Consolidated financial statements and independent auditors' report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

31 December 2016

Contents

Grant Thornton | An instinct for growth™
Al-Qatami, Al-Aiban & Partners

Auditors & Consultants
Souq Al Kabeer Building, Block A, 9th Floor
P.O.Box 2986, Safat 13030, Kuwait
Tel: (965)2244 3900-9
Fax: (965) 2243 8451
E-mail: gt@kw.gt.com
www.grantthornton.com.kw

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080

www.deloitte.com

Independent auditors' report

To the Shareholders of
Kuwait Financial Centre – KPSC and Subsidiaries
Kuwait

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Financial Centre K.P.S.C (the "Parent Company") and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other 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.

Valuation of financial instruments carried at fair value

As at 31 December 2016, the Group has financial instruments classified as Available for Sale (AFS) investments and carried at fair value. These AFS investments include investments in managed funds and private equity participation amounting to KD29,922 thousand as disclosed in note 18 which represent 19% of the total assets.. In determining the fair value of these investments, often there is significant measurement uncertainty as these have been based on the net asset value determined by the fund managers, who manage those funds, and are dependent on the nature of the underlying assets in those funds. The Group's policy on fair value estimation and related fair value disclosures are given in notes 5.11 and 35 respectively to the consolidated financial statements.

Independent Auditors' Report to the Shareholders of Kuwait Financial Centre - KPSC (continued)

Valuation of financial instruments carried at fair value (continued)
Our audit procedures included, among others, verifying the net asset value and holdings in investments to the quarterly valuation information provided by the underlying general partners or administrators of the managed and private equity funds, to substantiate the fund's fair values and to assess whether the information was in accordance with IFRS 13 fair value measurement. We verified the accuracy of the prior period fund valuations to the respective audited financial statements of the funds to assess the historical accuracy of the valuation estimates. We considered the appropriateness of adjustments, if any, made by the Group to the amounts reported by the general partners or administrators to arrive at fair value at the reporting date. Where there were significant underlying quoted investments, we agreed the price per share to an independent source.

Management fee and commission
The Group manages various funds and portfolios on a fiduciary basis for its customers. In addition, the Group provides corporate advisory and other financial services to clients in debt and capital markets. The Group recognized management fee and commission arising from these services of KD7,782 thousand for the year ended 31 December 2016 as disclosed in the consolidated statement of income. The recognition of management fees, performance fees and commission is dependent on the terms of the underlying management contracts and corporate advisory mandates agreed between the Group and its clients and/or the funds it manages. Management fees is calculated as a percentage of net asset value of the Assets Under Management and varies across different funds and products. Management fee income is computed by applying the rate agreed contractually with its customers to the net asset value of these portfolios. The Group's policy on revenue recognition is disclosed in note 5.3 to the consolidated financial statements.

Our audit procedures included evaluating the design and implementation of controls management has put in place over valuing underlying fiduciary assets and testing the operating effectiveness of those controls. We have also selected samples of portfolios under management and verified if the underlying assets in those portfolios are fair valued based on market quotes as of the year-end date. We have also re-computed the related management fee on the selected sample of portfolios by applying the contractually agreed management fee with the customers on the fair value of those portfolios.

Other Information
Management is responsible for the other information. Other information consists of the information included in the Group's 2016 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 auditors' report, and we expect to obtain the remaining sections of the Group's 2016 Annual Report after the date of our auditors' report.

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

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 these consolidated financial statements in accordance with IFRSs as adopted for used 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.

Independent Auditors' Report to the Shareholders of Kuwait Financial Centre - KPSC (continued)

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Independent Auditors' Report to the Shareholders of Kuwait Financial Centre - KPSC (continued)

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

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 and its executive regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 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 audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2016 that might have had a material effect on the business of the Parent Company or on its financial position.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

