improved operational performance and undeterred focus on our strategy placed Dimah Capital in a strong position to respond to potential weak economic growth, geopolitical tensions and market conditions. Dimah Capital continued its expansion and reach in the international real estate market both from a geographical and sector standpoint. The Company remained on its successful path of seizing prime real estate opportunities in various industries in both the United States (US) and the United Kingdom (UK).

**Honorable Shareholders,**

*“Operating income increase of 13.1%, general and administrative expenses dropped by 9.6%, and net profit increase of 16.6%.”*

At the end of 2018, Dimah Capital achieved total operating income of KD 3,921,604, an increase of 13.1% compared to KD 3,468,704 in 2017. In addition, total general and administrative expenses dropped by 9.6% from KD 2.1 million to KD 1.9 million despite the increase in the company's activities during 2018. This resulted in a net profit of KD 1,589,997 compared to KD 1,363,833 in 2017-an increase of 16.6%. Earnings per share registered 10.6 fils compared to 9.1 fils in 2017. Dimah Capital's total assets and shareholders' equity amounted for KD 24,725,500 and KD 21,976,195 respectively.

Also during 2018, the Company supported its capital structure through a transaction from a local financial institution amounting KD 1.65 million, in order to diversify its finance sources and to build a solid and resilient capital structure in support of the Company's activities.

In light of the above, the Board of Directors recommends the distribution of 6% cash dividends of the share's nominal value, a total of KD 2,643,950.142 to the shareholders as of the date of the Annual General Assembly Meeting.

Additionally, The Board would like to draw your kind attention that the net profit after obligatory deductions doesn't permit a Board remuneration. On another note, and considering that the Kuwaiti Corporate Law allows the exclusion of the independent member, we hereby recommend a compensation for the independent member as mentioned in the remuneration report.

*“The Merger ... will position Dimah Capital as a much larger player in the industry and offer an immediate diversification of its portfolio.”*

Also in 2018, Dimah Capital and Al Bilad Real Estate Investment Company K.S.C. have successfully obtained approvals from regulatory authorities for their merger. The Merger - expected to be completed during 2019 - will position Dimah Capital as a much larger player in the industry and offer an immediate diversification of its portfolio while promising an increase in its capital. As a result, Dimah Capital will be in a pole position to leverage Al Bilad’s assets giving Dimah Capital further exposure in both local and regional markets.

It is worth mentioning that the assets, liabilities, and equity - including retained profit - of Al Bilad (under liquidation) will be presented in the financial information of Dimah Capital as at 31 March 2019 as per the resolutions of the Extraordinary General Assembly held on 25 November 2018, whereas the shareholders’ register of Dimah Capital has been amended on 28 March 2019 to include the shareholders of Al Bilad (previously).

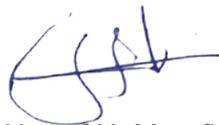
The Board recognizes the importance of building on our strengths and continuing to enhance our risk management practices in line with our commitment to meeting the expectations of our regulators and protecting and serving the interests of our stakeholders.

*“We remain focused on further improving the financial performance of the company and building upon our successes”*

Even as we celebrate our great achievements, we remain focused on further improving the financial performance of the company and building upon our successes, as Dimah Capital is keen to strengthen its portfolio and seek out new opportunities of growth and expansion.

We continue to believe that our unique business model and investment strategy — along with our commitment to deliver superior investment results, while adhering to the highest professional standards and corporate governance — will create long-term value for our shareholders.

I would like to thank all the shareholders for their confidence and continuous support. We hope to maintain this mutual trust leading to further growth and development for the Company. I would also like to thank my fellow Board Members, Fatwa and Sharia Supervisory Board and Dimah Capital’s employees, including the Executive Management as the Company’s ongoing success would have never been accomplished without their efforts and dedication. I pray to Allah Almighty to bless our efforts and grant us more success.

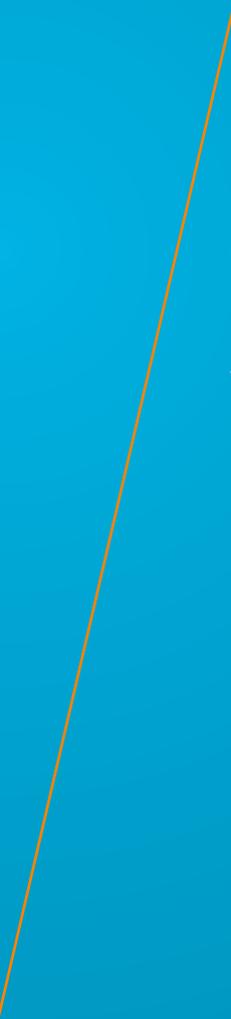


Nawaf H. Marafi

Chairman

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*Chief Executive Officer's  
Message*

## Dear Shareholders,

*“The approved merger between Dimah Capital and Al Bilad ...will effectively help to reshape Dimah Capital into a world-class investment company.”*

I would like to take this opportunity to thank everyone who contributed to Dimah Capital's strong performance in 2018, including our board members, clients, shareholders, partners and employees.

The approved merger between Dimah Capital and Al Bilad, combined with ongoing efforts to maximize our opportunities both locally and abroad, will effectively help to reshape Dimah Capital into a world-class investment company. This merger, which was approved during an extraordinary general meeting in 2018, is expected to provide Dimah Capital with an increase in total assets under management. Moreover, the Merger will diversify Dimah Capital's real estate investment portfolio and provide access to different geographies, which in turn will accelerate the Company's expansion.

*“Dimah Capital stepped up its expansion ambitions and spread further and deeper into the international real estate market.”*

To reiterate what our Chairman mentioned in his message, during 2018, Dimah Capital stepped up its expansion ambitions and spread further and deeper into the international real estate market while effectively managing its portfolio and adding additional strategic acquisitions that increased the number of assets managed by the Company.

In regards to the UK, during the second quarter of 2018, Dimah Capital - beside a group of investors - acquired four properties located in Manchester Business Park, Manchester and 1 property located in Stockley Park, London. These properties were acquired at a total cost of approximately £100.8 million. This investment generates 8% annual dividends for monthly distributions and has an expected internal rate of return (IRR) of 9% on the invested capital at the end of the investment period.

*“...we focus on communicating the robustness of our portfolios.”*

As for the Company's activities in the US, towards the end of 2018, the Company - beside a group of investors - acquired one core property strategically located in Seattle, Washington for a total cost of approximately \$117.7 million. This particular investment generates 9% annual dividends with monthly distributions, and has an expected IRR of 11.5% on the invested capital at the end of the investment period.

At Dimah Capital, we recognize and understand market challenges and volatility. For this reason, we focus on communicating the robustness of our portfolios and not the unpredictability of the ever-changing market conditions.

Our job is to deliver on our promise of creating value. A promise we take very seriously and therefore, as value-focused company, we constantly keep a close eye on risk to ensure that we deliver the best to our clients and shareholders. For this reason, we have always been and always will be optimistic and confident in our ability to grow

*“Our job is to deliver on our promise of creating value.”*

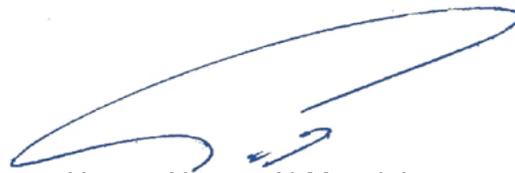
Dimah Capital’s investments remain strong and as we look ahead, we remain focused on effectively managing our existing portfolio, executing on our growth initiatives and capitalizing on significant growth opportunities that lie ahead.

*“Our confidence in the future comes, in large measure, from the commitment and passion of our team.”*

Our confidence in the future comes, in large measure, from the commitment and passion of our team, as they are the Company’s most important long-term competitive advantage and are the key reasons that Dimah Capital is able to quickly adapt to change and maintain our particular position in the market.

To our shareholders we remain committed to work for their best interests and creating value in everything we do.

Thank you for your investment in Dimah Capital.



Hosam Nasser Al-Muzaiel  
Vice Chairman and Chief Executive Officer



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

**Dear Shareholders of Dimah Capital Investment Co.**

You have assigned us the task of reviewing the contracts and transactions completed by the Company during the period from 1 January 2018 to 31 December 2018. Our responsibility entailed expressing an independent opinion regarding the Company's compliance with the principles of Sharia 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 Sharia. We believe that the audit report and activities carried out by the Sharia Supervisory Unit provides a satisfactory basis for expressing a reasonable opinion.

