COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

EY
Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

BAKER TILLY KUWAIT
Audit, tax and consulting
P.O.Box 1486 Safat 13015
Kuwait

T: +965 1887799
F: +965 22942651

info@bakertillykuwait.com
www.bakertillykuwait.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Coast Investment & Development Company K.S.C.P (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the related 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 by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

EY Building a better working world

BAKER TILLY KUWAIT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)
We identified the following as the key audit matters:

- *Impairment testing of investments in associates*

The Group has investment in associates with a carrying value of KD 38,253,650 as at 31 December 2017. Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment provisions.

Impairment of investment in associates is significant to our audit as the management uses judgments and estimates to assess these investments for impairment. Accordingly, we have considered this as a key audit matter.

Our audit procedures included, amongst others, the following:

¤ We evaluated management's considerations of the impairment indicators of investment in associates and the qualitative and quantitative factors used such as the investee's financial performance including dividends, and market, economic or legal environment in which the associates operates.

¤ We assessed management's assumptions, including the comparison of relevant assumptions to industry benchmarks, economic forecasts, formal approved budgets and benchmark the accuracy of the management's budget and forecast to actual performance in prior years.

¤ We involved our internal valuation specialists to evaluate the significant assumptions and valuation methods used by the management, and the reasonableness and appropriateness of those assumptions and methods in the circumstances.

¤ We evaluated the adequacy of the Group's disclosures in Notes 6 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivity analysis.

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

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

EY

Building a better working world

BAKER TILLY KUWAIT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information in the Group's 2017 Annual Report (continued)
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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 is responsible for overseeing the Group's financial reporting process.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, 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 organisation of banking business, and its related regulations and 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 Parent Company or on its financial position.

BADER A. AL-ABDULJADER LICENCE NO. 207 A EY AL AIBAN AL OSAIMI & PARTNERS	MOHAMMED HAMED AL SULTAN LICENCE NO. 100 A AL SULTAN AND PARTNERS MEMBER OF BAKER TILLY INTERNATIONAL

25 March 2018
Kuwait

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	*2017* *KD*	*2016* *KD*
Net investment income	3	**801,975**	1,083,441
Management fees		**591,209**	390,397
Other income		**22,013**	17,687
Share of results of associates	6	**1,838,465**	1,877,755
Loss on liquidation of a subsidiary		**-**	(2,235)
Impairment loss on other receivable		**(94,750)**	(3,822)
Staff cost		**(931,524)**	(848,419)
General and administrative expenses		**(333,574)**	(290,080)
Depreciation	5	**(8,291)**	(8,474)
Finance costs		**(4,480)**	(14,926)
Foreign exchange gain (loss)		**372,778**	(95,499)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		**2,253,821**	2,105,825
NLST		**(58,017)**	(26,733)
Zakat		**(13,335)**	(10,694)
Profit for the year		**2,182,469**	2,068,398
Attributable to:			
Equity holders of the Parent Company		**2,182,469**	2,068,398
Non-controlling interests		**-**	-
		2,182,469	2,068,398
Basic and diluted earnings per share attributable to equity holders of the Parent Company	4	**4 fils**	4 fils

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *KD*	*2016* *KD*
Profit for the year	**2,182,469**	2,068,398
Other comprehensive (loss) income:		
Items that are or may be reclassified to consolidated income statement in subsequent periods:		
Financial assets available for sale:		
- Change in fair value	**(967,005)**	(843,388)
- Reclassification adjustments to the income statement on disposal/ redemption	**185,776**	-
- Recycling to income statement for impairment	**(262,485)**	(92,251)
Net loss from financial assets available for sale	**(1,043,714)**	(935,639)
Share of other comprehensive income of associates	**815,199**	34,635
Exchange difference on translation of foreign operations	**2,122,306**	(650,095)
Net other comprehensive income (loss) that are or may be reclassified to consolidated income statement in subsequent periods	**1,893,791**	(1,551,099)
Items that will not be reclassified to consolidated income statement:		
Share of other comprehensive income (loss) of associates	**910,512**	(604,499)
Net other comprehensive income (loss) that will not to be reclassified to consolidated income statement	**910,512**	(604,499)
Other comprehensive income (loss) for the year	**2,804,303**	(2,155,598)
Total comprehensive income (loss) for the year	**4,986,772**	(87,200)
Attributable to:		
Equity holders of the Parent Company	**4,986,621**	(87,317)
Non-controlling interests	**151**	117
Total comprehensive income (loss) for the year	**4,986,772**	(87,200)

