

**Osoul Investment Company – K.S.C.P
And its Subsidiaries
State of Kuwait**



**Consolidated Financial Statements and Independent Auditor's Report
For the year ended 31 December 2017**

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Independent Auditor's Report to the Shareholders

**Osoul Investment Company K.S.C.P
State of Kuwait**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Osoul Investment Company K.S.C.P. (the Parent Company) and its subsidiaries, (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following are the key audit matters identified and how we addressed them in our audit.

Valuation of investment properties and impairment of properties held for trading

The Group's property portfolios, comprise investment property (including, lands and residential buildings) located in Kuwait and Properties held for trading (residential buildings) located in Boston, United States of America and Jordan. In determining the fair value by the Group a number of different assumptions are made by the Groups' external valuers and these properties represents a significant percentage of Groups total assets as at 31st December 2017 as disclosed in notes 10 and 7 to the consolidated financial statements. The accounting policies of the Group relating to estimate of fair value including critical judgements are disclosed in note 2 and 3 to the financial statements.

Independent Auditor's Report to the Shareholders (Continued)

Osoul Investment Company K.S.C.P State of Kuwait

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material change, warrants specific audit focus in this area. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future income from respective property. The valuations are carried out by independent third party valuers appointed by the Group management. The independent valuers are licensed from the relevant regulatory bodies and have appropriate qualifications and experience in valuation of properties at respective locations. In determining a property's valuation the valuers take into account property specific current information such as the tenure and tenancy details for each property, prevailing market yields and comparable market transactions.

We assessed the competence, capabilities and objectivity of the valuer. We also discussed the scope of their work and reviewed the terms of their engagement in order to check that there were no unusual terms or fee arrangements. We tested the data inputs underpinning the property valuations, including rental income, by agreeing them back to supporting documentation to assess the reliability, completeness and accuracy of the underlying data. We also compared investment property valuations to our independently formed market expectations and challenged any differences. In doing this we used evidence of comparable market transactions. For properties held for trading outside Kuwait, we used our internal valuation experts in assessing the competence and capabilities of valuer and assessing the methodology and the appropriateness of the valuation models and inputs used to evaluate the real estate properties. We also tested the Group's assessment about whether the properties held for trading are impaired based on the valuations.

Provision for tax claims and contingent liabilities

As disclosed in notes 28, the Group has recognized a provision amounting to KD 156 thousand as at 31 December 2017 against a tax claim amounting to SR 56.3 million (equivalent to KD 4.52 million). Measuring the provisions or disclosure about the contingent liabilities, require judgments and estimates to be used.

Based on management's and independent tax and legal advisor's opinion, the Group has assessed the need for providing for these claims or disclosing it as a contingent liability.

We determined whether events occurring during the period up to the date of our audit report represent audit evidences in respect of the estimates and assumptions. We also tested the estimates and assumptions made by the management in addition to verifying the information used in making such assumptions. We used our tax experts in evaluating the adequacy of the provisions and appropriateness of the contingent liability disclosure.

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of auditor's report. We expect to receive the Company's annual report of 2017 after the date of the auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report to the Shareholders (Continued)

Osoul Investment Company K.S.C.P
State of Kuwait

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use in the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern. Basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report to the Shareholders (Continued)

Osoul Investment Company K.S.C.P State of Kuwait

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

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

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

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization 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 Group or on its consolidated financial position.



Talal Y. Al-Muzaini
License No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
25 March 2018

Consolidated Statement of Financial Position as at 31 December 2017

	Notes	Kuwaiti Dinars	
		2017	2016
ASSETS			
Cash and cash equivalents	4	1,822,519	538,715
Investments in Murabaha, Wakala and deposits at financial institutions	5	500,000	3,250,000
Investments at fair value through profit or loss	6	218,221	765,137
Other debit balances		219,612	193,143
Properties held for trading	7	3,720,915	3,910,845
Investment in associates	8	2,779,960	-
Available for sale investments	9	5,173,675	5,368,592
Investment properties	10	7,070,000	7,200,000
Intangible assets	11	773,721	835,585
Other Assets		13,520	9,625
Total assets		22,292,143	22,071,642
LIABILITIES AND EQUITY			
Liabilities			
Payables and other credit balances	12	579,518	703,679
End of service indemnity	13	369,866	335,482
Total liabilities		949,384	1,039,161
Equity			
Share capital	14	18,870,504	18,870,504
Treasury shares	15	(2,663)	(2,663)
Statutory reserve	16	202,529	98,543
Foreign currency translation reserve		(10,583)	64,017
Share in associate's reserve		(887)	-
Change in fair value reserve		776,711	1,404,373
Retained earnings		1,507,148	597,707
Total equity		21,342,759	21,032,481
Total liabilities and equity		22,292,143	22,071,642

The attached notes on pages 10 to 35 form an integral part of these consolidated financial statements.