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

The Fatwa and Sharia Supervisory Board certifies:

1. The Company has fulfilled its duties in executing contracts and transactions in accordance with principles of Sharia for the period from 1 January 2018 to 31 December 2018.
2. All revenues resulted from sources or methods that are prohibited by Islamic Sharia have been set aside to be disposed of in charity.
3. The calculation of Zakat has been conducted in accordance with the principles approved by the Fatwa and Sharia Supervisory Board, which has concluded that no Zakat is due on the Company for the year ended 31 December 2018. Zakat shall be transferred to the Kuwait Zakat House, and to be deducted from the Zakat Balance of the next year (if any).

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

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

**Fatwa and Sharia Supervisory Board Members**

 _____	 _____	 _____
Dr. Nayef Mohammed Al-Ajmi (President)	Dr. Nathem Mohammed AlMisbah	Dr. Sulaiman Marafie Safar
 _____	 _____	
Dr. Khaled Shajjaa-AIOtaibi	Dr. Ibrahim Abdullah Al-Subai	

## External Sharia Audit Report for Dimah Capital Investment Company For Financial Year Ended 31 December 2018

### Dear Shareholders of Dimah Capital Investment Company

Peace, God's mercy and blessings be upon you

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

#### First: Scope of Work

We have audited and reviewed the Company's transactional contracts and all related documents signed by the company in the financial year ended 31 December 2018. This was done to form our opinion on whether or not the Company acted in compliance with Islamic Sharia principles and rules in accordance with the resolutions, guidelines and opinions issued by the Fatwa and Sharia Supervisory Board.

#### Second: Responsibility of the Company

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

#### Third: Responsibility of the External Sharia Auditor

Our responsibility is to provide our opinion about the extent of the Company's compliance with the Islamic Sharia principles and rules in accordance with the Sharia audits we have performed. We have performed our Sharia audit in accordance with the Capital Markets Authority regulations, Governance Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and the resolutions and guidelines of the Company's Fatwa and Sharia Supervisory Board.

Our responsibility requires our commitment to the ethical requirements, planning and executing the Sharia audits in order to form reasonable assurances that the Company is in compliance with the Islamic Sharia provisions and principles.

#### Fourth: Description of the External Sharia Audit

In order to complete the requested work, we have planned and executed the external Sharia audit according to the professionally recognized standards. The completed work included inspecting the Company's Sharia audit system.

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

We believe that the evidence we obtained was suitable and sufficient to provide a basis for our Sharia audit opinion.

#### Fifth: The Audited Departments Responsible For Carrying Out Transactions

We have carried out the Sharia audit through various field visits to the Company, the last of which was on 20/3/2019, in specific to the concerned departments as follows:

- Property Management
- Investment Management
- Portfolio Management
- Client Relationships Department
- Finance Department
- Compliance Department
- IT Department
- HR Department
- Legal Department
- Administration Department

We have executed our audit through the following actions:

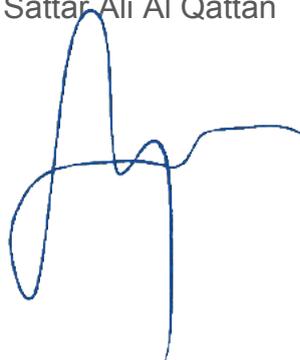
- Identify the fields of audit.
- Identify the performed contracts and transactions in each field.
- Perform the audit on a sample basis.
- Prepare programs and templates of Sharia audit.
- Carrying out field audit.
- Provide comments obtained from the audit.
- Prepare the Report of external Sharia audit and recommendations (initial report) and provide the Company with the observations (if any).
- Insure the Company's compliance with the corrective actions according to the Sharia audit (if any).

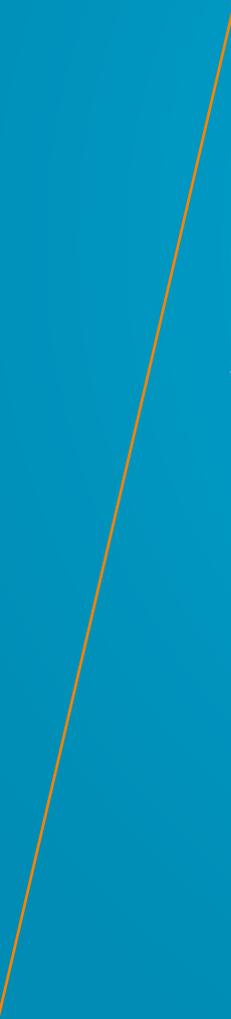
**Sixth: our opinion**

In our opinion, the contracts and transactions executed by the Company during the financial year ended 31 December 2018 were in compliance with the provisions and principles of Islamic Sharia as outlined by the Company's Fatwa and Sharia Supervisory Board.

**Allah the Al-Mighty is the best Guardian**

Shura Sharia Consultancy  
Abdul Sattar Ali Al Qattan





*Governance  
Report*

## Values and ethical behavior

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

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

Following is a Governance Report summary:

### Company's administrative and general structure

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

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

### Board of Directors

#### • Board approach in management

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

#### • Board Composition

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

## Nawaf Hussain Marafi

### Chairman – non-executive

Mr. Nawaf enjoys more than 21 years of experience in several fields including financial and petroleum services. He is currently a member of several company boards and has been the Chairman of Dimah Capital since June 2015. In addition, he is a Board Member and the CEO of Al Imtiaz Investment Group since January 2014. He holds a Bachelor's degree in Mechanical Engineering from Michigan University – USA in 1996 and a Master's Degree in Business Administration with honor from Cardiff University – UK in 2005.

## Hosam Nasser Al Muzaiel

### Deputy Chairman - CEO

A holder of Bachelor's Degree in accounting in 1995 from Cairo University and a graduate from KIA program in 1998. He has 23 years of experience in the field of financial and investment business management as well as managing real estate investments locally and internationally. He has been the CEO of Dimah Capital since March 2016 and a Board Member since June 2014.

## Fouad Saleh Al Shehab

### Board Member – Independent Member

Holder of Bachelor's Degree in Management and Economics in 1977 from Saint Thomas University, USA. He has 38 years of experience in the field of investment business management, financing, finance affairs, and asset management. He has been a Board Member of Dimah Capital since November 2016.

## Yousif Khaled Al Marzouq

### Board Member – non-executive

Holder of an equivalent to the Master's degree – bank credit management – in 2004 from the Financial and Banking Studies institute, Kuwait, and the Bachelor's Degree in General Management in 2000 from California's San Bernardino University, USA. He has 16 years of experience in the field of local and international investment. He has been a Board Member of Dimah Capital since February 2014.

## Fahad Abdul Rahman Al Sane

### Board Member – non-executive

Holder of the Master's degree in business management from Dukes University, USA in 2003. He has 18 years of experience in the field of investment, finance, financial affairs, and asset management. He has been a Board Member of Dimah Capital since September 2016.

Member	Meeting No. (2) held on 13/2	Meeting No. (3) held on 29/3	Meeting No. (4) held on 29/3	Meeting No. (5) held on 13/5	Meeting No. (6) held on 10/6	Meeting No. (7) held on 10/6	Meeting No. (8) held on 15/7	Meeting No. (9) held on 1/8	Meeting No. (6) held on 11/11	Meeting No. (7) held on 12/11	Meeting No. (8) held on 19/11	Meeting No. (9) held on 25/12	No. of meetings
Nawaf Hussain Marafi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓	11
Hosam Nasser Al Muzaiel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	11
Fouad Saleh Al Shehab	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Yousif Khaled Al Marzouq	✓	✓	✓	0	0	0	✓	✓	0	0	0	✓	6
Fahad Abdul Rahman Al Sane	✓	✓	✓	✓	0	0	0	0	0	0	0	0	10

## 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 5 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. Approve the required Charters and Policies.
2. Approve annual and interim financial statements.
3. Follow up the Company's strategic plan and achievements.
4. Follow up the Company's balance sheet of 2018.
5. Approve the Company's annual budget of 2019.

### 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 Charters, which include the duration of the Committee, its authorities, roles, responsibilities, rights, and the extent of Board supervision thereof. These Committees shall regularly inform the Board of all results and decisions in full transparency.

### Risk Management Committee

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

#### First - Committee formation

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

## Second - Key roles and responsibilities

1. Assist the Board in identifying and evaluating the acceptable risk level, in addition to understanding and analyzing the nature and size of risks that will encounter the Company in its activities.
2. Provide advice regarding current and future risk strategies and policies, as well as critical points that require making decisions and insuring that such decisions are in line with the size and nature of the Company's activities.
3. Assist the Board in the effective control over the Executive Management regarding the implementation of Board approved risk management strategies.
4. Develop risk standards and indices, and provide the Board with recommendations.
5. Review the observations of the Audit Committee relating to Risk Management.
6. Regularly review key risk indicators developed by the Risk Management.
7. 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.
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.
10. Review the Company's asset distribution and any change to it, and insure it is in 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 in compliance with the regulatory requirements regarding Corporate Governance.