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 KD	2016 KD
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,081,319**	1,069,972
Investment property		**150,875**	153,264
Investment in associates	6	**38,253,650**	34,066,863
Financial assets available for sale	7	**11,910,095**	13,891,335
Prepayments and other assets	8	**3,107,435**	3,177,543
		54,503,374	52,358,977
Current assets			
Financial assets at fair value through profit or loss		**17,388**	2,264
Prepayments and other assets	8	**579,856**	372,517
Money at call and short notice	9	**2,922,206**	1,263,873
Cash and bank balances	9	**1,482,351**	281,023
		5,001,801	1,919,677
TOTAL ASSETS		**59,505,175**	54,278,654
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**62,529,315**	62,529,315
Statutory reserve	10	**11,647,495**	11,647,495
Voluntary reserve	10	**1,991,146**	1,991,146
Treasury shares	10	**(4,775,819)**	(5,214,557)
Treasury shares reserve		**25,702**	235,947
Other reserve		**306,013**	(604,499)
Foreign currency translation reserve		**2,307,623**	(629,731)
Cumulative changes in fair value		**247,064**	1,290,778
Accumulated losses		**(16,677,931)**	(18,860,400)
Equity attributable to equity holders of the Parent Company		**57,600,608**	52,385,494
Non-controlling interests		**31,705**	31,554
Total equity		**57,632,313**	52,417,048
Liabilities			
Non-current liability			
End of service benefits	11	**258,795**	183,421
Current liabilities			
Other liabilities	12	**1,614,067**	1,678,185
Total liabilities		**1,872,862**	1,861,606
TOTAL EQUITY AND LIABILITIES		**59,505,175**	54,278,654

Anwar Jassim Al-Kharafi
Chairman

Thamer Nabeel Al Nesef
Chief Executive Officer

The attached notes 1 to 19 form part of these consolidated financial statements.

Coast Investment & Development Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Parent Company											
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Other reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair values KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total KD
As at 1 January 2017	62,529,315	11,647,495	1,991,146	(5,214,557)	235,947	(604,499)	(629,731)	1,290,778	(18,860,400)	52,385,494	31,554	52,417,048
Profit for the year	-	-	-	-	-	-	-	-	2,182,469	2,182,469	-	2,182,469
Other comprehensive income (loss) for the year	-	-	-	-	-	910,512	2,937,354	(1,043,714)	-	2,804,152	151	2,804,303
Total comprehensive income (loss) for the year	-	-	-	-	-	910,512	2,937,354	(1,043,714)	2,182,469	4,986,621	151	4,986,772
Sale of treasury shares	-	-	-	438,738	(210,245)	-	-	-	-	228,493	-	228,493
As at 31 December 2017	**62,529,315**	**11,647,495**	**1,991,146**	**(4,775,819)**	**25,702**	**306,013**	**2,307,623**	**247,064**	**(16,677,931)**	**57,600,608**	**31,705**	**57,632,313**
As at 1 January 2016	62,529,315	11,647,495	1,991,146	(5,214,557)	235,947	-	(14,154)	2,226,417	(20,928,798)	52,472,811	31,437	52,504,248
Profit for the year	-	-	-	-	-	-	-	-	2,068,398	2,068,398	-	2,068,398
Other comprehensive (loss) income for the year	-	-	-	-	-	(604,499)	(615,577)	(935,639)	-	(2,155,715)	117	(2,155,598)
Total comprehensive (loss) income for the year	-	-	-	-	-	(604,499)	(615,577)	(935,639)	2,068,398	(87,317)	117	(87,200)
As at 31 December 2016	62,529,315	11,647,495	1,991,146	(5,214,557)	235,947	(604,499)	(629,731)	1,290,778	(18,860,400)	52,385,494	31,554	52,417,048

