Wafra International Investment Company K.S.C. (Closed)

FINANCIAL STATEMENTS

31 DECEMBER 2017

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wafra International Investment Company K.S.C. (Closed) (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.

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

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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's Board of Directors relating to these 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 financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amend, and its executive regulations, as amended, and by the 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 as amended, and its executive regulations, as amended, nor of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2017 that might have had a material effect on the business of the Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

19 February 2018
Kuwait

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF INCOME

For the year ended 31 December 2017

	Notes	*2017* ***KD***	*2016* *KD*
INCOME			
Management fees		**6,714,912**	5,742,629
Interest income		**360,022**	286,871
Unrealised gain from financial assets at fair value through profit or loss		**-**	24,607
Realised gain (loss) on sale of financial assets at fair value through profit or loss		**71,610**	(23,450)
Realised gain (loss) on sale of financial assets available for sale		**2,310,919**	(603,505)
Interest income on forward deal contract receivables		**19,916**	120,032
Share of results of an associate	9	**(210,516)**	(62,337)
Impairment loss on financial assets available for sale	10	**(171,959)**	(471,852)
Dividend income		**1,093,214**	1,041,890
Foreign exchange gain		**43,955**	206,500
		10,232,073	6,261,385
EXPENSES			
Administrative expenses	5	**(2,489,205)**	(2,124,217)
		(2,489,205)	(2,124,217)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), ZAKAT AND DIRECTORS' REMUNERATION		**7,742,868**	4,137,168
Contribution to KFAS		**(78,559)**	(41,372)
Zakat		**(77,700)**	(36,836)
Directors' remuneration	17	**(85,000)**	(68,000)
PROFIT FOR THE YEAR		**7,501,609**	3,990,960
BASIC AND DILUTED EARNINGS PER SHARE	6	**50.01 fils**	26.61 fils

The attached notes 1 to 25 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	*2017* ***KD***	*2016* *KD*
Profit for the year		**7,501,609**	3,990,960
Other comprehensive income:			
Items that are or may be reclassified subsequently to statement of income:			
Changes in fair value of financial assets available for sale		**4,960,180**	473,071
Impairment losses on financial assets available for sale transferred to statement of income	10	**68,487**	426,852
Net (gain) loss transferred to statement of income on sale of financial assets available for sale		**(2,310,919)**	603,505
Share of other comprehensive income (loss) of associate	9	**157,534**	(20,090)
Total other comprehensive income for the year		**2,875,282**	1,483,338
Total comprehensive income for the year		**10,376,891**	5,474,298

The attached notes 1 to 25 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 KD	2016 KD
ASSETS			
Cash and cash equivalents	7	**16,946,585**	10,415,539
Financial assets at fair value through profit or loss		**-**	639,968
Accounts receivable and other assets	8	**2,648,852**	7,056,079
Loans to customers		**386,100**	425,700
Investment in an associate	9	**2,039,705**	2,092,687
Financial assets available for sale	10	**43,552,451**	38,089,532
Held-to-maturity investments	11	**4,700,000**	4,100,000
Property and equipment	12	**476,517**	18,069
TOTAL ASSETS		**70,750,210**	62,837,574
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other accruals	13	**1,328,513**	951,518
Employees' end of service benefits		**1,238,432**	1,079,682
Total liabilities		**2,566,945**	2,031,200
Equity			
Share capital	14	**15,000,000**	15,000,000
Statutory reserve	15	**9,222,890**	8,448,604
Voluntary reserve	16	**9,255,594**	8,481,308
Cumulative changes in fair values reserve		**8,132,995**	5,257,713
Retained earnings		**22,821,786**	20,618,749
Proposed dividend	17	**3,750,000**	3,000,000
Total equity		**68,183,265**	60,806,374
TOTAL LIABILITIES AND EQUITY		**70,750,210**	62,837,574

Mohammad A.J. Al Qassar
Vice Chairman

Tariq Khaled Bourisli
Chief Executive Officer

شركة وفرة للاستثمار الدولي
WAFRA
WAFRA INTERNATIONAL INVESTMENT CO.