Abdulla Musaed AL-Dakheel
Chairman



Sulaiman Ahmed Al-Ameeri
Vice Chairman

Consolidated Statement of Income for the year ended 31 December 2017

	Notes	Kuwaiti Dinars	
		2017	2016
Revenues			
Net gain from investments	17	430,582	1,085,515
Net gain/(loss) from investment properties	18	352,322	(255,872)
Gain from properties held for trading		18,001	14,944
Net revenue from intangible assets	19	40,717	50,903
Portfolio and funds management fees		54,976	95,861
Profit from Murabaha and deposits at financial institutions		33,743	29,865
Reversal of provision		175,385	49,092
Share of results from associates		79,589	-
Recycled from fair value reserve on acquisition of associate	20	677,714	-
Other income	21	166,074	23,718
		<u>2,029,103</u>	<u>1,094,026</u>
Expenses and other charges			
Staff costs		(610,812)	(615,278)
Other expenses	22	(378,430)	(300,811)
		<u>(989,242)</u>	<u>(916,089)</u>
Net profit for the year before contributions		<u>1,039,861</u>	<u>177,937</u>
Provision for contribution to KFAS		(8,563)	(1,601)
Provision for NLST		(12,765)	-
Provision for Zakat		(5,106)	-
Net Profit for the year		<u>1,013,427</u>	<u>176,336</u>
Earnings per share attributable to shareholders of Parent Company (fils)	23	<u>5.37</u>	<u>0.93</u>

The attached notes on pages 10 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	Kuwaiti Dinars	
	2017	2016
Net Profit for the year	<u>1,013,427</u>	<u>176,336</u>
Other comprehensive income items:		
<i>Items that may be reclassified subsequently to statement of income:</i>		
<i>Investment in associates</i>		
Group's share in other comprehensive income items of associate	(887)	-
	<u>(887)</u>	<u>-</u>
<i>Available for sale investments:</i>		
Change in fair value	(693,196)	1,264,850
Transferred to statement of income on impairment	148,088	303,760
Transferred to statement of income on disposal	(82,554)	(675,315)
	<u>(627,662)</u>	<u>893,295</u>
<i>Foreign currency translation:</i>		
Exchange differences on translation of foreign currencies	(74,600)	65,263
Other comprehensive income	<u>(703,149)</u>	<u>958,558</u>
Total comprehensive income for the year	<u>310,278</u>	<u>1,134,894</u>

The attached notes on pages 10 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

	Kuwaiti Dinars							Total
	Equity attributable to the shareholders of the Parent Company							
	Share capital	Treasury shares	Statutory reserve	Share in associate's reserve	Foreign currency translation reserve	Change in fair value reserve	Retained earnings	
Balance at 1 January 2016	18,870,504	(2,663)	80,749	-	(1,246)	511,078	439,165	19,897,587
Net Profit for the year	-	-	-	-	-	-	176,336	176,336
Other comprehensive income	-	-	-	-	65,263	893,295	-	958,558
Total comprehensive income for the year	-	-	-	-	65,263	893,295	176,336	1,134,894
Transfer to reserves	-	-	17,794	-	-	-	(17,794)	-
Balance at 31 December 2016	18,870,504	(2,663)	98,543	-	64,017	1,404,373	597,707	21,032,481
Balance at 1 January 2017	18,870,504	(2,663)	98,543	-	64,017	1,404,373	597,707	21,032,481
Net Profit for the year	-	-	-	-	-	-	1,013,427	1,013,427
Other comprehensive income	-	-	-	(887)	(74,600)	(627,662)	-	(703,149)
Total comprehensive income for the year	-	-	-	(887)	(74,600)	(627,662)	1,013,427	310,278
Transfer to reserves	-	-	103,986	-	-	-	(103,986)	-
Balance at 31 December 2017	18,870,504	(2,663)	202,529	(887)	(10,583)	776,711	1,507,148	21,342,759

The attached notes on pages 10 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2017

	Notes	Kuwaiti Dinars	
		2017	2016
Cash flows from operating activities			
Net Profit for the year		1,013,427	176,336
<i>Adjustments for:</i>			
Net unrealised gain from investments	17	(7,080)	(99,252)
Impairment of AFS investment	17	148,088	303,760
Dividend income	17	(445,651)	(533,091)
Change in fair value of investment properties	10	130,000	750,000
Share of results from associates		(79,589)	-
Recycled from fair value reserves on acquisition of associates	20	(677,714)	-
Depreciation and amortization		66,528	65,706
Reversal of provision for bank guarantee		(118,000)	-
End of service indemnity	13	48,669	58,346
<i>Operating cash flow before changes in working capital</i>		78,678	721,805
<i>Movements in working capital:</i>			
Investments at fair value through profit or loss		553,993	479,408
Other debit balances		(26,469)	(85,521)
Properties held for trading	7	115,333	(2,227,556)
Payables and other credit balances		(6,159)	(71,220)
Paid for end of service indemnity	13	(14,285)	(13,164)
Net cash generated /(used in) operating activities		701,091	(1,196,248)
Cash flows from investing activities			
Paid for acquisition of available for sale investments	9	(4,393,925)	(1,719,316)
Proceeds from disposal of available for sale investments	9	1,789,546	3,463,635
Paid for lands and real estate under development		-	(180,403)
(Paid for acquisition)/ sale of other assets		(8,559)	26,227
Cash dividends received	17	445,651	533,092
Murabaha, Wakala and deposits placed at financial institutions	5	2,750,000	(2,700,000)
Net cash generated from/(used in) investing activities		582,713	(576,765)
Net change in cash and cash equivalents		1,283,804	(1,773,013)
Cash and cash equivalents at the beginning of the year		538,715	2,311,728
Cash and cash equivalents at the end of the year	4	1,822,519	538,715

The attached notes on pages 10 to 35 form an integral part of these consolidated financial statements.