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	*2017* *KD*	*2016* *KD*
OPERATING ACTIVITIES			
Profit for the year before tax		**2,253,821**	2,105,825
Adjustments to reconcile profit for the year before tax to net cash flows:			
Share of results of associates	6	**(1,838,465)**	(1,877,755)
Loss on liquidation of a subsidiary			(2,235)
Unrealised loss on financial assets at fair value through profit or loss	3	**3,750**	-
Net gain on financial assets available for sale	3	**(998,294)**	(1,128,827)
Interest income	3	**(90,427)**	(45,812)
Dividend income	3	**(8,516)**	(1,053)
Depreciation	5	**8,291**	8,474
Impairment loss on accounts receivable		**94,750**	3,822
Impairment loss on financial assets available for sale	3&7	**262,485**	92,251
Other income		**(22,013)**	(17,687)
Finance costs		**4,480**	14,926
End of service benefits	11	**91,970**	65,824
		(238,168)	(782,247)
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		**13,903**	-
Prepayments and other assets		**802,437**	1,978,541
Other liabilities		**(135,471)**	(427,487)
Cash from operations		**442,701**	768,807
End of service benefits paid	11	**(16,596)**	(1,106,197)
Net cash from (used in) operating activities		**426,105**	(337,390)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(19,638)**	(8,474)
Proceeds from disposals and redemptions of financial assets available for sale		**2,611,672**	305,536
Purchase of financial assets available for sale		**(1,936,632)**	(568,010)
Proceeds from capital redemption of an associate	6	**1,505,236**	1,559,269
Interest income received		**43,539**	45,812
Dividend income received		**8,516**	1,053
Net cash from investing activities		**2,212,693**	1,335,186
FINANCING ACTIVITIES			
Proceeds from sale of treasury shares		**228,493**	-
Repayment of borrowings		**-**	(1,500,000)
Finance costs paid		**(4,480)**	(14,926)
Net cash from (used in) financing activities		**224,013**	(1,514,926)
Net foreign exchange differences		**(3,150)**	(4,279)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,859,661**	(521,409)
Cash and cash equivalents at 1 January	9	**1,544,896**	2,066,305
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**4,404,557**	1,544,896

The attached notes 1 to 19 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of the Coast Investment & Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 21 March 2018, and are issued subject to the approval of the annual general assembly of the shareholders' of the Parent Company. The annual general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company is a public shareholding company incorporated on 29 July 1975. The Parent Company is engaged in various types of investment management activities such as private equity, asset management and real estate investments in local and international markets. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") as an investment and finance company and is subject to the supervision of Capital Markets Authority ("CMA").

The Parent Company's registered office is at P.O. Box 26755, Safat 13128, State of Kuwait.

The activities of the Parent Company are carried out in accordance with Articles of Association. The principal activities of the Parent Company are:-

a) To carry out all operations relating to securities, including sale and purchase of shares and bonds of companies, governmental and semi-governmental corporations, for its own account or for the account of others.
b) Management of financial portfolios and investment and development of its customers' funds by deployment of their funds in investment fields locally and internationally.
c) To carry out all financial transactions including borrowing and lending, guarantees and issuing bonds of all types with or without security in the local and international markets.
d) To establish and manage investment funds for its own account and for the account of others, offering its units for subscription and undertaking the functions of the investment custodian or investment manager for investment funds inside and outside the country in accordance with the laws and resolutions applicable in the state.
e) To carry out the duties related to the functions of lead managers and investment custodians of bonds issued by companies or authorities.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of financial assets at fair value through profit or loss, certain financial assets available for sale carried at fair value and investment properties.

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

Changes in accounting policies and disclosures

The accounting policies applied are consistent with those used in the previous year. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these standards, if applicable when they become effective.

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

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in opening retained earnings and reserves as at 1 January 2018. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9.

(a) Classification and measurement
The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements will be presented in OCI with no subsequent reclassification to the statement of profit or loss, unless an accounting mismatch in profit or loss would arise.

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

- Cash & cash equivalents, loans & advances and other assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9;
- Certain financial assets held as available-for-sale amounting to KD 7,258,589 with gains and losses recorded in OCI mainly representing Company's investment in funds will instead, be measured at FVTPL. The cumulative changes in fair value reserve related to those funds, which is currently presented as accumulated OCI, will be reclassified to retained earnings;
- Financial assets representing equity investments and classified as financial assets held as available-for-sale amounting to KD 16,250 with gains and losses recorded in OCI are intended to be held for the foreseeable future. The Company will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact; and

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 9: Financial Instruments (continued)
(a) Classification and measurement (continued)

- Certain financial assets whose fair value could not be determined reliably are classified as financial assets held as available-for-sale carried at cost less impairment amounting to KD 4,635,256. These investments are intended to be held for the foreseeable future and the Group will apply the option to present fair value changes in OCI. The management is in the process of determining their fair value based on reliable financial information and the impact will be assessed once the management will determine the reliable fair values and will be reflected in the interim condensed consolidated financial information for the period ended 31 March 2018.

Upon adoption of the new classification and measurement principle under IFRS 9 as noted above, cumulative changes in fair values reserve will decrease by KD 1,726,613 with a corresponding increase in the retained earnings as at 1 January 2018.

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

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

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

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

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

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Group did not early adopt IFRS 15 and has evaluated that the adoption of the standard will not have significant impact on the Group's consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 16 Leases
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right- of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the consolidated statement of income. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group does not anticipate early adopting IFRS 16 and is in the process of evaluating the effect of IFRS 16 on the Group and do not expect any significant impact on adoption of this standard.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Group) as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other voting or similar rights holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company of the Group 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in statement of income. Any investment retained is recognized at fair value.