The attached notes 1 to 25 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Cumulative changes in fair values reserve KD*	*Retained earnings KD*	*Proposed dividend KD*	*Total KD*
Balance at 1 January 2017	15,000,000	8,448,604	8,481,308	5,257,713	20,618,749	3,000,000	60,806,374
Profit for the year	-	-	-	-	7,501,609	-	7,501,609
Other comprehensive income for the year	-	-	-	2,875,282	-	-	2,875,282
Total comprehensive income for the year	-	-	-	2,875,282	7,501,609	-	10,376,891
Dividend paid (Note 17)	-	-	-	-	-	(3,000,000)	(3,000,000)
Transfer to reserves	-	774,286	774,286	-	(1,548,572)	-	-
Proposed dividend (Note 17)	-	-	-	-	(3,750,000)	3,750,000	-
Balance at 31 December 2017	**15,000,000**	**9,222,890**	**9,255,594**	**8,132,995**	**22,821,786**	**3,750,000**	**68,183,265**
Balance at 1 January 2016	15,000,000	8,034,887	8,067,591	3,774,375	20,455,223	3,000,000	58,332,076
Profit for the year	-	-	-	-	3,990,960	-	3,990,960
Other comprehensive loss for the year	-	-	-	1,483,338	-	-	1,483,338
Total comprehensive income for the year	-	-	-	1,483,338	3,990,960	-	5,474,298
Dividend paid	-	-	-	-	-	(3,000,000)	(3,000,000)
Transfer to reserves	-	413,717	413,717	-	(827,434)	-	-
Proposed dividend (Note 17)	-	-	-	-	(3,000,000)	3,000,000	-
Balance at 31 December 2016	15,000,000	8,448,604	8,481,308	5,257,713	20,618,749	3,000,000	60,806,374

The attached notes 1 to 25 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, Zakat and Directors' remuneration		**7,742,868**	4,137,168
Adjustments for:			
Depreciation	5	**77,161**	38,615
Provision for employees' end of service benefits		**159,953**	201,017
Interest income		**(360,022)**	(286,871)
Unrealised gain from financial assets at fair value through profit or loss		**-**	(24,607)
Realised (gain) loss on sale of financial assets at fair value through profit or loss		**(71,610)**	23,450
Realised (gain) loss on sale of financial assets available for sale		**(2,310,919)**	603,505
Share of results of an associate	9	**210,516**	62,337
Impairment loss on financial assets available for sale	10	**171,959**	471,852
Foreign exchange gain on held to maturity investments		**-**	(7,195)
		5,619,906	5,219,271
Working capital adjustments:			
Financial assets at fair value through profit or loss		**711,578**	697,131
Accounts receivable and other assets		**4,407,227**	(2,598,636)
Loans to customers		**39,600**	-
Accounts payable and other accruals		**135,736**	(110,291)
Cash from operations		**10,914,047**	3,207,475
Employees' end of service benefits paid		**(1,203)**	(271,214)
Net cash flows from operating activities		**10,912,844**	2,936,261
INVESTING ACTIVITIES			
Additions in investment in an associate		**-**	(143)
Purchase of financial assets available for sale		**(13,421,023)**	(11,520,429)
Proceeds from sale of financial assets available for sale		**12,814,812**	9,834,000
Additions to property and equipment		**(535,609)**	(15,515)
Interest income received		**360,022**	286,871
Additions to held-to-maturity investments		**(600,000)**	(684,855)
Net cash flows used in investing activities		**(1,381,798)**	(2,100,071)
FINANCING ACTIVITY			
Dividend paid	17	**(3,000,000)**	(3,000,000)
Net cash flows used in financing activities		**(3,000,000)**	(3,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,531,046**	(2,163,810)
Cash and cash equivalents at 1 January		**10,415,539**	12,579,349
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**16,946,585**	10,415,539

The attached notes 1 to 25 form part of these financial statements.

1 ACTIVITIES

The financial statements of Wafra International Investment Company K.S.C. (Closed) (the "Company") were authorised for issue by the Board of Directors on 19 February 2018. The shareholders' Annual General Assembly has the power to amend these financial statements after issuance.

The financial statements of the Company for the year ended 31 December 2016 have been approved by the shareholders' Annual General Assembly on 22 May 2017.

The Company is a closed Kuwaiti shareholding company incorporated on 16 June 1993 and regulated under the Companies Law No. 1 of 2016. The Company is also regulated by the Central Bank of Kuwait ("CBK") as finance company and Capital Market Authority ("CMA") as an investment company.