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

Kuwait
8 March 2017

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2016 KD '000	Year ended 31 Dec. 2015 KD '000
Revenue			
Interest income	8	671	774
Dividend income		1,091	1,149
Management fees and commission	9	7,782	7,359
Gain / (loss) from investments at fair value through profit or loss	10	622	(5,211)
Gain on redemption/sale of available for sale investments		2,437	4,215
Share of results of associate and joint venture	19.4	(151)	66
Gain on sale of investment properties	20	490	1,850
Net rental income		416	167
Foreign currency exchange gain		545	876
Other income		23	12
		13,926	11,257
Expenses and other charges			
General and administrative expenses	11	(7,757)	(7,446)
Impairment of available for sale investments	18	(171)	(294)
Charge of provisions		(448)	(347)
Other expenses		(177)	(305)
Finance costs	12	(1,258)	(1,150)
		(9,811)	(9,542)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and directors' remuneration		4,115	1,715
Provision for contribution to KFAS		(39)	(27)
Provision for NLST		(124)	(88)
Provision for Zakat		(50)	(35)
Provision for directors' remuneration	29	(84)	-
Profit for the year		3,818	1,565
Profit/(loss) for the year attributable to:			
Owners of the parent company		4,030	2,878
Non-controlling interests		(212)	(1,313)
Profit for the year		3,818	1,565
Basic and diluted earnings per share attributable to the owners of the parent company	13	8 Fils	6 Fils

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2016 KD '000	Year ended 31 Dec. 2015 KD '000
Profit for the year	**3,818**	1,565
Other comprehensive loss:		
Items that will be reclassified subsequently to statement of profit or loss		
Available for sale investments:		
- Net change in fair value arising during the year	**(670)**	1,461
- Transferred to consolidated statement of profit or loss on redemption/sale	**(2,437)**	(4,215)
- Transferred to consolidated statement of profit or loss on impairment	**171**	294
Foreign currency translation:		
- Exchange differences arising on translation of foreign operations	**78**	355
Share of other comprehensive income/(loss) of associate and joint venture	**5**	(1)
Total other comprehensive loss	**(2,853)**	(2,106)
Total comprehensive income/(loss) for the year	**965**	(541)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the parent company	**1,342**	900
Non-controlling interests	**(377)**	(1,441)
	965	(541)

Consolidated statement of financial position

	Notes	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Assets			
Cash and bank balances	14	**12,237**	7,977
Time deposits	14	**9,857**	7,321
Investments at fair value through profit or loss	15	**48,033**	41,100
Accounts receivable and other assets	16	**5,317**	5,084
Loans to customers	17	**253**	436
Available for sale investments	18	**41,870**	53,788
Investment in associate and joint venture	19	**3,002**	3,090
Investment properties	20	**35,745**	29,167
Equipment		**434**	288
Total assets		**156,748**	148,251
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	21	**8,327**	6,363
Bank borrowings	22	**8,146**	7,685
Bonds issued	23	**25,000**	22,000
Total liabilities		**41,473**	36,048
Equity			
Share capital	24	**48,080**	53,130
Share premium	25	**7,902**	7,902
Legal reserve	26	**15,280**	14,847
Voluntary reserve	26	**13,635**	14,793
Treasury shares	28	**-**	(16,342)
Treasury shares reserve	28	**-**	7,973
Other components of equity	27	**5,037**	7,725
Retained earnings		**3,341**	4,132
Equity attributable to the owners of the parent company		**93,275**	94,160
Non-controlling interests	7	**22,000**	18,043
Total equity		**115,275**	112,203
Total liabilities and equity		**156,748**	148,251

Diraar Yusuf Alghanim
Chairman

Manaf AbdulAziz Alhajeri
Chief Executive Officer

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Legal reserve KD '000	Voluntary reserve KD '000	Treasury shares KD '000	Treasury shares reserve KD '000	Other components of equity (note 27) KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
Balance at 1 January 2016	53,130	7,902	14,847	14,793	(16,342)	7,973	7,725	4,132	94,160	18,043	112,203
Cancellation of treasury shares (note 28)	(5,050)	-	-	-	5,050	-	-	-	-	-	-
Loss on cancellation of treasury shares (note 28)	-	-	-	-	11,292	(7,973)	-	(3,319)	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	4,511	4,511
Effect of change in ownership percentage of subsidiaries (note 7.1)	-	-	-	-	-	-	-	177	177	(177)	-
Payment of cash dividend (note 28)	-	-	-	(1,591)	-	-	-	(813)	(2,404)	-	(2,404)
Transactions with owners	(5,050)	-	-	(1,591)	16,342	(7,973)	-	(3,955)	(2,227)	4,334	2,107
Profit /(loss) for the year	-	-	-	-	-	-	-	4,030	4,030	(212)	3,818
Total other comprehensive loss	-	-	-	-	-	-	(2,688)	-	(2,688)	(165)	(2,853)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(2,688)	4,030	1,342	(377)	965
Transfer to reserves	-	-	433	433	-	-	-	(866)	-	-	-
Balance at 31 December 2016	48,080	7,902	15,280	13,635	-	-	5,037	3,341	93,275	22,000	115,275