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

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

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

(\*) the Committee has conducted 4 meetings during 2018, with attendance ratio of 75%

### Audit Committee

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

### First - Committee formation

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

## Second - Key roles and responsibilities

1. Review and approve the annual internal audit plan of 2018 taking into account risk rating and audit priorities.
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. Review the contracts with external auditors concerning their associated tasks as per the regulatory requirements, and provide the Board with recommendations regarding the provided services.
5. Discuss the report about internal controls sufficiency within the Company and its related risk management.
6. Discuss the fields of internal audit regarding information technology, systems, and security.
7. Technical overview for the Internal Audit Department, and continuously insuring its sufficiency in performing all required tasks, in addition to its dependency.
8. Review the performance of the Head of the Internal Audit Department.
9. 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 in compliance with the regulatory requirements regarding Corporate Governance.

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

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

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

(\*) the Committee has conducted 6 meetings during 2018, with attendance ration of 88%

## Nominations and Remuneration Committee

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

### First - Committee formation

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

### Second - Key roles and responsibilities

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

### Third - Report of the remuneration of the Board and the Executive Management including the Head of Finance Department:

recommends not giving annual remuneration to the Board Members-beside the Independent Member - as net profit is not sufficient for the same after the required deductions as per the requirements of the Kuwait Companies Law. This recommendation is subject to the approval of the Shareholders at the Annual General Assembly Meeting, after the Chairman presents the Remunerations and Privileges report. It is worth mentioning that no significant deviations from the Board approved remunerations and incentives policy were observed in calculating the Independent Member's remunerations. In this regard, the Committee recommends giving remuneration to the Executive Management and the Financial Manager, to be presented in detail during the annual general assembly meeting, and to be calculated as per the following criteria:

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

(\*) the Committee has conducted 1 meeting during 2018, with attendance ration of 67%

### 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. The Committee has not contacted any meetings during 2018.

### Committee formation

- |                              |          |
|------------------------------|----------|
| • Nawaf Hussain Marafi       | Chairman |
| • Hosam Nasser Al Muzaiel    | Member   |
| • Fahad Abdul Rahman Al Sane | Member   |

### 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. The update is now in its final stage, and is expected to finalize in the second quarter of 2019.

### 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, in addition to establish measures for separating Clients funds apart from the Company's funds. The Company has created firewalls against money laundering transactions starting from the front desk staff, aiming to proactively prevent any attempt through the technical examination measures that the Company is continuously performing on its business partners regardless of their nature. In achieving these goals, the Company invests in carrying out periodic - biennial and on the need basis - technical training sessions for all employees, to be well acquainted with the latest practices in the field of anti-money laundering and terror financing, and how to audit the document cycle as per the regulatory requirements and according to the best practices.

### Stakeholders

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

## Shareholders' rights

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.

1. **Registration of shareholders' rights:** The Company works hard on safeguarding Shareholders' rights by identifying these rights and registering them in its Articles of Association, as well as its books. The Company suggests adjusting these rights for the best interest of the Shareholders and in line with the changes in laws. Following is a highlight of safeguarding Shareholders' rights:
  - o Registering the amount of owned equity.
  - o The right of receiving the assigned share of dividends in addition to Company's assets.
  - o Right of preemption in underwriting.
  - o Right of electing Board Members and nomination for Board Membership.
  - o Rights discharge and clearance.
  - o Right of placing accountability on the Board and filing claims for accountability.
  - o Right of calling for General Assembly Meetings, and right of attending such meeting and voting or resolutions.
  - o Right of receiving information and statements relating to the Company's activities and operational and investment strategy, regularly.
  - o Right of monitoring the Company's general performance and the work of the Board in specific.
  - o Right of appointing and replacing external auditors.
  - o Right of discharging the Board or any Member thereof.
  - o Right of appointing the President of the General Assembly Meeting.
  - o Right of discussing and auditing data and information provided by the Board regarding the Company, and seeking the sound financial position of the Company.
2. **Seeking accuracy and continuous follow up with Shareholders' data**  
Further to rights safeguarding, and for the purpose of continuously following up with Shareholders' data, the Company has created a register of Shareholders in Kuwait Clearing Company, including all Shareholders' names, nationalities, place of domicile, and the No. of owned shares. Any change on the mentioned information shall be registered based on the information received by the Company or the clearance agency. Shareholders have the right to view the register as appropriate.
3. **Encouraging Shareholders to vote in the Company's meetings**  
Shareholders' participation in General Assembly Meetings and voting on resolutions is considered an original right. Therefore, the Company encourages Shareholders to attend the different meetings and to vote on resolutions with clear mechanisms for attendance and voting.

**Disclosure and transparency**

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

**Social responsibility**

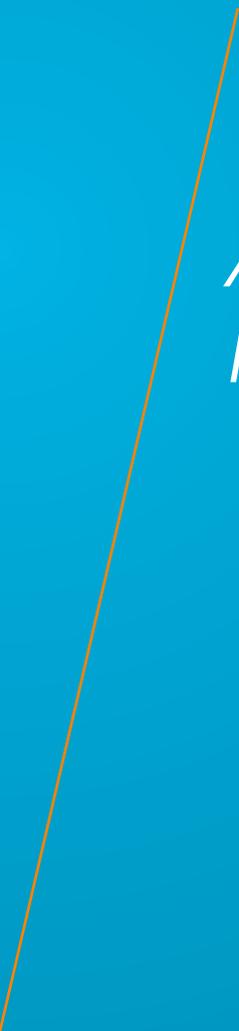
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Nawaf Hussain Marafi  
Chairman

دیمہ **dimah**  
کابیتال capital





*Audit Committee  
Report*

## Shareholders of Dimah Capital

Peace be upon you all,

The Board Audit Committee has the responsibility of ensuring the integrity of the company's financial reporting, as well as ensuring the sufficiency and efficiency of the internal controls systems in compliance with the regulatory bodies' requirements. During 2018, the Committee has conducted six meetings, and accomplished the following:

1. Reviewed and approve the Company's Internal Audit plan for the year 2018, based on risk assessment and prioritization of audit.
2. Reviewed the Internal Audit Manual and presented to the Board of Directors.
3. 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.
4. Reviewed and discuss the Internal Audit Department works and the accomplishments of the audit plan, including aspects related to information systems, technologies, and security.
5. Ensured that necessary actions are taken regarding the Internal Audit findings.
6. Reviewed the results of regulatory bodies' reports, and insuring that all required measures are taken in that regard.
7. Reviewed and discussed the results of the Internal Control Report (ICR).
8. Validated the company's compliance with the related regulations, policies and instructions.
9. 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.
10. Reviewed the efficiency and independency of the Internal Audit Department with its Manager, and evaluated the Internal Audit Manager's performance and determined his remuneration.
11. Appointing an independent audit firm to revise and evaluate the performance of the Internal Audit Department in accordance with the Institute of Internal Auditor's International Professional Practices Framework (IIA).
12. Review and discuss the work and reports of the Company's Sharia Audit for the fiscal year ended 31/12/2017.
13. Ensured that necessary actions are taken regarding the Sharia Audit findings.

In light of the performed works of the Audit Committee during 2018, 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



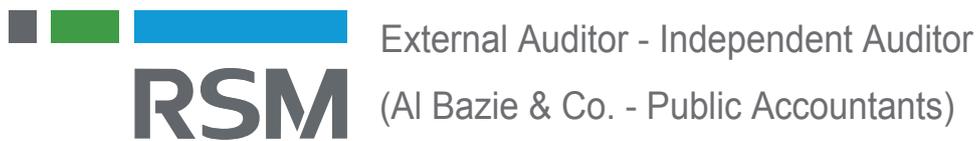
Member  
Yousif Khaled Al Marzouq



Member  
Fahad Abdul Rahman Al Sane'

دیمہ **dimah**  
کابیتال capital

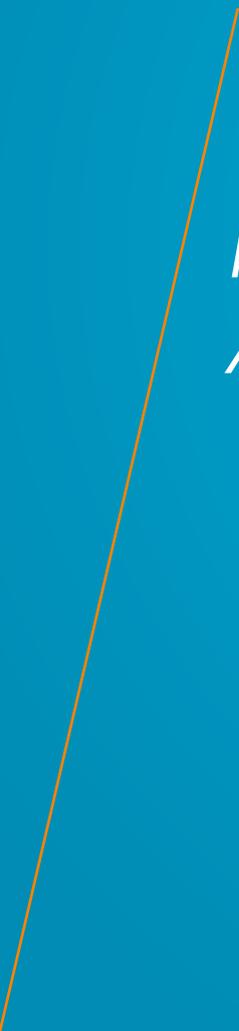




**DIMAH CAPITAL INVESTMENT COMPANY - K.S.C. (CLOSED)  
AND ITS SUBSIDIARIES (THE GROUP)  
STATE OF KUWAIT**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
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 at December 31, 2018, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and 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, 2018, and its financial performance and its 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 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Parent Company or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

## Report on Other Legal and Regulatory Requirements

In addition, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended December 31, 2018 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware, of any material violations, during the year ended December 31, 2018, 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.