The main objectives for which the Company is incorporated is as follows:

1. Investment in the real estate, industrial, agricultural fields, and other economic industries through contributing to incorporation of specialised entities, or subscription of the shares of these entities.
2. Transactions related to trading securities including, sale or purchase shares and bonds of Governmental companies and institutions.
3. Conducting the function of investment trustees, and investment portfolio management for others.
4. Mediation in lending and borrowing transactions for commission or fees; for the interest of the Company or for others.
5. Financing and brokerage in the international trade transactions.
6. Provision of research, studies, and other technical services related to the investment operations, and employment of the funds of others.
7. Establishment and management of mutual funds in accordance with the related Laws.
8. Conducting the functions of issuance managers for bonds issued by companies and institutions.

The registered address of the Company is P.O. Box 27635, Safat 13137, State of Kuwait.

The Company is a subsidiary of The Public Institution for Social Security (PIFSS) (the "Parent Company").

2.1 BASIS OF PREPARATION

Statement of compliance
The financial statements have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") except for the IAS 39 requirement for collective impairment provision, which has been replaced by the ("CBK") requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

Basis of preparation
The financial statements have been prepared on a historical cost convention, as modified to include the measurement at fair value of financial assets available for sale.

The financial statements are presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Company.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

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

Management fees
Management fees represent revenue from placement and advisory services, management fees related to portfolios, fund management, custody fees and incentive fees. Management fees is recognized on accrual basis.

Interest income
Interest income is recognised as interest accrues, using the effective yield method.

Dividend income
Dividend income is recognised when the Company's right to receive payment is established.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Company calculates the contribution to KFAS at 1% of profit for the year, in accordance with the modified calculation based on the Company's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances, short term deposits having original maturity less than three months and call accounts, net of any outstanding bank overdraft.

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

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as "financial assets at fair value through profit or loss", "financial assets available for sale", "loans and receivables", or as "derivatives designated as hedging instruments" in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

A "regular way" purchase of financial assets is recognised using the trade date accounting, i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Company's financial assets include cash and cash equivalents, accounts receivable and other assets, loan to customers, financial assets available for sale and held-to-maturity investments.

The Company has not classified any financial asset as "derivatives designated as hedging instruments" at inception upon initial recognition.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the statement of income. The losses arising from impairment are recognised in the statement of income.

Forward deal contract receivables
Forward deal contract receivables are financial instruments which comprise amounts due from counterparties under local equity forward contracts entered into by the Company. Net results from forward deals comprise of forward premium income and gain or loss on settlement of forward deals if any, net of transaction cost.

Forward premium income is recognized over the period of the forward contract net of transaction cost. The amount receivable from counterparties on maturity, net of unearned premium is disclosed in the statement of financial position as part of accounts receivable and other debit balances.

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of income, or determined to be impaired, at which time the cumulative loss is recognised in the statement of income and removed from the cumulative changes in fair values reserve.

Held-to-maturity investments
Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity that the Company has the intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost, less provision for impairment in value if any. The losses arising from impairment of such investments are recognised in the statement of income.

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

The Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant except for financial assets classified as loans to customers where minimum general provision as per CBK's instructions is followed. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities is made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

Financial assets available for sale

For financial assets available for sale, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income is removed from other comprehensive income and recognised in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as financial assets available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at "fair value through profit or loss", "loans and borrowings", or as "derivatives" designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company classifies its financial liabilities as account payable and other liabilities.

The Company has not classified any financial liability at "fair value through profit or loss" or "derivatives" at inception upon initial recognition.

Subsequent measurement

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

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

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

Fair value measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts, or similar investment vehicles are based on the last published bid price.

For financial instruments where there is no active market, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Investment in associates
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
The statement of income reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of income.

Upon loss of significant influence over the associate, the Company measures and recognises any retained 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 retained investment and proceeds from disposal is recognised in statement of income.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

The carrying values of furniture 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.

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

Depreciation
Depreciation is calculated on a straight line basis over the estimated useful lives of assets.