The subsidiaries of the Group are as follows:

Name of the company	Country of incorporation	Effective equity interest 2017	2016	Principal activities
Directly held				
Coast Investments Limited ("CIL")	British Virgin Islands	**100%**	100%	Investment services
Coast Holding Corporation ("CHC")	United States of America	**100%**	100%	Investment services
Held through CHC				
Winters Estate LLC ("Winters")	United States of America	**80%**	80%	Real estate services

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

The following specific recognition criteria must also be met before revenue is recognized:
- Management fees, relating to fiduciary client portfolios, fund management and custody services, are recognized over the period of time when these services are rendered.
- Interest income is recognized using the effective yield method taking into account the principal outstanding and the rate applicable.
- Dividend income is recognized when the right to receive payment is established.

Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and taxation
Kuwait Foundation for the Advancement of Sciences ('KFAS')
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the certain 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.

Taxation
a. National Labour Support Tax ('NLST')
The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

b. 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.

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

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or financial assets available for sale, or as derivatives designated as hedging instrument in an effective hedge as appropriate. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)
Financial assets (continued)
Initial recognition and measurement (continued)
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances, money at call and short notice, other receivables, financial assets at fair value through profit or loss and financial assets available for sale.

Subsequent measurement
The subsequent measurement of financial assets depend on their classification as described below:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated income statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets available for sale
Financial assets available for sale include equity securities and unquoted managed funds. Equity investments and unquoted managed funds classified as available for sale are those, which are neither classified as loans and receivables nor at fair value through profit or loss.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognized as other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Interest earned whilst holding financial assets available for sale is reported as interest income using the effective interest rate (EIR) method.

The Group evaluates whether the ability and intention to sell its financial assets available for sale in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets as held to maturity, if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the financial assets available for sale category, the carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to consolidated statement of income.

Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)
Financial assets (continued)
Subsequent measurement (continued)

Cash and cash equivalents
For purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and at banks, money at call and short notice with maturities up to three months from the date of placement, net of outstanding overdraft, if any.

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

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

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

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

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)
Financial assets (continued)
Impairment of financial assets (continued)
The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. Interest income is continued to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated income statement.

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

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

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

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, borrowings and payables, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in case of loans, borrowings and payables, net of directly attributable transactions costs.

The Group's financial liabilities include payables and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)
Fair value of financial instruments
The Group measures financial instruments, such as financial assets available for sale and financial assets carried at fair value through profit or loss at each reporting date.

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

- in the principal market for the asset or liability, 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 to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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.

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

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Freehold land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment to their residual values as follows :

Buildings	20 years
Office equipment	3 – 21 years

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

Leasehold improvements and fittings in rented property are depreciated over the duration term of the corresponding rent contracts or the period of useful life, if shorter.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

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 those policies. The consideration made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for under the equity method of accounting.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognized directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Distributions received from an associate reduce the carrying value of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated income statement.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant periodic rate of profit on the remaining balance of the liability. Finance charges are recognized in the consolidated income statement.

A leased asset is depreciated on a straight line basis over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated income statement on a straight line basis over the lease term.

Group as lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
General
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement, net of any reimbursement.

Contingent liabilities recognized in a business combination
A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of; the amount that would be recognized in accordance with the general guidance for provisions above in accordance with 'IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*', or the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the guidance for revenue recognition in accordance with 'IAS 18: *Revenue*'

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

Further, with respect to its national employees, the Group also makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The Group's obligations to these contributions are expensed when due.

Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, the treasury shares reserve, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control and the re-measurements comprising of actuarial gains and losses and return on plan assets for defined benefit plans.

Foreign currency translation
The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

a. Translation of foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency's rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Kuwaiti Dinars at rates of exchange prevailing at the consolidated statement of financial position date. Any gains or losses are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of a historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determine.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

b. *Translation of financial statements of foreign entities*
The results and financial position of all of the Group's entities that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

The assets and liabilities are translated at rates of exchange prevailing at the reporting date. Income and expense items are translated at average exchange rates for the period. Any exchange differences are taken directly to a foreign currency translation adjustment reserve in other comprehensive income. On disposal of the foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the consolidated statement of income.

Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the respective subsidiaries and translated at the rate of exchange ruling on the reporting date.

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

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Parent Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Dividends on ordinary shares
Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions
The preparation of the consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Classification of investments
Judgments are made in the classification of financial instruments based on management's intention at acquisition as described in the respective accounting policies.