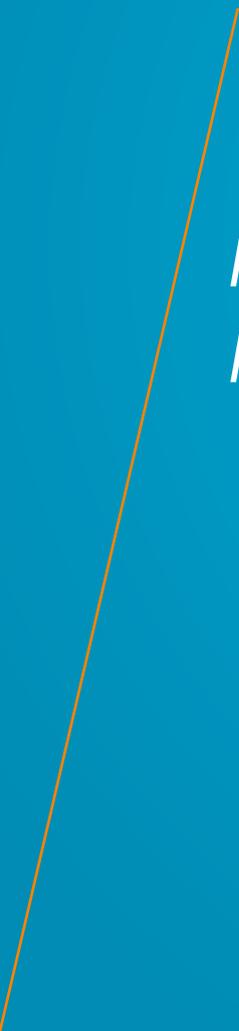
Also, in our opinion, we have not become aware of any material violations of Law No. 7 of 2010 concerning the Capital Markets Authority and Organization of Security Activity, and its subsequent amendments and its Executive Regulations during the year then ended, that might have a material effect on the business or financial position of the Parent Company.

State of Kuwait  
March 29, 2019



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





*Integrity of the  
Financial Statements*

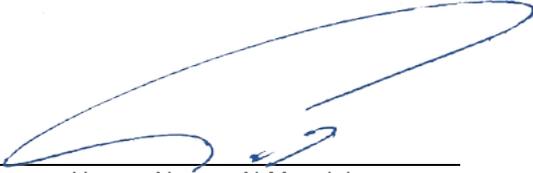
## Messrs. Shareholders

With reference to the provisions of articles 1-5, 2-5, and 3-5 of Chapter Five (Rule IV: “Safeguard the Integrity of Financial Reporting”) / Module Fifteen (Corporate Governance), issued with the Executive Regulations of Resolution No. 72 of 2015 of the CMA Law No. 7 of 2010 as amended, we hereby acknowledge and pledge – to the best of our knowledge – that the Company’s financial statements for the fiscal year ended 31 December 2018 are sound and fairly presented; cover all financial results and operational performance; and have been prepared according to the International Accounting Standards as approved by the CMA.

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

	Note	2018	2017
<u>ASSETS</u>			
Cash on hand and at banks		1,834,553	2,105,194
Wakala Investments		-	10,748
Financial assets at fair value through profit or loss	3	9,307,883	-
Accounts receivable and other debit balances	4	993,519	2,410,334
Financial assets available for sale	6	-	16,227,278
Financial assets at fair value through other comprehensive income	7	10,289,643	-
Investment in associates	8	1,528,547	2,483,059
Investment properties	9	675,060	1,499,664
Property and equipment	10	96,295	112,201
Total assets		<u>24,725,500</u>	<u>24,848,478</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Accounts payable and other credit balances	11	926,506	2,638,939
Murabaha payable	12	1,650,000	-
Provision for end of service indemnity	13	169,870	98,291
Total liabilities		<u>2,746,376</u>	<u>2,737,230</u>
Equity:			
Share capital	14	15,000,000	15,000,000
Statutory reserve	15	702,898	539,883
Voluntary reserve	16	702,898	539,883
Fair value reserve		2,554,806	2,362,632
Effect of change in other comprehensive income of associates		126,100	248,076
Retained earnings		2,889,493	3,417,814
Equity attributable to shareholders of the Parent Company		<u>21,976,195</u>	<u>22,108,288</u>
Non-controlling interests		2,929	2,960
Total equity		<u>21,979,124</u>	<u>22,111,248</u>
Total liabilities and equity		<u>24,725,500</u>	<u>24,848,478</u>

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements

  
 Hosam Nasser Al-Muzaiel  
 Vice Chairman and Chief Executive Officer

	Note	2018	2017
<b>Revenue:</b>			
Net investment income	17	674,863	874,022
Structuring and marketing income	18	2,715,149	2,261,182
Management income		234,175	397,717
Wakala income		59	1,282
Group's share of results from associates	8	125,813	(36,963)
Gain on sale of property and equipment		2,150	50,440
Property and equipment written off		(499)	(3,542)
Other (expense) income		(83,692)	12,777
Total revenue		<b>3,668,018</b>	3,556,915
<b>Expenses:</b>			
General and administrative expenses	19	1,901,429	2,103,978
Provision for doubtful debts	4	23,506	-
Loss from sale of investment properties		31,698	-
Depreciation	10	39,767	35,445
Finance cost		41,499	-
Total expenses		<b>2,037,899</b>	2,139,423
Profit for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS), Zakat and Board of Directors' remuneration		1,630,119	1,417,492
Contribution to KFAS		(14,539)	(12,384)
Zakat		(18,614)	(11,255)
Board of Directors' remuneration	20	(7,000)	(30,000)
Net profit for the year		<b>1,589,966</b>	1,363,853
Attributable to:			
Shareholders of the Parent Company's		1,589,997	1,363,833
Non-controlling interests		(31)	20
		<b>1,589,966</b>	1,363,853

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements

	Note	2018	2017
Net profit for the year		<u>1,589,966</u>	<u>1,363,853</u>
Other comprehensive (loss) income:			
<u>Items that will be reclassified subsequently to the consolidated statement of profit or loss:</u>			
Change in fair value of financial assets available for sale	6	-	1,845,517
Transferred to the consolidated statement of profit and loss due to sale of financial assets available for sale		-	(5,733)
Group's share of other comprehensive income of associates	8	<u>(121,976)</u>	<u>122,763</u>
		<u>(121,976)</u>	<u>1,962,547</u>
<u>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</u>			
Change in fair value of financial assets at fair value through other comprehensive income	7	<u>(30,737)</u>	-
		<u>(30,737)</u>	-
Other comprehensive (loss) income for the year		<u>(152,713)</u>	<u>1,962,547</u>
Total comprehensive income for the year		<u>1,437,253</u>	<u>3,326,400</u>
Attributable to:			
Shareholders of the Parent Company's		<u>1,437,284</u>	<u>3,326,380</u>
Non-controlling interests		<u>(31)</u>	<u>20</u>
		<u>1,437,253</u>	<u>3,326,400</u>

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements

	Share capital	Statutory reserve	Voluntary reserve	Fair value reserve	Effect of changes in other comprehensive income of associates	Retained earnings	Sub Total	Non – controlling interests	Total equity
Balance as at January 1, 2017	15,000,000	398,136	398,136	522,848	125,313	3,087,475	19,531,908	2,940	19,534,848
Total comprehensive income for the year	-	-	-	1,839,784	122,763	1,363,833	3,326,380	20	3,326,400
Cash dividends	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Transfer to reserves	-	141,747	141,747	-	-	(283,494)	-	-	-
Balance as at December 31, 2017	15,000,000	539,883	539,883	2,362,632	248,076	3,417,814	22,108,288	2,960	22,111,248
Effect of implementation of IFRS 9 (Note 2- d)	-	-	-	222,911	-	(83,939)	138,972	-	138,972
Group's share of implementation of IFRS 9 of associate (Note 2-d)	-	-	-	-	-	(958,349)	(958,349)	-	(958,349)
Balance as at January 1, 2018	15,000,000	539,883	539,883	2,585,543	248,076	2,375,526	21,288,911	2,960	21,291,871
Total comprehensive (loss) income for the year	-	-	-	(30,737)	(121,976)	1,589,997	1,437,284	(31)	1,437,253
Cash dividends (Note 20)	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Transfer to reserves	-	163,015	163,015	-	-	(326,030)	-	-	-
<b>Balance as at December 31, 2018</b>	<b>15,000,000</b>	<b>702,898</b>	<b>702,898</b>	<b>2,554,806</b>	<b>126,100</b>	<b>2,889,493</b>	<b>21,976,195</b>	<b>2,929</b>	<b>21,979,124</b>