The rates of depreciation are based upon the following estimated useful lives:

Software and equipment	4 years
Furniture and fittings	5 years

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

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

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
The Company provides end of service benefits for its employees. The entitlement to those benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Company also makes contributions to social security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies
Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to Kuwaiti Dinars at rates of exchange prevailing at the reporting date. Exchange differences are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in these financial statements.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are consistent with those used in previous year, except for the adoption of the amendments to the existing standards relevant to the Company effective as at 1 January 2017, which did not result in any material impact on the accounting policies, financial position or performance of the Company:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Other amendments to IFRSs which are effective for accounting periods starting from 1 January 2017 did not have any significant impact on the accounting policies, financial position or performance of the Company.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of investments
Classification of investments is based on management's intention at acquisition and requires considerable judgment.

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

Fair value of financial instruments
Where the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- underlying net asset base of the investment; or
- other valuation models.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 *'Financial Instruments'* that replaces IAS 39 *'Financial Instruments: Recognition and Measurement'* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in the financial year 2018, when the Company will adopt IFRS 9. In addition, the Company will implement changes in classification of certain financial instruments.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement
IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income ("FVOCI") (without recycling of gains or losses to profit or loss on derecognition of equity instruments) and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Company has evaluated the classification and measurement criteria to be adopted for various financial assets considering the IFRS 9 requirements with respect to the business model and contractual cash flow characteristics ("CCC") / Solely payment of principal and interest ("SPPI"). The impact from the adoption of classification and measurement approach of IFRS 9 is as follows:

- The Company does not expect a significant impact on its statement of financial position from applying the classification and measurement requirements of IFRS 9 except for certain financial assets held as available-for-sale mainly representing Company's investment in funds will, instead, be measured at FVTPL amounting to KD 23,196,582. Accordingly, KD 6,253,432 will be reclassified from the fair value reserve to retained earnings as at 1 January 2018.

- At 31 December 2017, the Company has equity securities classified as available-for-sale. Under IFRS 9, the Company has designated these investments as measured at FVOCI as the objective of the Company is not to trade. The Company does not expect any significant impact on the financial statements.

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Under IFRS 9, the impairment requirements apply to financial assets measured at amortised cost, debt instruments classified as fair value through other comprehensive income and certain financing facilities and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Adoption of ECL model is not expected to have significant impact on the Company's financial statements as the Company does not have debt instruments.

Hedge accounting
As at 31 December 2017, the Company does not have any hedge relationships. Hence, the hedging requirements of IFRS 9 will not have a significant impact on Company's financial statements.

Disclosure
The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. 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.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15 Revenue from Contracts with Customers (continued)
The Company did not early adopt IFRS 15 and has evaluated that the adoption of the standard will not have significant impact on the Company's financial statements. The main stream of revenue is maangent fee computed based nat asset value of each portflio and the Company does not have significant compant of incentive fees as of 31 December 2017. Accordingly, the Company does not expect a material impact on the financial statements.

IFRS 16 Leases
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right- of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of income.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. 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. The Company does not anticipate early adopting IFRS 16 and is in the process of evaluating the effect of IFRS 16 on the Company and do not expect any significant impact on adoption of this standard.

The Company intends to adopt these standards and amendments when they become effective. However, the Company expects no material impact from the adoption of the amendments on its financial position or performance.

5 ADMINISTRATIVE EXPENSES

	2017 **KD**	*2016* KD
Staff costs	**1,925,863**	1,694,651
Depreciation (Note 12)	**77,161**	38,615
Other administrative expenses	**486,181**	390,951
	2,489,205	2,124,217

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Company had no outstanding dilutive potential shares.

	2017	*2016*
Profit for the year (KD)	**7,501,609**	3,990,960
Weighted average number of ordinary shares outstanding during the year (shares)	**150,000,000**	150,000,000
Basic and diluted earnings per share (fils)	**50.01**	26.61

7 CASH AND CASH EQUIVALENTS

	2017 ***KD***	*2016* *KD*
Bank balances and cash	**158,549**	272,597
Short-term deposits	**5,079,999**	651,568
Call accounts	**11,708,037**	9,491,374
	16,946,585	10,415,539

Short-term deposits are denominated in both local and foreign currency. These short terms deposits have original maturity of three months or less. These deposits carry interest in the range of 1.00% to 1.95 % (2016: 0.75% to 2.20%) per annum.

Call accounts are denominated in both local and foreign currency and earn an average interest rate in range of.001 to 0.125 % (2016: 0.001% to 0.125%) per annum.