Impairment of financial assets available for sale
The Group treats financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the Group also evaluates, among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Impairment of accounts receivable
The Group's management reviews periodically its accounts receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

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

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

Fair value measurement of financial instruments
When the fair values of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on carrying amounts of loans and receivables and financial assets available for sale.

3 NET INVESTMENT INCOME

	2017 *KD*	*2016* *KD*
Realised loss on financial assets at fair value through profit or loss	**(29,027)**	-
Unrealised loss on financial assets at fair value through profit or loss	**(3,750)**	-
Net gain on sale/redemption income of financial assets available for sale	**998,294**	1,128,827
Impairment loss on financial assets available for sale (Note 7)	**(262,485)**	(92,251)
Interest income	**90,427**	45,812
Dividend income	**8,516**	1,053
	801,975	1,083,441

4 BASIC AND DILUTED EARNINGS PER SHARE

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

	2017 *KD*	*2016* *KD*
Profit for the year attributable to shareholders of the Parent Company	**2,182,469**	2,068,398
	Shares	*Shares*
Weighted average number of outstanding shares	**625,293,152**	625,293,152
Less: Weighted average number of treasury shares	**(41,107,757)**	(44,570,086)
Weighted average number of outstanding shares	**584,185,395**	580,723,066
Basic and diluted earnings per share attributable to the shareholders of the Parent Company	**4 fils**	4 fils

As there are no dilutive instruments outstanding, basic and dilutive earnings per share are identical.

5 PROPERTY, PLANT AND EQUIPMENT

	Land KD	*Building* KD	*Office equipment* KD	*Total* KD
Cost:				
As at 1 January 2017	1,052,750	561,000	420,696	2,034,446
Additions	-	-	19,638	19,638
Disposals	-	-	(240)	(240)
As at 31 December 2017	**1,052,750**	**561,000**	**440,094**	**2,053,844**
Accumulated depreciation:				
As at 1 January 2017	-	(561,000)	(403,474)	(964,474)
Charge for the year	-	-	(8,291)	(8,291)
Relating to disposals	-	-	240	240
As at 31 December 2017	**-**	**(561,000)**	**(411,525)**	**(972,525)**
Net carrying amount:				
As at 31 December 2017	**1,052,750**	**-**	**28,569**	**1,081,319**

	Land KD	*Building* KD	*Office equipment* KD	*Total* KD
Cost:				
As at 1 January 2016	1,052,750	561,000	645,286	2,259,036
Additions	-	-	8,474	8,474
Disposals	-	-	(233,064)	(233,064)
As at 31 December 2016	1,052,750	561,000	420,696	2,034,446
Accumulated depreciation:				
As at 1 January 2016	-	(561,000)	(628,064)	(1,189,064)
Charge for the year	-	-	(8,474)	(8,474)
Relating to disposals	-	-	233,064	233,064
As at 31 December 2016	-	(561,000)	(403,474)	(964,474)
Net carrying amount:				
As at 31 December 2016	1,052,750	-	17,222	1,069,972

6 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	*Country of incorporation*	*Interest in equity %*		*Principal activity*	*Carrying value*	
		2017	*2016*		*2017* *KD*	*2016* *KD*
Rico GmbH	Germany	**23.73**	23.73	Manufacturing	**2,581,104**	2,412,294
Kuwaiti German Holding Company K.S.C. (Closed) ("KGH")*	Kuwait	**23.41**	23.41	Investing activities	**17,952,851**	16,883,584
Weinig International AG	Germany	**12.37**	12.37	Manufacturing	**17,719,695**	14,770,985
					38,253,650	34,066,863

* KGH has a direct ownership of 52% in Weinig International AG.

The movement in the carrying value of investment in associates during the year is as follows:

	2017 *KD*	*2016* *KD*
At 1 January	**34,066,863**	34,965,339
Share of results	**1,838,465**	1,877,755
Net share of other comprehensive income	**1,725,711**	(569,864)
Capital redemption	**(1,505,236)**	(1,559,269)
Foreign exchange adjustment	**2,127,847**	(647,098)
At 31 December	**38,253,650**	34,066,863

The following illustrates the summarised financial information of the Group's investment in associates:

	Rico GmbH *KD*	*Kuwaiti German Holding K.S.C.(Closed)* *KD*	*Weinig International AG* *KD*	*2017* *KD*	*2016* *KD*
Share of associates' statement of financial position:					
Current assets	7,153,267	79,084,248	76,781,976	163,019,491	140,504,625
Non-current assets	7,845,254	92,671,448	61,145,617	161,662,319	143,045,092
Current liabilities	(2,006,850)	(42,878,191)	(41,368,491)	(86,253,532)	(71,170,172)
Non-current liabilities	(2,114,155)	(60,893,308)	(38,879,905)	(101,887,368)	(75,913,797)
Equity	**10,877,516**	**67,984,197**	**57,679,197**	**136,540,910**	136,465,748
Goodwill	-	2,036,391	10,583,913	12,620,304	11,475,274
Carrying value of the investment	**2,581,104**	**17,952,851**	**17,719,695**	**38,253,650**	34,066,863