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements

	2018	2017
<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	1,630,119	1,417,492
Adjustments:		
Unrealized loss from financial assets at fair value through profit or loss	171,546	-
Realized gain from sale of financial assets available for sale	-	(90,037)
Impairment loss on financial assets available for sale	-	61,500
Cash dividends	(846,409)	(845,485)
Wakala income	(59)	(1,282)
Group's share of results from associates	(125,813)	36,963
Gain on sale of property and equipment	(2,150)	(50,440)
Property and Equipment Written off	499	3,542
Provision for doubtful debts	23,506	-
Loss on sale of investment properties	31,698	-
Depreciation	39,767	35,445
Finance cost	41,499	-
Provision for end of service indemnity	73,821	53,235
	<u>1,038,024</u>	<u>620,933</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(3,164,411)	-
Accounts receivable and other debit balances	1,090,922	(1,815,957)
Due from the ultimate Parent Company	-	228,930
Accounts payable and other credit balances	(1,763,149)	1,288,550
Cash (used in) generated from operations	<u>(2,798,614)</u>	<u>322,456</u>
KFAS paid	(23,033)	-
Zakat paid	(22,951)	-
Board of Directors' remuneration	(55,000)	-
End of service indemnity paid	(2,242)	(17,822)
Net cash flows (used in) generated from operating activities	<u>(2,901,840)</u>	<u>304,634</u>
<b>Cash flows from investing activities:</b>		
Net movement on Wakala Investments	10,748	9,852
Paid for purchase of financial assets available for sale	-	(249,036)
Proceeds from sale of financial assets available for sale	-	915,115
Proceeds from sale of investment properties	792,906	-
Paid for purchase of property and equipment	(25,210)	(40,792)
Proceeds from sale of property and equipment	3,000	450
Wakala income received	59	1,282
Dividend income received	879,648	812,246
Net cash flows generated from investing activities	<u>1,661,151</u>	<u>1,449,117</u>
<b>Cash flows from financing activities:</b>		
Murabaha payable	1,650,000	-
Dividends paid to Shareholder	(655,541)	-
Finance cost paid	(24,411)	-
Paid for capital decrease	-	(5,721)
Net cash flows generated from (used in) financing activities	<u>970,048</u>	<u>(5,721)</u>
Net (decrease) increase in cash on hand and at banks	<u>(270,641)</u>	<u>1,748,030</u>
Cash on hand and at banks at the beginning of the year	<u>2,105,194</u>	<u>357,164</u>
Cash on hand and at banks at the end of the year	<u><u>1,834,553</u></u>	<u><u>2,105,194</u></u>

During the year, the Group entered into non-cash transactions, which excluded from the consolidated statement of cash flows as follows:

	2018	2017
Paid for purchase of financial assets available for sale	-	(607,090)
Accounts receivable and other debit balances	-	607,090
	<u>-</u>	<u>-</u>

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements

## 1. Incorporation and activities

Dimah Capital Investment Company - K.S.C. (Closed) "the Parent Company" (formerly known as Beyoo Finance and Investment - K.S.C. (Closed)) is a Kuwaiti Closed Shareholding Company registered in the State of Kuwait, and was incorporated based on Memorandum of Incorporation under Ref. No. 5653 / Volume 1 dated July 15, 2007 and its subsequent amendments, the latest of which was notarized in the commercial registry under Ref. No. 323021 dated November 1, 2015, subsequent to date of consolidated financial statement, it was notarized in the commercial registry to increase the share capital of the parent company on January 10, 2019 as mentioned in (Note 25).

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

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

The Parent Company practice its activities according Sharia Islamic regulations.

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

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

During the year ended December 31, 2018, according to the Parent Company's Board of Directors meeting held on June 10, 2018, had propose to Extraordinary General Assembly Meeting of the Shareholder of the Parent Company to merge with Al Bilad Real Estate Investment Company – K.S.C. (Closed) "related party under common control", Subsequent to reporting date, the Parent Company obtained the approvals from the regulatory authority for completion of merger process as mentioned in Note 25.

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

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on - March 11, 2019 and are subject to the approval of the General Assembly of the Shareholders of the Parent Company's. The Annual General Assembly of the Parent Company's Shareholders has the power to amend these consolidated financial statements after issuance.

## 2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ('IASB') and with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK") and the Capital Markets Authority ("CMA"). These regulations require adoption of all IFRSs as issued by IASB except for the measurement and disclosure requirements of expected credit losses (ECL) on credit facilities under IFRS 9: Financial Instruments. Accordingly, provision for credit losses on credit facilities is the higher of ECL under IFRS 9, determined in accordance with the CBK guidelines, which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities, (if any) as described under the accounting policy for impairment of financial assets. Significant accounting policies are summarized as follows:

### a) Basis of preparation:

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for the following items that are stated at their fair value:

- Financial assets at fair value through profit or loss,
- Financial assets at fair value through other comprehensive income,
- Investment properties.

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 - u).

### Standards and Interpretations issued and effective

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

#### 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. Kindly refer to (Note 2- d) for the effect of initially applying IFRS 9.

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

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

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

This standard applies to all revenue arising from contracts with customers (with a core principle based on a five-step model), unless the contracts are in the scope of other standards. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. Kindly refer to (Note 2 - I) for the effect of initially applying IFRS 15.

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

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

There is no material impact of the application of these interpretations on the consolidated financial statements.

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

The amendments clarify that:

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

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

The amendment will be effective for annual periods beginning on or after January 1, 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. There is no material impact of the application of these amendments on the consolidated financial statements.

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

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

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

#### **IFRS 16 - Leases**

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

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

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

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

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28: Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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

#### **IFRS 3 – Business Combinations**

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

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

#### **IAS 23 – Borrowing Costs**

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

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

b) Principles of consolidation:

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

Name of subsidiary	Country of incorporation	Principal activities	Percentage of ownership %	
			2018	2017
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. (a)	Cayman Islands	Consulting activities	99	99

(a) The other 1% investment are registered in the name of a related party and there is a waiver letter that the beneficial ownership of this investment is in favor of the Group.

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

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

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

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

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

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

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

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

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

c) Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification as described in (Note 22 – d), which related to maturity analysis of assets and liabilities.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

d) 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 investment, financial assets at fair value through profit or loss, receivables, financial assets at fair value through other comprehensive income, accounts payable and murabaha payable.

- Financial assets:

Accounting policy effective January 1, 2018

The Group has adopted IFRS (9) - Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS (9) represent a significant change from IAS (39) Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification of financial assets

To determine their classification and measurement category, IFRS (9) requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Initial recognition

Purchases and sales of those financial assets are recognized on settlement date – the date on which an asset is delivered to or by the Group. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Derecognition

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

Measurement categories of financial assets

The IAS (39) measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity, loans and receivables) have been replaced by:

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

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Cash at banks, trade receivables are classified as debt instruments at amortized cost.

- Trade receivable:

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

Financial assets at FVPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of consolidated financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

**I. Impairment of financial assets**

The adoption of IFRS (9) has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS (39)'s incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis.

The Group has applied a forward looking approach wherein recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and

- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- 'Stage 3' (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2.

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

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## II. Transition

Changes in accounting policies resulting from the adoption of IFRS (9) have been applied as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS (9) are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for the year ended December 31, 2017 and for the year ended December 31, 2018 does not reflect the requirements of IFRS (9) and therefore is not comparable to the information presented and for the year ended December 31, 2018.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL.
  - The designation of certain equity instruments not held for trading as at FVOCI.

The impact of this change in accounting policy as at January 1, 2018 has been to decrease retained earnings by KD 1,042,288 and increase fair value reserve by KD 222,911 and are as follow:

	Retained earnings	Fair value reserve
<b>Closing balance under IAS 39 (December 31, 2017)</b>	3,417,814	2,362,632
<u>Impact on reclassification and re-measurements:</u>		
Equity instruments from available-for-sale to FVPL	(222,911)	222,911
Equity instruments from available-for-sale to FVPL	408,120	-
	<u>185,209</u>	<u>222,911</u>
<u>Impact on recognition of Expected Credit Losses on debt instruments other than through FVPL</u>		
Expected credit losses under IFRS 9 for debt instruments at amortized cost (Note 4)	(269,148)	-
Expected credit losses under IFRS 9 for debt instruments at amortized cost at associate (Note 8)	(958,349)	-
	<u>(1,227,497)</u>	<u>-</u>
Opening balance under IFRS 9 on date of initial application of 1 January 2018	<u><b>2,375,526</b></u>	<u><b>2,585,543</b></u>

### **Classification of financial assets and financial liabilities on the date of initial application of IFRS (9)**

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS (39) and the new measurement categories under IFRS (9) for the Group's financial assets and financial liabilities as at January 1, 2018.