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2017 ***KD***	*2016* *KD*
Forward deal contract receivables	-	701,693
Accrued management fees	**1,823,198**	2,042,464
Other assets	**825,654**	4,311,922
	2,648,852	7,056,079

Other assets include an amount of KD 668,497 (2016: KD 3,677,228) paid as advance for the purchase of financial assets available for sale, for which the share certificates were not transferred to the Company as at the reporting date.

9 INVESTMENT IN AN ASSOCIATE

Name of the associate	***Country of incorporation***	***Effective interest*** ***2017***	*2016*	***Principal activity***
Sanam Real Estate K.S.C.P.	Kuwait	**24.13%**	24.13%	Real Estate

Summarised financial information of the associate is as follows:

	2017 ***KD***	*2016* *KD*
Assets and liabilities:		
Current assets	**3,783,600**	3,933,257
Non-current assets	**6,227,697**	6,339,594
Current liabilities	**(80,821)**	(95,977)
Non-current liabilities	**(35,875)**	(63,248)
Equity	**9,894,601**	10,113,626
Proportion of the Company's ownership	**24.13 %**	24.13%
Company's share in Equity	**2,387,567**	2,440,549
Impairment	**(347,862)**	(347,862)
Total carrying value	**2,039,705**	2,092,687
Loss for the year	**(872,425)**	(258,350)
Company's share in the loss for the year	**(210,516)**	(62,337)
Fair value (Level 1)	**825,483**	884,446

9 INVESTMENT IN AN ASSOCIATE (continued)

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

	2017 ***KD***	*2016* *KD*
As at 1 January	**2,092,687**	2,174,971
Additions	**-**	143
Share of results	**(210,516)**	(62,337)
Share of other comprehensive income	**157,534**	(20,090)
As at 31 December	**2,039,705**	2,092,687

As of 31 December 2017, the management reviewed the carrying amount of the associate for impairment and is not aware of any circumstances that would indicate any impairment in the value of this investment at the reporting date.

10 FINANCIAL ASSETS AVAILABLE FOR SALE

	2017 ***KD***	*2016* *KD*
Local unquoted equity securities	**1,124,394**	1,186,931
Foreign unquoted equity securities	**4,247,131**	-
Local quoted equity securities	**10,065,484**	10,970,257
Foreign quoted equity securities	**4,918,860**	4,998,182
Local funds	**9,426,729**	9,536,232
Foreign funds	**13,769,853**	11,397,930
	43,552,451	38,089,532

An impairment loss of KD 68,487 (2016: KD 426,852) has been recorded against quoted equity securities on which there has been a significant or prolonged decline in value below its cost.

Local unquoted equity securities are carried at cost less impairment. Management has reviewed its local unquoted equity securities for impairment based on which an impairment loss has been provided on an unquoted investment amounting to KD 103,472 (2016: KD 45,000).

Information for investments in funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the fund managers.

Hierarchy for determining and disclosing the fair values of financial instruments are presented in Note 23.

11 HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments represent investment in subordinated bonds issued by local banks and carry an interest rate of 4.50% to 6.20%% (2016: 4.50% to 6.20%) per annum and have maturity dates between June 2018 and March 2026 (2016: June 2018 and March 2026).

12 PROPERTY AND EQUIPMENT

	Software *KD*	*Office equipment* *KD*	*Furniture and fittings* *KD*	*Total* *KD*
Cost				
As at 1 January 2017	19,095	46,971	29,449	95,515
Additions	6,976	19,231	509,402	535,609
As at 31 December 2017	**26,071**	**66,202**	**538,851**	**631,124**
Depreciation				
As at 1 January 2017	15,334	32,663	29,449	77,446
Depreciation for the year	3,412	18,133	55,616	77,161
As at 31 December 2017	**18,746**	**50,796**	**85,065**	**154,607**
Net book value				
As at 31 December 2017	**7,325**	**15,406**	**453,786**	**476,517**

	Software *KD*	*Office equipment* *KD*	*Furniture, and fittings* *KD*	*Total* *KD*
Cost				
As at 1 January 2016	12,925	45,529	24,760	83,214
Additions	6,170	1,442	4,689	12,301
As at 31 December 2016	19,095	46,971	29,449	95,515
Depreciation				
As at 1 January 2016	8,617	28,042	2,172	38,831
Depreciation for the year	6,717	4,621	27,277	38,615
As at 31 December 2016	15,334	32,663	29,449	77,446
Net book value				
As at 31 December 2016	3,761	14,308	-	18,069