1. Incorporation of the Group

Osoul Investment Company "the Parent Company" – K.S.C.P is a Shareholding Company incorporated in Kuwait in 1999 and is listed on the Kuwait Stock Exchange. Osoul Investment Company is regulated by the Central Bank of Kuwait (CBK) and Capital Market Authority (CMA).

The registered office of the company is at Al-Raya complex – Sharq, 27th floor P.O. Box 3880, Safat 13039.

The consolidated financial statements, include the financial statements of the Parent Company and its subsidiaries (referred together as "Group") as mentioned in (note 26).

The Parent Company is undertaking its activities in accordance with Nobel Islamic Shariaa principles.

The main activities of the Parent Company are:

- Investment in real estate, industrial, agricultural and economic sectors via contributing to incorporating specialized companies or purchase of the securities in different sectors
- Manage the funds of public and private institutions and invest such funds in various economic sectors including management of financial and real estate portfolio.
- Providing and preparing the technical, economic and advisory services, as well as studying the projects related to investment and preparing the necessary studies for companies and firms (provided that the necessary conditions should be met).
- Finance Brokerage and carrying out underwriters/lead managers tasks for bonds issues manager, which are issued by companies and investment trustees' functions.
- Finance and Brokerage of the international and local trading operations.
- Providing finance for others taking into account the financial soundness principles set by the CBK in accordance with Islamic Sharia Laws.
- Purchasing and development of real estate properties for sale in its original form, or renting it to governmental, local and international establishments.
- Purchasing, and selling securities and bonds of companies and government authorities inside and outside Kuwait.
- Dealing and trading in the foreign exchange market and precious metals market inside and outside Kuwait for the Parent company's benefit only.
- Establishment and management of investment funds of all types as per the Law.
- Mobilize the resources for financing under leasing "Ijara" and arrange pooled funding operations for leasing, particularly for small and medium firms. The Parent company is not permitted to accept deposits.
- Owning industrial property rights, patents, commercial and industrial trademarks, commercial designs, literary and intellectual property rights related to programs and writings or utilize and rent thereof to other entities.
- Establishing investment funds for its own account or third parties, offering its units, performing the job of a custodian or an investment manager of Leasing Investment Funds inside and outside Kuwait as per applicable laws and regulations, or management of international portfolios as well as investment and appreciation of funds in leasing transactions for its own account or third parties as per rules and regulations applicable in the State of Kuwait.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

The Parent Company may carry out the above business in the state of Kuwait or outside by itself or through agency. Also, the Parent Company may have an interest or be involved in any way with the entities that are engaged in similar activities or that may assist the Parent Company in achieving its objectives in Kuwait and abroad. The Parent Company may also buy these entities or merge with them.

These consolidated financial statements were authorized for issue by the Board of Directors on 25 March 2018 and are subject to the approval of the Annual General Assembly of the shareholders.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the State of Kuwait for financial institution regulated by the Central Bank of Kuwait and Capital Markets Authority. The consolidated financial statements have been prepared based on the historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies below.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended standards effective on or after 01 January 2017.

2.2 New and revised IFRSs issued and effective

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 7 Disclosure initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of these amendments has had no impact on the Group's financial statements.

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

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's financial statements.

- Annual Improvements to IFRSs 2014 – 2016 Cycle covering amendments to IFRS 12.

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year.

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

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

2.3 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where:	
<ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. 	
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	
<ul style="list-style-type: none"> • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances. 	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) (a)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 included the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	

New and revised IFRSs

Effective for annual periods
beginning on or after

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement* was issued in July 2014. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

1 January 2019

New and revised IFRSs

Impact assessment of IFRS 9 *Financial Instruments*

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement:

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39 except that investment securities classified as AFS under IAS 39 will be classified under IFRS 9 as Fair Value Through OCI (FVOCI). This however will not have any impact on the opening equity of the Group's consolidated financial statement on 1 January 2018, the date of initial application.

Impairment:

Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required by IFRS 9.

In general, the Group's management anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the trade receivables, bank balances and the general model for the bank balances and deposits and will increase the amount of loss allowance recognised for these items.

IFRS 15 *Revenue from Contracts with Customers*

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

**Effective for annual periods
beginning on or after**

New and revised IFRSs

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment of IFRS 15 Revenue from Contracts with Customers

Group is in the process of assessing the impact of IFRS 15 on Group's consolidated financial statements on the application of IFRS 15 from the annual period beginning January 1, 2018.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

1 January 2019

Impact assessment of IFRS 16 Leases

As at 31 December 2017, the Group is in the process of assessing the impact of IFRS 16 on Group's consolidated financial statements.

Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

1 January 2019

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.

When IFRS 9 is first applied

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

2.4 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The 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 components of controls listed above.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

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

Zakat

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

2.6 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 29.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including Murabaha and Wakala receivable, other receivable, bank balances and cash) are measured at amortised cost using the effective interest method.

Available for sale (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note 29.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% is taken for all receivables net of certain restricted categories of collateral and not subject to specific provision.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities (including borrowings) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.8 Properties held for trading

Properties held for trading (including property under development for that purpose) are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate, Cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate held for trading are classified under current assets and are valued at the lower of cost or net realisable value whichever is low on an individual basis. Realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale. Gains and losses from the sale of land and property held for trading are reported in the consolidated statement of income by the difference between sale value and its book value.

2.9 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

The results of business, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except for any investment classified as investment held for sale, as it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and any other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate, (including any long-term interests represent a part of the Group's net investment in an associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Upon acquisition of an 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 an associate, recognised at the date of acquisition, is recognised as goodwill. Goodwill is included within the carrying amount of the investment in an associate. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized in the consolidated statement of income.

Requirements of IAS 39 are applied to determine whether it is necessary to recognize the impairment losses of the associates. The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the requirements of IAS No. (36) "Impairment of Assets".

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associates are recognised in group financial statement only to the extent of interests in the associate, that are not related to the group.

2.10 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in consolidated statement of income when the asset is derecognised.

2.11 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible 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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

2.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.13 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, Regarding the labour law in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the consolidated financial statements date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.14 Dividends

The dividends attributable to shareholders of the Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's board of directors.

2.15 Foreign currencies

The Company's functional currency is the Kuwaiti Dinar.

Foreign currency transactions are recorded in Kuwaiti Dinars at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Kuwaiti Dinars at the rates of exchange prevailing at the statement of financial position date. Resultant gains or losses are recognized in the statement of profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Translation difference on non-monetary items classified as at fair value through statement of income are reported as part of the fair value gain or loss in the statement of profit or loss whereas the translation difference on non-monetary items classified as available for sale financial assets are included in investment valuation reserve in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Murabaha and Wakala income are recognized on a effective yield method.
- Income from operating lease are recognized on a straight line basis over the term of contract.
- Revenues from sale investment properties and properties held for trading, gain or loss is recorded in the statement of income when risks and associated benefits of the sold asset's ownership have been transferred to the acquirer.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on time basis.
- Income for sale of investments
- Rental income from investment property is recognised on accrual basis

2.17 Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

2.18 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 the consolidated financial position and are disclosed separately in the consolidated financial statements.

2.19 Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

3. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, the management is required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects future periods.

Judgements:

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

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at acquisition, when their fair values can be reliably estimated. All other investments are classified as "available for sale".

Classification of real estate investments

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

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

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

Significant influence over associate

The Group follows the guidance in IAS 28 in deciding whether it has significant influence over investees by virtue of voting rights.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation 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.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the appropriate valuation techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. In case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in notes 29, 7 and 10.

Evidence of impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the value of available for sale investments. The determination of what is "significant" or "prolonged" requires significant judgment in this regard. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Contingent liabilities/ liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when an event is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (note 28).

4. Cash and cash equivalents

	Kuwaiti Dinars	
	2017	2016
Cash at bank	1,822,519	538,715
	<u>1,822,519</u>	<u>538,715</u>

5. Investments in Murabaha, Wakala and deposits at financial institutions

	Kuwaiti Dinars	
	2017	2016
Murabaha & Wakala	2,578,603	2,578,603
Deposits at financial institutions	500,000	3,250,000
	<u>3,078,603</u>	<u>5,828,603</u>
Provision for impairment	<u>(2,578,603)</u>	<u>(2,578,603)</u>
	<u>500,000</u>	<u>3,250,000</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

- 5.1 All Murabaha & Wakala receivable balances are past due and impaired. The Group filed lawsuits to recover these amounts.
- 5.2 Investment in deposits carry interest rate 1.875% as at 31 December 2017 (1.37% to 2.5% as at 31 December 2016). Deposits will mature in 2018.

6. Investments at fair value through profit or loss

Investments at fair value through profit or loss represent investment in local quoted equity securities.

7. Properties held for trading

	Kuwaiti Dinars	
	2017	2016
Balance at the beginning of the year	3,910,845	-
Transferred from properties under development	-	1,354,772
Transferred from other receivables	-	254,042
Purchases	-	2,288,305
Sales	(115,333)	(60,749)
Foreign currencies translation	(74,597)	74,475
Balance at the end of the year	<u>3,720,915</u>	<u>3,910,845</u>

Properties held for trading include properties in the Kingdom of Jordan with carrying value of KD 1,173,332 (31 December 2016: KD 1,314,304) and properties located in the USA with carrying value of KD 2,547,583 (31 December 2016: KD 2,596,541). Fair value of these properties held for trading amounted to KD 1,365,164 and 2,844,465 respectively as at 31 December 2017 and was determined based on valuations using the market comparable approach under level 2 hierarchy as carried out by independent valuers.