6 INVESTMENT IN ASSOCIATES (continued)

	Rico GmbH KD	*Kuwaiti German Holding K.S.C.(Closed) KD*	*Weinig International AG KD*	*2017 KD*	*2016 KD*
Share of associates' revenue and results:					
Revenue	13,658,206	153,286,570	151,344,345	318,289,121	275,969,208
Results	965,804	4,217,121	8,779,640	13,962,565	13,995,521
Group's share of profit for the year	**236,569**	**515,723**	**1,086,173**	**1,838,465**	1,877,755

Investments in associates have been valued based on the expected cash flows discounted at Group's expected rate of return applicable for items with similar terms and risk characteristics. The following significant unobservable valuation inputs have been used for the determination of fair value:

Significant unobservable valuation input:	**Percentage**
Discount factor for lack of marketability	7.62%
Terminal growth rate	1.50%

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the investment in associates, a 1% change in either of the discount rate or terminal growth rate would not cause the carrying value of any of the associates to materially exceed its recoverable amount.

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	2017 KD	*2016 KD*
Unquoted equities	**8,065,413**	11,320,708
Quoted equities	**16,250**	567,769
Funds	**3,828,432**	2,002,858
	11,910,095	13,891,335

Unquoted equities include investments in private equity funds amounting to KD 3,430,157 (2016: KD 6,579,776) which are carried at net asset values as reported by the fund managers.

At 31 December 2017, certain unquoted financial assets available for sale amounting to KD 4,635,256 (2016: KD 4,740,932) are measured at cost due to the unavailability of reliable measures of their fair values.

Management has performed a review of financial assets to assess whether impairment has occurred in the value of these financial assets. Based on specific information, management has recorded an impairment loss of KD 262,485 (2016: KD 92,251) in the consolidated income statement for the year in respect of financial assets available for sale. Based on the latest available financial information, management is of the view that no further impairment is required as at 31 December 2017 in respect of these financial assets available for sale.

During the year, the Group earned dividend income of KD 4,001 (2016: KD 1,053) on its financial assets available for sale.

Fair value hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 17.

8 PREPAYMENTS AND OTHER ASSETS

	2017 *KD*	*2016* *KD*
Non-current prepayments and other assets		
Promissory note (Note 13)	**2,707,048**	3,177,543
Other receivables	**400,387**	-
	3,107,435	3,177,543
Current prepayments and other assets		
Advances and prepayments	**29,265**	29,382
Accrued income	**192,893**	142,950
Other receivables	**357,698**	200,185
	579,856	372,517
	3,687,291	3,550,060

Accrued income consists of management fees KD 71,397 (2016: 62,252) which is fully collateralised by the underlying assets of the fund which the Group manages.

9 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances in the consolidated statement of financial position:

	2017 *KD*	*2016* *KD*
Money at call and short notice	**2,922,206**	1,263,873
Cash and bank balances	**1,482,351**	281,023
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**4,404,557**	1,544,896

The money at call and short notice represents deposits placed with reputable financial institutions and banks. These deposits yield interest at an average rate of 1.02% per annum (2016: 0.95% per annum) and have original maturity of less than three months from reporting date.

10 SHARE CAPITAL AND RESERVES

a) Share capital

The authorised, issued and paid-up capital of the Parent Company consists of 625,293,152 shares (2016: 625,293,152 shares) of 100 fils per share, which are fully paid in cash.

b) Statutory reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before KFAS, NLST and Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Company's board of directors. The annual general assembly of the Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

No transfer has been made to the statutory reserve, as the Parent Company incurred accumulated losses.

10 SHARE CAPITAL AND RESERVES (continued)

c) Voluntary reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before KFAS, NLST and Zakat is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

No transfer has been made to the voluntary reserve, as the Parent Company incurred accumulated losses.

d) Treasury shares

	2017	*2016*
Number of shares	**40,820,086**	44,570,086
Percentage of issued shares	**6.53%**	7.13%
Bid Market value (KD)	**1,326,653**	1,693,663
Weighted average market value per share (fils)	**43**	39

An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from the voluntary reserve and a portion of the statutory reserve throughout the holding period of treasury shares.

e) Dividend

The Board of Directors proposed not to distribute cash dividend or bonus shares for the year ended 31 December 2017 (2016: Nil). This proposal is subject to approval of the Parent Company's shareholders in the annual general assembly meeting.