13 ACCOUNTS PAYABLE AND OTHER ACCRUALS

	2017 ***KD***	*2016* *KD*
Accounts payable	**122,963**	90,731
Accrued expenses	**802,073**	558,520
Other liabilities	**403,477**	302,267
	1,328,513	951,518

14 SHARE CAPITAL

Authorized, issued and fully paid up share capital consists of 150,000,000 (2016: 150,000,000) shares of 100 fils (2016: 100 fils) each. All shares were paid in cash.

15 STATUTORY RESERVE

As required by the Companies' Law and the Company's Articles of Association, 10% of profit for the year before KFAS, Zakat and directors' remuneration is transferred to statutory reserve. The Company has resolved to continue such annual transfers although the reserve has exceeded 50% of the share capital. Only that part of the reserve in excess of 50% of paid up share capital is freely distributable. Distribution of the balance of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

16 VOLUNTARY RESERVE

As required by the Company's Articles of Association, 10% of annual profit before KFAS, Zakat and 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 Company's Board of Directors.

17 DIVIDEND AND DIRECTORS' REMUNERATION

The Board of Directors meeting held on 1 February 2018 has proposed a cash dividend of 25% (2016: 20%) of the paid up share capital, totalling to KD 3,7500,000 (2016: KD 3,000,000) and directors' remuneration of KD 85,000 (2016: KD 68,000), which are subject to the approval of the shareholders at the Annual General meeting.

The annual general meeting held on 22 May 2017 approved the proposed dividend and directors' remuneration for the year ended 31 December 2016, which have been paid subsequently.

18 FIDUCIARY ASSETS

In the normal course of business, the Company carries out investment management and custody services on behalf of others. As at 31 December 2017, the value of fiduciary assets amounted to KD 1,533,838,071 (2016: KD 1,402,587,684) of which 90.44 % (2016: 90.71 %) relates to the principal shareholder of the Company. Fiduciary assets are excluded from the statement of financial position of the Company.

19 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Transactions with related parties are as follows:

	Other related parties ***KD***	*Parent Company* ***KD***	*2017* ***KD***	*2016* *KD*
Statement of income:				
Management fees	**710,752**	**4,894,746**	**5,605,498**	4,820,528
Administrative expenses (rent expenses)	**-**	**112,970**	**112,970**	107,820
Statement of financial position				
Accounts receivable and other assets (accrued management fees)	**180,238**	**1,263,151**	**1,443,389**	1,738,276
Fiduciary assets managed on behalf of related parties (Note 18)	**50,458,886**	**1,336,818,298**	**1,387,277,184**	1,272,235,270
Key management compensation:				
Salaries and other short term benefits			**682,206**	447,753
Terminal benefits			**70,042**	55,237

20 CONTINGENCIES

At 31 December 2017, the Company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business amounting to KD 200,000 (2016: KD 200,000).

21 RISK MANAGEMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company's principal financial liabilities comprise of accounts payables and other accruals. The main purpose of these financial liabilities is to fund the Company's operations. The Company's principal financial assets comprise of bank balances and cash, investments, receivables and loans to customers.

21 RISK MANAGEMENT (continued)

The Company is exposed to credit risk, operational risk, market risk and liquidity risk. Market risk is subdivided into interest risk, currency risk and equity price risk.

The Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

21.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's credit policy and exposure to credit risk is monitored on an ongoing basis. The Company seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of lending activities and through acceptance of collateral. These collaterals are in the nature of portfolio of investments of the counterparty.

With respect to credit risk arising from the other financial assets of the Company, including bank balances and cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits its credit risk with regard to bank balances, short term deposits and held-to maturity investments by only dealing with reputable banks.

Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. The Company manages its risk to concentration by setting limits for individual investments and for sectors and geographical diversification.