8. Investments in associates

This represents the Group's share of investments in the following associate;

	Country of incorporation	Principal activity	Ownership Percentage	
			2017	2016
Osos Holding Group Company K.P.S.C.	Kuwait	Investment	21.6953%	-

During the current year, the Group increased its effective holding in Osos Holding Group Company to 21.69% (2016: 19.63%) by acquiring additional equity shares. As a result of this Osos became an associate of the Group with effect from 13th August 2017.

Gain on bargain purchase on acquisition of associate is calculated on provisional basis as follows:

	Kuwaiti Dinars
	2017
Consideration transferred	2,641,712
Fair value of identifiable net asset acquired	2,697,483
Gain on bargain purchase	<u>55,771</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

The summarised financial information of associate based on audited financial statements is as follows:

	Kuwaiti Dinars	
	2017	2016
Total assets	19,299,408	-
Total liabilities	6,444,653	-
Revenue & other income	1,869,931	-
Profit for the period	1,135,674	-
Other comprehensive income	(15,498)	-
Dividend received	-	-
Net assets of the associate	12,854,755	-
Carrying amount of Group's interest in the associate (net)	2,779,960	-

As at 31 Dec 2017, the fair value of the Group's investment in Osos, based on quoted market share price on the Kuwait Stock Exchange, was KD 1,995,964.

9. Available for sale investments

	Kuwaiti Dinars	
	2017	2016
Local financial investments – quoted	2,817,800	3,925,298
Local financial investments – unquoted	873,000	873,000
Foreign financial investments – unquoted	1,482,875	570,294
	5,173,675	5,368,592

Unquoted foreign investments amounting to KD 918,981 acquired during the year are carried at cost and cost of this investment approximate the fair value.

10. Investment properties

Investment properties are residential buildings and real estates located in the state of Kuwait.

The fair value of the Group's investment properties as at 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers. The independent valuers are registered at the related Governmental Bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations. The Fair value is determined as follows:

- Level two: The fair value determined based on the market comparable approach that reflects recent transaction prices for similar properties and lands.
- Level three: The capitalization rate adopted based on the yield rates.

Details of investment properties and information about the fair value hierarchy as at 31 December are as follow:

	Level two	Level three	Fair value 31 December 2017	Fair value 31 December 2016
Freehold properties	-	4,620,000	4,620,000	4,700,000
Leasehold properties	2,450,000	-	2,450,000	2,500,000
	2,450,000	4,620,000	7,070,000	7,200,000

For investment properties categorised into level three of the fair value hierarchy, the following information is relevant:

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

	Valuation technique	Significant unobservable input	Sensitivity
Freehold properties	Income Capitalization Approach	Capitalization rate of 7.34% to 7.58%, taking into account the capitalization of rental income potential, nature of the property and prevailing market conditions.	A slight increase in the capitalization rate used would result in a slight decrease in fair value and vice versa

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

11. Intangible assets

Intangible assets represent cost of right to use some units in a tower located in Makkah, KSA. These rights will expire in year 2030.

	Kuwaiti Dinars	
	2017	2016
Cost		
As at 1 st January	1,836,022	1,836,022
Accumulated amortization		
At 1 January	1,000,437	938,573
Charged during the year	61,864	61,864
	1,062,301	1,000,437
As at 31 st December	773,721	835,585

12. Payables and other credit balances

	Kuwaiti Dinars	
	2017	2016
Provisions for legal cases and bank guarantee	-	118,000
Provisions for tax claims	156,371	195,104
Staff accruals	20,109	23,945
Statutory contribution	26,434	1,601
Other	376,604	365,029
	579,518	703,679

13. End of service indemnity

Reconciliation of provision for post-employment benefits:

	Kuwaiti Dinars	
	2017	2016
At 1 January	335,482	290,300
Provisions during the year	48,669	58,346
Paid during the year	(14,285)	(13,164)
At 31 December	369,866	335,482

14. Share capital

The Parent Company's authorized, issued and fully paid share capital amounted to KD 18,870,504 distributed over 188,705,040 (2016: 188,705,040) shares with a par value of 100 fils per share and all shares are paid in cash.

15. Treasury shares

	2017	2016
No. of shares (share)	18,558	18,558
Market value	1,165	696
Percentage to issued shares (%)	0.010	0.010

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

The Parent Company is committed to retain reserves and retained earnings equivalent to the treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the relevant instructions of the Regulatory Authorities. These shares are not pledged.

16. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the net profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Board remuneration, national labour support tax and zakat is to be transferred to the statutory reserve. The shareholders may resolve to discontinue such annual transfers when the legal reserve reaches half of the share capital of the Parent Company. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when retained earnings of the Parent Company are not sufficient for the payment of a dividend of that amount.