	Original classification under IAS (39)	New classification under IFRS (9)	Original carrying amount under IAS (39)	New carrying amount under IFRS (9)
<b>Financial assets</b>				
Cash on hand and at banks	Loans and receivables	Amortized cost	2,105,194	<b>2,105,194</b>
Wakala investment	Loans and receivables	Amortized cost	10,748	<b>10,748</b>
Accounts receivable and other debit balances	Loans and receivables	Amortized cost	2,410,334	<b>2,141,186</b>
Equity Instruments	Financial assets available for sale	FVPL	5,906,898	<b>6,315,018</b>
Equity Instruments	Financial assets available for sale	FVOCI	10,320,380	<b>10,320,380</b>
Total financial assets			<b>20,753,554</b>	<b>20,892,526</b>
<b>Financial liabilities</b>				
Accounts payable and other credit balances	Amortized cost	Amortized cost	2,638,939	<b>2,638,939</b>
Total financial liabilities			<b>2,638,939</b>	<b>2,638,939</b>

### **Reconciliation of carrying amounts under IAS (39) to carrying amounts under IFRS (9) at the adoption of IFRS (9)**

The following table reconciles the carrying amounts under IAS (39) to the carrying amounts under IFRS (9) on transition to IFRS (9) on January 1, 2018.

	IAS (39) carrying amount as at December 31, 2017	Reclassifications	Re- measurement	IFRS 9 carrying amount as at January 1, 2018
<b>Accounts receivable and other debit balances</b>				
Opening balance	2,410,334	-	-	<b>2,410,334</b>
Impairment loss	-	-	(269,148)	<b>(269,148)</b>
<b>Closing balance</b>	<b>2,410,334</b>	<b>-</b>	<b>(269,148)</b>	<b>2,141,186</b>
<b>Financial assets at fair value through profit or loss</b>				
Opening balance	-	-	-	-
From financial assets available for sale	-	5,906,898	408,120	<b>6,315,018</b>
<b>Closing balance</b>	<b>-</b>	<b>5,906,898</b>	<b>408,120</b>	<b>6,315,018</b>
<b>Financial assets available for sale</b>				
Opening balance	16,227,278	-	-	<b>16,227,278</b>
To financial assets at FVPL	-	(5,906,898)	-	<b>(5,906,898)</b>
To financial assets at FVOCI	-	(10,320,380)	-	<b>(10,320,380)</b>
<b>Closing balance</b>	<b>16,227,278</b>	<b>(16,227,278)</b>	<b>-</b>	<b>-</b>
<b>Financial assets at FVOCI</b>				
Opening balance	-	-	-	-
From financial assets available for sale	-	10,320,380	-	<b>10,320,380</b>
<b>Closing balance</b>	<b>-</b>	<b>10,320,380</b>	<b>-</b>	<b>10,320,380</b>

### Accounting policies applied until December 31, 2017

The Group has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

#### Classification

Until December 31, 2017, the Group classified its financial assets in the following categories:

- a) Loans and receivables – The policy is same as explained above for debt instruments at amortized cost.
- b) Financial assets available for sale – These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

The classification depended on the purpose for which the financial assets were acquired, and management determined the classification of its financial at initial recognition.

#### Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS (9). Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortized cost using the effective interest method. Financial assets available for sale and financial assets at FVPL were subsequently carried at fair value.

Gains or losses arising from changes in the fair value were recognized for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When available-for-sale financial assets were sold, the cumulative changes in fair value recognized in other comprehensive income were reclassified to consolidated statement of profit or loss.

Note (23) include details of fair value measurement of financial assets.

#### Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets 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 consolidated statement of profit or loss – is removed from other comprehensive income and recognized in 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:

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to consolidated statement of profit or loss.

#### Accounts payable:

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

#### Murabaha payable:

Murabaha payable represents the amounts due to pay for purchased assets for others on deferred basis as per murabaha facility agreements. murabaha balances are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

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

Offsetting of financial assets and liabilities:

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

e) Investment properties:

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

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

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

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

f) Associates:

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

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

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

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

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

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

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

g) Property and equipment:

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

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

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

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

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

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

h) Impairment of non-financial assets:

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

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

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

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

i) Provision for end of service indemnity:

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

j) Share 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) Dividend distribution to shareholders:

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

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

l) Revenue recognition:

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

The five steps in the model are as follows:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.

- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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

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

Revenue for the Group arises from the following activities:

- Structuring, marketing and management services income  
Structuring and marketing services income are recognized when the service is provided for customers at a point of time and management services income are recognized when the service is provided for customers over time.
- Other income and expense  
Other income and expense are recognized on accrual basis.

### **Transition**

The Group adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Group.

m) 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.

n) Borrowing costs:

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

o) Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of income from Kuwaiti shareholding associates and transfer to statutory reserve, and any accumulated losses.

q) Contribution to Zakat:

Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associate, and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations.

r) Foreign currencies:

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

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

s) 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.

t) 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.

u) Critical accounting estimates and judgments:

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

a) Judgments:

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

(i) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under 1FRS 15 and revenue accounting policy explained in Note (2 - I) are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long-term contracts. The Group follows guidance of IFRS 15 for determination of contract cost and revenue recognition.

(iii) Classification of land

Upon acquisition of land, the Group classifies the its land as investment properties when the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment properties.

(iv) 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.

(v) Classification of financial assets

On acquisition of a financial asset, the Group decides whether it should be classified as at "amortized cost", "FVTPL" or "FVOCI". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 - d).

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:

(i) Fair value of unquoted financial assets

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

(ii) Provision for doubtful debts

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is based on a forward looking ECL approach as explained in Note (22) 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.

(iii) Useful lives of depreciable assets

The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

(iv) Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognized in consolidated statement of profit or loss. The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. since the valuation experts used 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.

(v) 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. Financial assets at fair value through profit or loss

	<b>2018</b>	2017
Equity securities	<b>9,307,883</b>	-
The movement during the year is as follows:		
	<b>2018</b>	2017
Balance at the beginning of the year	-	-
Transfer from financial assets available for sale (a)	<b>5,906,898</b>	-
Impact on re-measurements as at January 1, 2018 (Note 2- d)	<b>408,120</b>	-
Additions	<b>3,164,411</b>	-
Changes in fair value (Note 17)	<b>(171,546)</b>	-
Balance at the end of the year	<b>9,307,883</b>	-

a) On January 1, 2018, as a result of adoption of IFRS (9), the Group elected to reclassify equity securities amounting to KD 5,906,898 from financial assets available for sale to financial assets at FVPL (Note 6).

Financial assets that mentioned above are denominated in the following currencies:

	<b>2018</b>	2017
US Dollar	<b>6,079,653</b>	-
GBP	<b>3,228,230</b>	-
	<b>9,307,883</b>	-

4. Accounts receivable and other debit balances

	<b>2018</b>	2017
Accrued structuring and marketing income	<b>895,641</b>	1,715,274
Accrued management and others	<b>353,339</b>	135,900
Total trade receivable (a)	<b>1,248,980</b>	1,851,174
Less: provision for doubtful debts (b)	<b>(292,654)</b>	-
	<b>956,326</b>	1,851,174
Advance payments	<b>-</b>	528,797
Prepaid expenses and other	<b>37,193</b>	30,363
	<b>993,519</b>	2,410,334

a) Trade receivables:

Trade receivables are non- interest bearing and are generally due within 30 days. The aging analysis of these trade receivables is as follows:

	Less than 30 days	31-60 days	61-150 days	151 – 365 days	More than 365 days	Total
<b>2018</b>	<b>367,814</b>	<b>17,908</b>	<b>241,293</b>	<b>369,878</b>	<b>252,087</b>	<b>1,248,980</b>
<b>2017</b>	1,022,937	-	260,239	378,933	189,065	1,851,174

b) Provision for doubtful debts:

Disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses are set forth in Note (22). The comparative for impairment provisions refers to the IAS (39) measurement basis which applied the incurred loss model, where as the current year applies IFRS (9) which is an expected loss model.