The table below illustrates the maximum exposure to credit risk for the components of the statement of financial position:

	2017 ***KD***	*2016* *KD*
Cash and cash equivalents	**16,946,585**	10,415,539
Accounts receivable and other assets	**2,648,852**	7,056,079
Loans to customers	**386,100**	425,700
Held-to-maturity investments	**4,700,000**	4,100,000
Credit exposure on assets	**24,681,537**	21,997,318

The Company has accepted collateral on the loans advanced in the nature of portfolio of investments of counterparties. The detail of these collaterals with coverage over the loan portfolio is as follows:

	2017 ***KD***	*2016* *KD*
Loans to customers	**386,100**	425,700
Collateral received	**4,443,859**	3,888,949
Coverage	**1,151 %**	914 %

21 RISK MANAGEMENT (continued)

21.1 CREDIT RISK (continued)

The table below illustrates the maximum exposure to credit risk for the components of the financial position analysed by geographical sector:

2017	*State of Kuwait* KD	*Europe* KD	*GCC* KD	*Total* KD
Cash and cash equivalents	**15,663,633**	**1,151,719**	**131,233**	**16,946,585**
Accounts receivable and other assets	**2,428,495**	**53,831**	**166,526**	**2,648,852**
Loans to customers	**386,100**	-	-	**386,100**
Held-to-maturity investments	**4,700,000**	-	-	**4,700,000**
Credit exposure on assets	**23,178,228**	**1,205,550**	**297,759**	**24,681,537**

2016	*State of Kuwait* KD	*Europe* KD	*GCC* KD	*Total* KD
Cash and cash equivalents	9,583,830	673,027	158,682	10,415,539
Accounts receivable and other assets	6,790,081	-	265,998	7,056,079
Loans to customers	425,700	-	-	425,700
Held-to-maturity investments	4,100,000	-	-	4,100,000
Credit exposure on assets	20,899,611	673,027	424,680	21,997,318

21.2 MARKET RISK

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk, currency risk, and equity price risk.

21.2.1 INTEREST RATE RISK

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

The Company is not materially exposed to interest rate risk as interest bearing assets and liabilities are mainly stated at fixed interest rate. Short-term deposits disclosed in Note 7 are fixed interest bearing and hence not exposed to interest rate risk.

21.2.2 CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company manages its foreign currency risk by continuous assessment of the Company's open positions and current and expected exchange rate movements.

The Company is exposed to currency risk on purchases and sales of securities that are denominated in a currency other than the Kuwaiti Dinars mainly in US dollars. The Company 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 table below indicates the effect of a reasonably possible movement of the currency rate against the Kuwaiti Dinars, with all other variables held constant on the profit and the fair value reserve.

21 RISK MANAGEMENT (continued)

21.2 MARKET RISK (continued)

Foreign currency	*Change in currency rate in % 2017*	*Effect on profit 2017 KD*	*Change in currency rate in % 2016*	*Effect on profit 2016 KD*
USD	+/- 5 %	**64,017**	+/-5%	38,026
SAR	+/- 5 %	**27,337**	+/-5%	29,253
AED	+/- 5 %	**19,066**	+/-5%	18,286
Others	+/- 5 %	**540**	+/-5%	266
		110,960		85,831

21.2.3 EQUITY PRICE RISK

The Company's quoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

The effect on equity (as a result of a change in the fair value of financial investments available for sale at 31 December) and Company's profit (as a result of a change in the fair value of financial assets at fair value through profit or loss at 31 December) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2017			*2016*		
Market indices	*Change in equity price %*	*Effect on profit KD*	*Effect on equity KD*	*Change in equity price %*	*Effect on profit KD*	*Effect on equity KD*
Quoted						
Local	+/- 5 %	-	**483,136**	+/- 5%	31,998	548,513
Foreign	+/- 5 %	-	**311,546**	+/- 5%	-	249,909

21.3 LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments. To manage this risk, the Company invests in highly liquid marketable securities and monitors liquidity on a regular basis.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2017	*Within 3 months KD*	*3 months to 1 year KD*	*Total KD*
Accounts payable and other accruals	**122,963**	**1,205,550**	**1,328,513**
Contingent liabilities	-	**200,000**	**200,000**

21 RISK MANAGEMENT (continued)

21.3 LIQUIDITY RISK (continued)

2016	*Within 3 months* KD	*3 months to 1 year* KD	*Total* KD
Accounts payable and other accruals	101,742	849,776	951,518
Contingent liabilities	-	200,000	200,000

21.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

22 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may review the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. Capital comprises share capital, voluntary reserve, retained earnings and proposed dividend, and is measured at KD 47,077,380 as at 31 December 2017 (2016: KD 44,100,057).