11 END OF SERVICE BENEFITS

Movement in the provision recognized in the consolidated statement of financial position is as follows:

	2017 *KD*	*2016* *KD*
As at 1 January	**183,421**	1,223,794
Provided during the year	**91,970**	65,824
Employees' end of service benefits paid	**(16,596)**	(1,106,197)
As at 31 December	**258,795**	183,421

12 OTHER LIABILITIES

	2017 *KD*	*2016* *KD*
Dividend payable	**210,146**	211,345
Tax payable	**1,234,937**	1,392,159
Other liabilities *	**168,984**	74,681
	1,614,067	1,678,185

* Other liabilities include outstanding balances relating to key management personnel amounting to KD 99,641 (2016: 19,749) – Note 13.

13 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Parent Company's management.

Related party balances included in the consolidated statement of financial position are as follows:

	Associates KD	***2017 KD***	*2016 KD*
Promissory note (included in non- current assets) (Note 8)	2,707,048	**2,707,048**	3,177,543

Promissory note bears an average interest rate of 1.17% (2016: 1.26%) per annum and is receivable after one year from the reporting date.

Related party transactions included in the consolidated income statement are as follows:

	Associates KD	*Others KD*	***2017 KD***	*2016 KD*
Management fees	128,821	412,685	**541,506**	301,256
Interest income	32,073	-	**32,073**	35,933
Finance costs	-	-	-	5,502

Key management compensation

Key management personnel comprise of the Board of Directors and key member of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Transactions during the year		*Outstanding balances*	
	2017 KD	*2016 KD*	***2017 KD***	*2016 KD*
Salaries and short-term benefits	**258,254**	154,494	**77,100**	11,908
Termination benefits	**16,961**	7,800	**22,541**	7,841
	275,215	162,294	**99,641**	19,749

14 FIDUCIARY ASSETS

The Group manages a number of investments and funds, some of which are managed in association with other professional fund managers. These funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. Accordingly, the assets of these funds are not included in the consolidated financial statements. As at 31 December 2017, funds under management amount to KD 21,639,134 (2016: KD 22,730,368). Total income earned by the Group from the fiduciary activities amounted to KD 49,703 (2016: KD 55,174).

15 COMMITMENTS

At the reporting date, the Group had capital commitments of KD 461,162 (2016: KD 700,164) towards purchase of investments.

16 SEGMENT INFORMATION

The Group is primarily engaged in investment activities, the following tables present information regarding the Group's geographical segments:

Total revenue	*2017* *KD*	*2016* *KD*
Kuwait and GCC	**1,039,453**	995,844
Europe	**2,230,465**	2,208,215
United States of America (USA)	**246,228**	255,196
	3,516,146	3,459,255

Non-current assets	*2017* *KD*	*2016* *KD*
Kuwait and GCC	**27,914,495**	25,421,444
Europe	**26,244,814**	23,825,798
United States of America (USA)	**344,065**	3,111,735
	54,503,374	52,358,977

17 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

		Fair value measurement using		
31 December 2017	*Total* *KD*	*Quoted prices in active markets (Level 1)* *KD*	*Significant observable inputs (Level 2)* *KD*	*Significant unobservable inputs (Level 3)* *KD*
Financial assets available for sale	**7,274,839**	16,250	-	7,258,589
Financial assets at fair value through profit or loss	**17,388**	15,820	1,568	-
31 December 2016				
Financial assets available for sale	9,150,403	567,769	-	8,582,634
Financial assets at fair value through profit or loss	2,264	696	1,568	-

The management assessed that financial assets and financial liabilities other than those disclosed above approximate their carrying amounts largely due to the short-term maturities of those instruments.

The above table does not include available for sale equity securities amounting to KD 4,635,256 (2016: KD 4,740,932) measured at cost less impairment, and for which disclosure of fair value is not provided because their fair value cannot be reliably measured (Note 7).

The impact on the consolidated statement of financial position or the consolidated statement of comprehensive income would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

17 FAIR VALUE MEASUREMENT (continued)

During the year ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2 financial instruments, and no transfers into and out of Level 3 financial instruments.

Reconciliation of fair value measurement of unquoted securities classified as financial assets available for sale:

	As at 1 January *KD*	*Re-measurement recognised in other comprehensive income* *KD*	*Net purchases, sales and settlements* *KD*	*Impairment recorded during the year* *KD*	*As at 31 December* *KD*
2017					
Financial assets available for sale	**8,582,634**	**(1,034,416)**	**(132,819)**	**(156,810)**	**7,258,589**
2016					
Financial assets available for sale	9,789,369	(930,612)	(276,123)	-	8,582,634

18 RISK MANAGEMENT

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

The Group's risk management is carried out by investment and management committee and focuses on actively securing the Group's short to medium term cash flows by minimising the potential adverse effects on the Group's financial performance through internal risk reports. The Parent Company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles.