17. Net gain from investments

	Kuwaiti Dinars	
	2017	2016
Investment at fair value through profit or loss		
Realized gains on sale	43,385	81,616
Change in fair value	7,080	99,252
Cash dividends	57,971	68,163
	<u>108,436</u>	<u>249,031</u>
Available for sale investments		
Realized gains on sale	82,554	675,315
Impairment loss	(148,088)	(303,760)
Cash dividends	387,680	464,929
	<u>322,146</u>	<u>836,484</u>
	<u>430,582</u>	<u>1,085,515</u>

18. Net gain/(loss) from investment properties

	Kuwaiti Dinars	
	2017	2016
Gross Rental income	565,057	561,860
Less: Expenses	(82,735)	(67,732)
Net Rental income	482,322	494,128
Change in fair value	(130,000)	(750,000)
	<u>352,322</u>	<u>(255,872)</u>

19. Net revenue from intangible assets

	Kuwaiti Dinars	
	2017	2016
Income from intangibles	102,581	112,767
Amortisation	(61,864)	(61,864)
	<u>40,717</u>	<u>50,903</u>

20. Recycled from fair value reserve on acquisition of associate

Recycled from fair value reserve occurred mainly on account of reclassification from Available for sale Investment to Investment in Associates.

21. Other Income

Other income includes gain on bargain purchase amounting to KD 55,771 on account of acquisition of investment in Associate (note 9) during the year.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

22. Other expenses

	Kuwaiti Dinars	
	2017	2016
Professional fees	61,705	61,426
Rent	121,758	115,539
Legal expenses	22,509	18,836
Subscription fees	32,895	43,330
Depreciation & Amortisation	4,663	3,842
Remuneration of sharia committee	3,250	3,250
Miscellaneous expenses	131,650	54,588
	<u>378,430</u>	<u>300,811</u>

23. Earnings per share

Earnings per share is calculated on the basis of the net profit attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year which is determined based on the outstanding shares of the issued capital during the year as follows:

	2017	2016
Net profit for the year attributable to the shareholders of the Parent Company	1,013,427	176,336
Issued shares	188,705,040	188,705,040
Treasury shares	(18,558)	(18,558)
Weighted average number of shares	188,686,482	188,686,482
Earnings per share attributable to the Parent Company shareholders (fils)	<u>5.37</u>	<u>0.93</u>

24. Dividends

- On 25 March 2018, the Board of Directors proposed to distribute cash dividends amounting to 6 fils per shares for 2017. This proposal is subject to the approval of the shareholders in the general assembly.

25. Related party transactions

In the normal course of business, the Group enters into related party transactions (Principal shareholders, members of the Board of Directors, senior executive management and companies that are owned by major shareholders). Followings are the significant balances and transactions with related parties other than what is disclosed in the other notes:

	Kuwaiti Dinars	
	2017	2016
Statement of income		
Remuneration of key management personnel	316,975	319,862
Revenue generated from management of portfolios	16,313	7,000
Statement of financial position		
Key management benefits payable	265,536	232,532

The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD 8,033,856 as at 31 December 2017 (KD 5,163,478 as at 31 December 2016). As these assets are held in a fiduciary capacity, these assets are not included in the cash flow.

All transactions are subject to the approval of the shareholders in the General Assembly.

26. Subsidiaries

Following are the subsidiaries included in these consolidated financial statements:

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

Company name	Ownership percentage (%)		Activity	Country of corporation
	2017	2016		
Osoul House for Real Estate Co. (W.L.L)	99	99	Investments properties	Kuwait
Petro Q8 Co. (W.L.L)	99	99	General trading & construction	Kuwait
Osoul Leasing and Finance (Private Sharing Co.)	100	100	Investments properties	Jordan
Osoul Holding DE I, Inc	100	100	Investments properties	USA
Osoul Holding DE II, Inc	100	100	Investments properties	USA
Osoul Holding DE III, Inc	100	100	Investments properties	USA

Audited financial statements of subsidiaries have been used for consolidation process except Osoul Holding DEI, Inc which has been consolidated based on management accounts provided by management for consolidated purpose. Total assets of the subsidiaries are 10,863,175 as of 31 December 2017 (KD 11,177,506 for the year ended 31 December 2016), and their net profit for the year ended 31 December 2017 are KD 333,649 (net loss of KD 225,898 for the year ended 31 December 2016).

There are no assets or liabilities in Osoul Holding DE I, Inc. The Parent Company is in the process of liquidating this subsidiary.

27. Segment distribution

The Group carries out its main activities in the State of Kuwait through three major segments:

- Finance segment- Investment in Murabaha, Wakala and deposit at financial institutions
- Investment segment- Investments in securities
- Real-estate segment- Investments in real estate

All activities are mentioned in note (1).