23 FAIR VALUE MEASURMENT

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances and cash, investments, receivables and loans to customers. Financial liabilities consist of payables.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 10) amounting to KD 5,371,525 (2016: KD 1,186,931), are not materially different from their carrying values.

Fair value hierarchy
As at 31 December, the Company held the following financial instruments measured at fair value:

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

23 FAIR VALUE MEASURMENT

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy as at 31 December:

2017	*Level: 1* KD	*Level: 2* KD	*Total* KD
Assets measured at fair value:			
Financial assets available for sale			
- Equity securities	**14,984,344**	**-**	**14,984,344**
- Managed funds and portfolios	**-**	**23,196,582**	**23,196,582**
	14,984,344	**23,196,582**	**38,180,926**
Assets for which fair value is disclosed:			
- Investment in associate	**825,483**	**-**	**825,483**

2016	*Level: 1* KD	*Level: 2* KD	*Total* KD
Financial assets at fair value through profit or loss			
- Equity securities	639,968	-	639,968
Financial assets available for sale			
- Equity securities	15,968,439	-	15,968,439
- Managed funds and portfolios	-	20,934,162	20,934,162
	16,608,407	20,934,162	37,542,569
Assets for which fair value is disclosed:			
- Investment in associate	884,446	-	884,446

During the current and previous year, there were no transfers between Level 1 and Level 2 fair value measurements.

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Company's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss, financial assets available for sale and investment in associates is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

2017	*Within 3 months* KD	*3 to 12 months* KD	*Over 1 year* KD	*Total* KD
ASSETS				
Cash and cash equivalents	**16,946,585**	**-**	**-**	**16,946,585**
Accounts receivable and other assets	**2,558,107**	**80,794**	**9,951**	**2,648,852**
Loans to customers	**-**	**386,100**	**-**	**386,100**
Investment in an associate	**-**	**-**	**2,039,705**	**2,039,705**
Financial assets available for sale	**-**	**-**	**43,552,451**	**43,552,451**
Held-to-maturity investments	**-**	**1,100,000**	**3,600,000**	**4,700,000**
Property and equipment	**-**	**-**	**476,517**	**476,517**
TOTAL ASSETS	**19,504,692**	**1,566,894**	**49,678,624**	**70,750,210**

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2017	*Within 3 months* KD	*3 to 12 months* KD	*Over 1 year* KD	*Total* KD
LIABILITIES				
Accounts payable and other accruals	**122,963**	**1,205,550**	-	**1,328,513**
Employees' end of service benefits	-	-	**1,238,432**	**1,238,432**
TOTAL LIABILITIES	**122,963**	**1,205,550**	**1,238,432**	**2,566,945**

2016	*Within 3 months* KD	*3 to 12 months* KD	*Over 1 year* KD	*Total* KD
ASSETS				
Cash and cash equivalents	10,415,539	-	-	10,415,539
Financial assets at fair value through profit or loss	639,968	-	-	639,968
Accounts receivable and other assets	5,995,807	1,058,130	2,142	7,056,079
Loans to customers	-	425,700	-	425,700
Investment in an associate	-		2,092,687	2,092,687
Financial assets available for sale	-	-	38,089,532	38,089,532
Held-to-maturity investments	-	-	4,100,000	4,100,000
Property and equipment	-	-	18,069	18,069
TOTAL ASSETS	17,051,314	1,483,830	44,302,430	62,837,574
LIABILITIES				
Accounts payable and other accruals	101,742	849,776	-	951,518
Employees' end of service benefits	-	-	1,079,682	1,079,682
TOTAL LIABILITIES	101,742	849,776	1,079,682	2,031,200

25 COMPARATIVE INFORMATION

Certain prior year amounts have been re-classified to conform to the current year's presentation of the financial statements with no effect on previously reported profits or equity.

31December 2016	*As previously reported* KD	*Effect of reclassification* KD	*After reclassification* KD
Statement of comprehensive income			
Management fees	5,636,717	105,912	5,742,629
Administrative expenses	(2,018,305)	(105,912)	(2,124,217)
	3,618,412	-	3,618,412