The Group is exposed to credit risk, liquidity risk, market risk, prepayment risk and operational risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process. There is no change in the risk management objectives and policies as compared to previous year.

18.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily promissory notes issued to associates) and from its financing activities including deposits with banks and financial institutions, and other financial instruments. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Group of customers in specific locations or business through diversification of operating activities.

Maximum exposure to credit risk

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The Group bears credit risk on money at call and short notice and bank balances, other receivable and promissory note.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks, and with respect to customers by monitoring outstanding receivables on an on-going basis.

18 RISK MANAGEMENT (continued)

18.1 Credit risk (continued)
Maximum exposure to credit risk (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below:

	2017 KD	*2016 KD*
Cash and bank balances	**1,482,351**	281,023
Money at call and short notice	**2,922,206**	1,263,873
Other receivable	**950,978**	343,135
Promissory note	**2,707,048**	3,177,543
Gross maximum credit exposure	**8,062,583**	5,065,574

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. There are no significant concentrations of credit risk.

Collateral and other credit enhancements
No collaterals are obtained in respect of other receivables.

18.2 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of cash flows under both normal and stressed circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group. To limit this risk, management has diversified funding sources and maintains a portfolio of highly marketable assets that are assumed to be easily liquidated in the event of unforeseen interruptions to cash flow. Net liquid assets consist of cash, short term deposits and money market instruments available for immediate sale.

The table below summarises the maturity profile of the Group's financial liabilities and capital commitments based on contractual undiscounted payments.

31 December 2017	***Within 3 months KD***	***3 to 12 months KD***	***Over 1 year KD***	***Total KD***
Other liabilities	**1,840**	**1,612,227**	**-**	**1,614,067**
Capital commitments	**115,915**	**217,006**	**128,241**	**461,162**

31 December 2016	*Within 3 months KD*	*3 to 12 months KD*	*Over 1 year KD*	*Total KD*
Other liabilities	1,896	1,676,289	-	1,678,185
Capital commitments	132,818	302,606	264,740	700,164

18 RISK MANAGEMENT (continued)

18.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk such as equity price risk. Financial instruments affected by market risk include equity securities.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

18.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Group operates in the Kuwait and other Middle Eastern countries, Europe and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to Euro and US Dollar.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations in accordance with the Group's risks management policies.

As at the reporting date, the Group had the following significant net asset exposures denominated in foreign currencies:

	2017	*2016*
Euro	**27,242,053**	24,268,930
US Dollar ("USD")	**2,092,176**	3,817,752

The Group's exposure to foreign currency changes for all other currencies is not material to the consolidated financial statements.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Euro and USD exchange rates against the KD, with all other variables held constant. The impact on the Group's profit is due to changes in monetary assets and liabilities. The impact on the Group's equity is mainly due to the Group's net investments in associates.

Currency	**Change in currency rate in % against KD**	**Effect on profits**	**Effect on other comprehensive income**
2017			
Euro	+5%	**(185,214)**	**(1,176,888)**
US Dollar	+5%	**(87,406)**	**(17,203)**
2016			
Euro	+5%	(22,157)	(1,191,290)
US Dollar	+5%	(27,484)	(163,403)

An equal change in the opposite direction will have had an equal but opposite effect.

18.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the underlying financial instruments. The Group's exposure to the risk of changes in market interest rates is limited, as most of its interest bearing assets and liabilities yield interest at commercial rates and reprice in the short term, no longer than twelve months.

18 RISK MANAGEMENT (continued)

18.3 Market risk (continued)

18.3.3 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Group manages the equity price risk through diversification of its investment portfolio.

At the reporting date, the exposure to unlisted equity securities was KD 4,635,256. A 5% increase in the fair values of NAV of the investees could have an impact of approximately KD 176,678 on the equity attributable to the Group in future years, but would not have an effect on the consolidated statement of income.

At the reporting date, the exposure to equity securities at fair value listed on the Boursa Kuwait was insignificant to the Group's consolidated financial statements.

An equal change in the opposite direction would have an equal but opposite effect.

18.4 Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

18.5 Operational risk

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

19 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. Capital comprises share capital, and other equity reserves (including non-controlling interests) and is stated at KD 57,632,313 as at 31 December 2017 (2016: KD 52,417,048).