The analysis of segment information is as follows:-

	Kuwaiti Dinars			
	31 December 2017			
	Finance segment	Investment segment	Real-estate segment	Total
Segments revenues	215,795	1,400,303	413,005	2,029,103
Total segments' results	112,351	694,064	233,446	1,039,861
Net Profit for the year				1,013,427
Segments assets	572,115	10,070,835	11,649,193	22,292,143
Segment liabilities	223,515	508,534	217,335	949,384

The analysis of segment information is as follows:-

	Kuwaiti Dinars			
	31 December 2016			
	Finance segment	Investment segment	Real-estate segment	Total
Segments revenues	75,110	1,221,200	(202,284)	1,094,026
Total segments' results	(23,602)	501,978	(300,439)	177,937
Net Profit for the year				176,336
Segment assets	3,081,119	7,826,222	11,164,301	22,071,642
Segment liabilities	233,434	771,901	33,826	1,039,161

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

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

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

Geographical distribution of assets and revenues

	Kuwaiti Dinars			
	2017		2016	
	Assets	Revenues	Assets	Revenues
State of Kuwait	16,238,058	1,930,726	16,733,197	1,054,299
Gulf Co-operation council	1,337,616	40,717	1,405,879	(61,814)
Other Arabian Countries	2,168,886	(9,371)	1,322,062	101,541
U.S.A.	2,547,583	67,031	2,610,504	-
	<u>22,292,143</u>	<u>2,029,103</u>	<u>22,071,642</u>	<u>1,094,026</u>

28. Contingent liabilities

The Company has the following contingent liabilities:

	Kuwaiti Dinars	
	31 December 2017	31 December 2016
Contingent liabilities		
Under letters of guarantee	18,380	218,000

- A former related party has filed a lawsuit against the Group to oblige it to settle management fees of finance receivables portfolio. The case has been transferred to the Expert Department. The Group is in the process of finalizing this case according to the settlement agreement signed with that party. The next hearing will be on March 2018 for receiving the report and submitting conciliation award.
- There are lawsuits against the Group raised by a client whose portfolio was managed by the Group, claiming for compensation against the portfolio losses. A judgment has been issued to dismiss the case due to lack of jurisdiction and to transfer the case to CMA court. The CMA court dismissed the case based on the Expert Report. The plaintiff then filed an appeal and the lawsuit has been transferred to the Experts Department. The Group's management believes it is difficult to determine the outcome of this lawsuit at present
- During the current period, the Parent Company has received a tax claim amounting to Saudi Riyal 56.3 Million (equivalent to KD 4.52 Million) from the General Authority of Zakat and Tax – Kingdom of Saudi Arabia ("KSA") for the fiscal years from 2006 to 2014. The claim includes corporate income tax, withholding tax and other penalties in respect of the Parent Company's income realized from leased units on a tower located in Mecca – KSA. The Group's management believes that the figures used in computing the tax claim are significantly different from the actual income. Therefore, the Group's management has appointed a Tax Advisor in KSA to review the tax claim. Further, the Group has duly submitted an objection memo to the Authority, and has applied for opening a tax file with them.
- Based on the tax Advisor's opinion and his correspondences with the Operator, the Group has assessed the financial impact of the above-mentioned tax claim to be KD 250 thousand and has made a full provision for this purpose. Out of this provision, an amount of KD 55 thousand was paid against the withholding tax for the years from 2008 to 31st December 2016 in November 2016.
- During the current year, out of this provision, an amount of KD 39 thousand was paid against the income tax for the years from 2008 to 31st December 2016. Group has paid all the tax dues and submitted tax declaration return.
- The appeal committee resolved to reject the objection filed by the Group against the tax assessment for the FYs from 2006 to 2014. On 15.08.2017, the Company submitted the objection letter to the tax appeal committee in Riyadh concerning the appeal against the objection committee's resolution.

29. Fair value estimation

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, i.e. an exit price. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2017	2016				
Investments at fair value through profit or loss:						
- Local quoted shares	218,221	765,137	Level 1	Bid prices	N/A	N/A
Available for sale investments:						
- Local quoted shares	2,817,800	3,925,298	Level 1	Bid prices	N/A	N/A
- Local unquoted shares	873,000	873,000	Level 3	Average of market multiples and Dividend Discount Model	- Discount rate of 8.9%. - Illiquidity discount factor of 15%.	The higher the discount factor and illiquidity discount factor, the lower the fair value.
- Foreign unquoted shares	563,894	570,294	Level 2	Market Comparatives	N/A	N/A

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

The Fair value of the Group's other financial assets and financial liabilities are approximately equal to their carrying value.

30. Financial risk management

30.1 Financial risk

The Group's activities expose it to a variety of financial risks: market risks (including currency risks, fair value profit rates risk, cash flows profit rates risk and equity price risk) in addition to credit risk and liquidity risks.

The Group manages these financial risks by continuously evaluating market conditions and trends and assessment of long and short-term market factors.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

Market risk

Foreign exchange risk

The foreign exchange risk arises from future transactions on financial instruments in foreign currency classified in the consolidated financial statements of the Group in foreign currencies.

The Parent Company develops policies to manage the risks of foreign currency by monitoring changes in the currency rate as well as the impact on the Company's financial situation throughout the year.

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

	KD'000	
	31 December 2017	31 December 2016
US Dollar	967,796	23,147
Others	2,540,162	3,021,666

Foreign currency sensitivity is determined based on 5% (31 December 2016: 5%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, following could be the impact on the profit for the year and the equity:

	KD'000			
	31 December 2017		31 December 2016	
	+ 5%	- 5%	+ 5%	- 5%
Profit for the year	2,602	(2,602)	1,157	(1,157)
Equity	300,175	(300,175)	280,910	(280,910)

The Group's exposure to currency risk arises mainly from investment in AFS investment.