The movement in provision for doubtful debts is as follows:

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year under IAS (39)	-	-
Effect of applying IFRS (9) - provision for doubtful debts on the opening retained earnings (Note 2-d)	<b>269,148</b>	-
Restated balance as at January 1, 2018	<b>269,148</b>	-
Charge for the year	<b>23,506</b>	-
Balance at the end of the year	<b><u>292,654</u></b>	<u>-</u>

5. Related party disclosures

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

Balances included in the consolidated statement of financial position:

	Ultimate Parent Company	Other related parties	<u>2018</u>	<u>2017</u>
Financial assets available for sale	-	-	-	6,654,053
Financial assets at fair value through other comprehensive income	4,521,541	1,287,484	<b>5,809,025</b>	-
Accounts payable and other credit balances (Note 11)	-	-	-	857,935

Transactions included in the consolidated statement of profit or loss:

	Ultimate Parent Company	Other related parties	<u>2018</u>	<u>2017</u>
Net investment income	236,200	-	<b>236,200</b>	337,428
Management income	-	144,357	<b>144,357</b>	140,795
Gain on sale of property and equipment	-	-	-	50,000

Key management compensation

	<u>2018</u>	<u>2017</u>
Short term benefits	<b>456,815</b>	625,204
Post-employment benefits	<b>20,079</b>	20,079
Board of Directors' remuneration	<b>7,000</b>	30,000
	<b><u>483,894</u></b>	<u>675,283</u>

6. Financial assets available for sale

	<u>2018</u>	<u>2017</u>
Quoted equity securities	-	5,494,845
Unquoted equity securities	-	10,154,932
Funds and portfolios	-	577,501
	<u>-</u>	<u>16,227,278</u>

It was not possible to reliably measure the fair value of unquoted financial assets amounting to KD 2,117,707 as of December 31,2017, 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>2018</u>	<u>2017</u>
Balance at the beginning of the year	<b>16,227,278</b>	13,540,663
Additions	-	1,743,903
Disposals	-	(841,305)
Change in fair value	-	1,845,517
Impairment loss (Note 17)	-	(61,500)
To financial assets at fair value through profit or loss (Note 4)	<b>(5,906,898)</b>	-
To financial assets at fair value through other comprehensive income (Note 7)	<b>(10,320,380)</b>	-
Balance at the end of the year	<u>-</u>	<u>16,227,278</u>

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

	<u>2018</u>	<u>2017</u>
Kuwait Dinar	-	7,878,681
US Dollar	-	5,187,130
GBP	-	2,696,067
Bahrain Dinar	-	465,400
	<u>-</u>	<u>16,227,278</u>

#### 7. Financial assets at fair value through other comprehensive income

	<u>2018</u>	<u>2017</u>
Equity shares	<b>9,723,168</b>	-
Investment Portfolios	<b>566,475</b>	-
	<b><u>10,289,643</u></b>	<u>-</u>

The movement during the year is as follows:

	<u>2018</u>	<u>2017</u>
Transfer from financial assets available for sale (Note 6)	<b>10,320,380</b>	-
Changes in fair value	<b>(30,737)</b>	-
Balance at the end of the year	<b><u>10,289,643</u></b>	<u>-</u>

On January 1, 2018, as a result of adoption of IFRS (9), the Group elected to reclassify equity securities amounting to KD 10,320,380 from financial assets available for sale to financial assets at FVOCI (Note 6).

Financial assets at fair value through other comprehensive income amounting to KD 4,521,541 as December 31,2018 are pledge against Murabha payable (Note 12).

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	<u>2018</u>	<u>2017</u>
Kuwait Dinar	<b>7,569,738</b>	-
US Dollar	<b>2,180,634</b>	-
GBP	<b>73,871</b>	-
Bahrain Dinar	<b>465,400</b>	-
	<b><u>10,289,643</u></b>	<u>-</u>

## 8. Investment in associates

The investment in associates consists of the following:

Name of associate	Country of incorporation	Principal activities	Ownership percentage %		2018	2017
			2018	2017		
Estidamah Holding Company – K.S.C. (Holding) (a)	State of Kuwait	Holding	21.3%	21.3%	-	-
Ta'azur for Insurance Takaful Company - K.S.C. (Closed) (b)	State of Kuwait	Insurance	30%	30%	1,528,547	2,483,059
					<u>1,528,547</u>	<u>2,483,059</u>

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

The movement during the year was as follows:

	2018	2017
Balance at the beginning of the year	2,483,059	2,397,259
Effect of applying IFRS (9) – debt instrument at amortised cost of associate on the opening retained earnings (Note 2 – d)	(958,349)	-
Group's share of results from associates	125,813	(36,963)
Group's share of associate's other comprehensive (loss) income	(121,976)	122,763
Balance at the end of the year	<u>1,528,547</u>	<u>2,483,059</u>

Summarized statement of financial position:

	2018	2017
Total assets	8,032,573	8,282,101
Total liabilities	(118,063)	(5,238)
Net assets	7,914,510	8,276,863
Group's ownership percentage	30%	30%
Share in associate's net assets	2,374,353	2,483,059
Net effect of application of IFRS 9	(845,806)	-
	<u>1,528,547</u>	<u>2,483,059</u>

Summarized statement of profit or loss and other comprehensive income:

	2018	2017
Net profit	44,238	(260,951)
Comprehensive loss	(406,585)	409,207
<b>Total comprehensive loss</b>	<u>(362,347)</u>	<u>148,256</u>
Share of associate's results	13,271	(36,963)
Effect of application of IFRS 9 on associate	112,542	-
Total share of associate's results	125,813	(36,963)
Share comprehensive loss	(121,976)	122,763

- b) The principal activity of the associate Ta'azur for Insurance Takaful Company - K.S.C. (Closed) "Associate" is insurance subject to IFRS 4 Insurance Contracts, The associate in its financial statements decided to use temporary exemption for the application of IFRS 9 and postpone implementation of IFRS 9 till the new insurance standards IFRS 17 is effective from January 1,2022.

Accordingly the Parent Company performed an internal study to assess the effect of implementation of IFRS 9 for Ta'azur for Insurance Takaful Company - K.S.C. (Closed) "Associate" on the date of initial application January 1, 2018 and December 31, 2018. Based on the study of the management recognized decrease in the retained earnings as at January 1, 2018 by KD 958,349 and decrease in share of results from associate for the year ended December 31, 2018 by KD 112,542.

9. Investment properties

	<b>2018</b>	2017
Balance at the beginning of the year	<b>1,499,664</b>	1,499,664
Disposal	<b>(824,604)</b>	-
Balance at the end of the year	<b>675,060</b>	1,499,664

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

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

In estimating the fair value of investment properties, the valuers had used Comparable market prices as a valuation techniques, which categorized as level 2 and had considered the nature and usage of the investment properties.

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

10. Property and equipment

	Computer	Tools and equipmen t	Furniture and fixtures	Vehicles	Total
<b>Cost:</b>					
As at January 1, 2017	157,166	29,865	119,611	8,000	314,642
Additions	22,060	9,900	5,437	3,395	40,792
Disposals	(2,202)	-	-	-	(2,202)
Property and equipment written off	(8,939)	(9,284)	(19,496)	-	(37,719)
As at December 31, 2017	168,085	30,481	105,552	11,395	315,513
Additions	4,750	365	-	20,095	25,210
Disposals	-	-	-	(8,000)	(8,000)
Property and equipment written off	(484)	(15)	-	-	(499)
<b>As at December 31, 2018</b>	<b>172,351</b>	<b>30,831</b>	<b>105,552</b>	<b>23,490</b>	<b>332,224</b>
<b>Accumulated depreciation:</b>					
As at January 1, 2017	149,532	25,191	24,313	5,200	204,236
Charge for the year	8,610	4,820	20,415	1,600	35,445
Related to disposals	(2,192)	-	-	-	(2,192)
Related to property and equipment written off	(8,936)	(9,150)	(16,091)	-	(34,177)
As at December 31, 2017	147,014	20,861	28,637	6,800	203,312
Charge for the year	9,665	4,934	21,110	4,058	39,767
Related to disposals	-	-	-	(7,150)	(7,150)
<b>As at December 31, 2018</b>	<b>156,679</b>	<b>25,795</b>	<b>49,747</b>	<b>3,708</b>	<b>235,929</b>
<b>Net book value:</b>					
As at December 31, 2017	21,071	9,620	76,915	4,595	112,201
<b>As at December 31, 2018</b>	<b>15,672</b>	<b>5,036</b>	<b>55,805</b>	<b>19,782</b>	<b>96,295</b>

11. Accounts payable and other credit balances

	<u>2018</u>	<u>2017</u>
Accrued expenses	96,758	75,413
Due to related party (Note 5)	-	857,935
Cash dividends payable to Shareholders	94,459	750,000
Accrued sharea'a Zakat	-	319,807
Accrued employees' remuneration	368,300	303,300
Accrued staff leave	68,492	49,677
Amount due to a shareholders for capital decrease	42,606	42,606
Accrued Zakat	18,614	22,951
Accrued KFAS	14,539	23,033
Accrued Board of Directors' remuneration	7,000	55,000
Accrued Finance cost	17,088	-
Management income received in advance	843	19,084
Other credit balances	197,807	120,133
	<u>926,506</u>	<u>2,638,939</u>

12. Murabaha payable

The profit rate of finance charges for Murabaha payable of the Group is ranging from 3% per annum over discount rate of Libor and of Central Bank of Kuwait, and is repayable in installments, which will mature on July 28,2019. Murabaha payable is guarantee by pledge of financial assets at fair value through other comprehensive income amounting to KD 4,521,541 as December 31,2018.