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

Equity Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated financial statements as investments at fair value through profit or loss and available for sale investments. The Group has established its policies to study and evaluate investment opportunities, diversifying the portfolios in order to manage the impact from long term change in fair value. The following table demonstrates the sensitivity of the changes in Kuwait index by 5% on Group's net profit with other factors held constant.

	KD'000			
	Effect on net profit		Effect on equity	
	2017	2016	2017	2016
Kuwait Stock Exchange	8,812	36,473	118,394	186,312

Profit rate risk

The Group is not exposed to profit rate risk as the Group operate in accordance with Islamic Shariaa principles.

Credit risk

The credit risk is the risk that the Group will incur a loss due to the Group's inability to collect the debt when counter parties fail to discharge their contractual obligations against the Group.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

The credit risk arises from balances and deposits at banks and financial institutions and finance receivables and Wakala and Murabaha receivables.

The Group manages the credit risk related to deposits, Wakala and Murabaha through dealing with local financial institutions with a good reputation in the market. Also the Group manages the credit risk by setting credit policies in order to reduce the concentration of credit risk via diversifying the finance portfolio.

The below schedule sets out the assets exposed to credit risk in the consolidated statement of financial position, without taking into consideration the guaranties:

	Kuwaiti Dinars				
	Neither past due nor impaired	Past due but not impaired		Impaired	Total
		Less than 12 months	More than 12 months		
As at 31 December 2017					
Cash equivalents	1,822,519	-	-	-	1,822,519
Investment in Murabaha, Wakala and Deposits at financial institutions	500,000	-	-	-	500,000
Other receivables	219,612	-	-	-	219,612
	<u>2,542,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,542,131</u>
As at 31 December 2016					
Cash equivalents	538,715	-	-	-	538,715
Investment in Murabaha, Wakala and Deposits at financial institutions	3,250,000	-	-	-	3,250,000
Other receivables	193,143	-	-	-	193,143
	<u>3,981,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,981,858</u>

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due.

The Group manages this risk by maintaining sufficient cash and cash equivalents as well as providing the necessary funding sources by agreeing on credit facilities that provide liquidity to the Group.

The table below analysis the Group's liabilities during the expected maturity periods from the consolidated financial statements date.

	Kuwaiti Dinars			
	2017			Total
	Within 3 months	From 3 months to 1 year	After 1 year	
Payables and other credit balances	237,863	206,314	135,341	579,518
	<u>237,863</u>	<u>206,314</u>	<u>135,341</u>	<u>579,518</u>
	2016			Total
	Within 3 months	From 3 months to 1 year	After 1 year	
	Payables and other credit balances	91,654	357,980	254,045
	<u>91,654</u>	<u>357,980</u>	<u>254,045</u>	<u>703,679</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

The table below analysis the Group's assets and liabilities during the expected maturity periods from the financial statements date.

	Kuwaiti Dinars			Total
	2017			
	Within 3 months	From 3 months to 1 year	After 1 year	
Assets				
Cash and cash equivalents	1,822,519	-	-	1,822,519
Investments in Murabaha, Wakala and deposits at financial institutions	-	500,000	-	500,000
Investments at fair value through profit or loss	218,221	-	-	218,221
Other debit balances	109,790	66,749	43,073	219,612
Properties held for trading	-	3,720,915	-	3,720,915
Investment in associates	-	-	2,779,960	2,779,960
Available for sale investments	-	-	5,173,675	5,173,675
Investment properties	-	-	7,070,000	7,070,000
Intangible assets	-	-	773,721	773,721
Other assets	-	-	13,520	13,520
	<u>2,150,530</u>	<u>4,287,664</u>	<u>15,853,949</u>	<u>22,292,143</u>

Liabilities

Payables and other credit balances	<u>237,863</u>	<u>206,314</u>	<u>135,341</u>	<u>579,518</u>
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	Kuwaiti Dinars			Total
	2016			
	Within 3 months	From 3 months to 1 year	After 1 year	
Assets				
Cash and cash equivalents	538,715	-	-	538,715
Investments in Murabaha, Wakala and deposits at financial institutions	-	3,250,000	-	3,250,000
Investments at fair value through profit or loss	-	765,137	-	765,137
Other debit balances	-	193,143	-	193,143
Properties held for trading	-	3,910,845	-	3,910,845
Investment in associates	-	-	-	0
Available for sale investments	-	-	5,368,592	5,368,592
Investment properties	-	-	7,200,000	7,200,000
Intangible assets	-	-	835,585	835,585
Other assets	-	-	9,625	9,625
	<u>538,715</u>	<u>8,119,125</u>	<u>13,404,186</u>	<u>22,071,642</u>
Liabilities				
Payables and other credit balances	<u>91,654</u>	<u>357,980</u>	<u>254,045</u>	<u>703,679</u>

30.2 Capital risk management

The Group's objectives when managing capital are to safeguard its 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 structure to reduce the cost of capital. There were no changes in the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and issue new shares. Capital includes equity attributable to the equity holders of the Parent Company less cumulative changes in fair values..