	<u>2018</u>	<u>2017</u>
Gross murabaha payable	1,698,822	-
Less: unamortized future finance charge	(48,822)	-
Present value of murabaha payable	<u>1,650,000</u>	<u>-</u>

13. Provision for end of service indemnity

	<u>2018</u>	<u>2017</u>
Balance at beginning of the year	98,291	62,878
Charge for the year	73,821	53,235
Paid during the year	(2,242)	(17,822)
Balance at the end of the year	<u>169,870</u>	<u>98,291</u>

14. Share capital

The authorized, issued and fully paid up capital amounting to KD 15,000,000 (2017 – KD 15,000,000) consists of 150,000,000 shares with nominal value of 100 fils each and all shares are in cash. Subsequently, the Parent Company was notarized in the commercial registry to increase the share capital of the parent company as mentioned in (Note 25).

15. Statutory reserve

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

16. Voluntary reserve

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

17. Net investment income

	2018	2017
Unrealized loss from financial assets at fair value through profit or loss (note 3)	(171,546)	-
Realized gain from sale of financial assets available for sale	-	90,037
Impairment loss on financial assets available for sale (Note 6)	-	(61,500)
Dividend income	846,409	845,485
	674,863	874,022

18. Structuring and marketing income

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

19. General and administrative expenses

Staff costs included in general and administrative expenses amounted to KD 1,234,528 (2017 - KD 1,276,315).

20. General Assembly

The Board of Directors' meeting held on March 11, 2019 proposed to distribute cash dividends of 6 fils per share and proposed not to pay Board of Directors' remuneration except for independent Board member amounting to KD 7,000 for the year ended December 31, 2018. This recommendation is subject to the approval of the Shareholders' Annual General Assembly of the Parent Company. The proposed dividend, if approved, shall be distributed to the shareholders registered in the Parent Company's records as of the date of the Shareholders' Annual General Assembly.

The Parent Company Shareholders' Annual General Assembly meeting held on July 12, 2018, had approved the distribution of cash dividends of 5 fils per share amounting to KD 750,000, and board of directors' remuneration amounting to KD 30,000 for the year ended December 31, 2017.

21. 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, 2018 amounted to KD 134,434,057 (2017 – KD 89,502,536).

22. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, financial assets at fair value through profit or loss, receivables, financial assets at fair value through other comprehensive income accounts payable and murabaha payable and as a result, is exposed to the risks indicated below.

a) Return rate risk

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

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

Item	Increase / (Decrease) in annual interest rate	2018	
		Balance as of December 31	Effect on statement of profit or loss
Murabaha Payable	± 0.5%	1,650,000	± 8,250

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 and receivable. The Group's cash at bank are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts.

Trade receivables

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

The expected loss rates are based on the ageing profile of customers over the past 48 months before December 31, 2018 and January 1, 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 30 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

On the above basis, the expected credit loss for trade and contract receivables as at December 31, 2018 and January 1, 2018 was determined as follows:

	Less than 30 days	31-60 days	61-150 Days	151-360 days	More than 365 days	Total
As at December 31, 2018:						
Expected credit loss rate	1.27%	1.98%	4.74%	6.51%	100%	
Gross carrying amount	367,814	17,908	241,293	369,878	252,087	1,248,980
Expected credit loss	4,688	354	11,439	24,086	252,087	292,654
	Less than 30 days	31-60 days	61-150 days	151-360 days	More than 365 days	Total
As at January 1, 2018:						
Expected credit loss rate	2%		8.3%	10%	100%	
Gross carrying amount	1,022,937	-	260,239	378,933	189,065	1,851,174
Expected credit loss	20,478	-	21,714	37,891	189,065	269,148

Cash at banks:

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

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks and receivables.

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:

	2018		2017	
	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%	± 109,032	±5%	±259,357
Bahrain Dinar	±5%	± 23,270	±5%	±23,270
GBP	±5%	± 3,794	±5%	±134,803

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:

	2018				
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	Total
<u>Assets</u>					
Cash on hand and at banks	1,834,553	-	-	-	1,834,553
Financial assets at fair value through profit or loss	-	-	4,361,292	4,946,591	9,307,883
Accounts receivable and other debit balances	231,133	25,905	736,481	-	993,519
Financial assets at fair value through other comprehensive income	-	-	73,872	10,215,771	10,289,643
Investment in associates	-	-	-	1,528,547	1,528,547
Investment properties	-	-	-	675,060	675,060
Property and equipment	-	-	-	96,295	96,295
Total assets	2,065,686	25,905	5,171,645	17,462,264	24,725,500
<u>Liabilities</u>					
Accounts payable and other credit balances	-	335,800	590,706	-	926,506
Murabha payable	-	-	1,650,000	-	1,650,000
Provision for end of service indemnity	-	-	-	169,870	169,870
Total liabilities	-	335,800	2,240,706	169,870	2,746,376

	2017				Total
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	
<b>Assets</b>					
Cash on hand and at banks	2,105,194	-	-	-	2,105,194
Wakala investments	10,748	-	-	-	10,748
Accounts receivable and other debit balances	527,863	1,498	1,880,973	-	2,410,334
Financial assets available for sale	-	-	-	16,227,278	16,227,278
Investment in associates	-	-	-	2,483,059	2,483,059
Investment properties	-	-	-	1,499,664	1,499,664
Property and equipment	-	-	-	112,201	112,201
<b>Total assets</b>	<b>2,643,805</b>	<b>1,498</b>	<b>1,880,973</b>	<b>20,322,202</b>	<b>24,848,478</b>
<b>Liabilities</b>					
Account payable and other credit balances	-	-	2,638,939	-	2,638,939
Provision for end of service indemnity	-	-	-	98,291	98,291
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,638,939</b>	<b>98,291</b>	<b>2,737,230</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 shares. The equity price risk exposure arises from the Group's investment in equity securities classified as financial assets at fair value through other comprehensive income.

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:

	2018	
	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
Financial assets at fair value through profit or loss	± 5%	± 465,394
Financial assets at fair value through other comprehensive income	± 5%	± 514,482
	2017	
	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
Financial Assets available for sale	±5%	± 705,479

### 23. Fair value measurement

The Group measures financial assets such as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

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

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

	2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	9,307,883	-	9,307,883
Financial assets at fair value through other comprehensive	4,626,028	566,475	5,097,140	10,289,643
	<b>4,626,028</b>	<b>9,874,358</b>	<b>5,097,140</b>	<b>19,597,526</b>
	2017			
	Level 1	Level 2	Level 3	Total
Financial assets available for sale	5,494,845	3,528,306	5,086,420	14,109,571

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 (9).

### 24. Capital risk management

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

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

## 25. Subsequent events

The Shareholder Extra Annual General Assembly meeting held on November 25, 2018 approved the following decisions:

- Approval of merger with Al Bilad Real Estate Investment Company – K.S.C. (Closed) (related party under common control), which require process of transfer its assets and liabilities to the Parent Company according to percentage of merger process according to investment consultant and supplementary report from assets valuer and issue of Shareholders of Al Bilad Real Estate Investment Company – K.S.C. (Closed) as of the date of Shareholder Extra Annual General Assembly meeting in share of capital increase of the Parent Company by 290,658,375 share that will issue for the purpose of merging only and authorize the Board of Directors to completing merger.
- All Attendees of the meeting approved to increase the capital of the parent company with an amount of KD 29,065,835.7 which will allocated increase to shareholders of Al Bilad Real Estate Investment Company – K.S.C. (Closed) according to their percentage.
- Agreed to amend Article number (8) from the Articles of the Association and Article number (9) from the Articles of Incorporation to be the capital of the Parent Company after amendment is KD 44,065,835.7 and distributing into 440,658,357 shares with nominal value of 100 fils each and authorize Board of Directors to handle fractional shares that resulting from the increase if any, in suitable manner.

Subsequent to the consolidated financial statement date, it was notarized in the commercial registry according to letter from shareholding company management number 1/13 on January 10, 2019 according to the Shareholder Extra Annual General Assembly meeting that was held November 25, 2018 upon the following:

- Increase the capital of the Parent Company that issued and paid by merging for an amount of KD 15,000,000 to KD 44,065,835.7 with an increase of KD 29,065,835.7 and distributed to 290,658,357 shares with nominal value of 100 fils and allocate this increase of the shares to the shareholders of Al Bilad Real Estate Investment Company – K.S.C. (Closed) by their percentage of it and authorize Board of the Directors to set the rules and regulations to recall this increase.
- Amend Article number (8) from the Articles of the Association and Article number (9) from the Article of Incorporation to be as follows: The Parent Company's capital consists KD 44,065,835.7 and distributing into 440,658,357 shares with nominal value of 100 fils each and all shares are in cash.

The Parent Company is currently in the process of completion of the legal procedures to issue shares certificate for the new shareholders after approval from the regulatory authority.

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