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Legal reserve KD '000	Voluntary reserve KD '000	Treasury shares KD '000	Treasury shares reserve KD '000	Other components of equity (note 27) KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
Balance at 1 January 2015	53,130	7,902	14,544	14,490	(16,342)	7,973	9,703	5,601	97,001	12,946	109,947
Purchase of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	(1,167)	(1,167)	(2,031)	(3,198)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	9,323	9,323
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	-	311	311	(311)	-
Payment of cash dividend	-	-	-	-	-	-	-	(2,885)	(2,885)	-	(2,885)
Payment of cash dividend to non-controlling interests shareholders	-	-	-	-	-	-	-	-	-	(443)	(443)
Transactions with owners	-	-	-	-	-	-	-	(3,741)	(3,741)	6,538	2,797
Profit/(loss) for the year	-	-	-	-	-	-	-	2,878	2,878	(1,313)	1,565
Total other comprehensive loss	-	-	-	-	-	-	(1,978)	-	(1,978)	(128)	(2,106)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(1,978)	2,878	900	(1,441)	(541)
Transfer to reserves	-	-	303	303	-	-	-	(606)	-	-	-
Balance at 31 December 2015	53,130	7,902	14,847	14,793	(16,342)	7,973	7,725	4,132	94,160	18,043	112,203

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2016 KD '000	Year ended 31 Dec. 2015 KD '000
OPERATING ACTIVITIES			
Profit for the year		**3,818**	1,565
Adjustments for:			
Interest income		**(671)**	(774)
Dividend income		**(1,091)**	(1,149)
Depreciation		**340**	204
Gain on redemption/sale of available for sale investments		**(2,437)**	(4,215)
Share of results of associate and joint venture		**151**	(66)
Gain on sale of investment properties		**(490)**	(1,850)
Impairment of available for sale investments		**171**	294
Charge of provisions		**448**	347
Finance costs		**1,258**	1,150
		1,497	(4,494)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**(6,933)**	(2,905)
Accounts receivable and other assets		**(257)**	673
Loans to customers		**184**	3,414
Accounts payable and other liabilities		**1,926**	(2,136)
Net cash used in operating activities		**(3,583)**	(5,448)
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		**(760)**	(22)
Purchase of property and equipment		**(307)**	(104)
Proceeds from redemption/sale of available for sale investments		**17,258**	20,031
Purchase of available for sale investments		**(6,011)**	(10,523)
Purchase of investment properties		**(7,761)**	(8,440)
Proceeds from sale of investment properties		**1,286**	5,712
Increase in investment in associate and joint venture		**(144)**	(32)
Purchase of non-controlling interests in a subsidiary		**-**	(3,198)
Dividend received from associate		**86**	-
Dividend income received		**1,091**	1,149
Interest income received		**697**	784
Net cash from investing activities		**5,435**	5,357
FINANCING ACTIVITIES			
Dividend paid		**(2,358)**	(2,945)
Dividend paid to non-controlling interests shareholders		**-**	(443)
Proceeds from bank borrowings		**2,395**	7,685
Repayment of bank borrowings		**(1,934)**	(4,663)
Proceeds from issue of bonds issued		**25,000**	-
Repayment of bonds issued		**(22,000)**	-
Net change in non-controlling interests		**4,511**	9,323
Finance costs paid		**(1,264)**	(1,144)
Net cash from financing activities		**4,350**	7,813
Increase in cash and cash equivalents		**6,202**	7,722
Foreign currency adjustments		**(166)**	(369)
Cash and cash equivalents at the beginning of the year	14	**15,201**	7,848
Cash and cash equivalents at the end of the year	14	**21,237**	15,201

The notes set out on pages 11 to 61 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Kuwait Financial Centre – KPSC ("the parent company") was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The parent company is listed on the Kuwait Stock Exchange and is governed under the directives of the Central Bank of Kuwait and Capital Markets Authority of Kuwait.

The principal activities of the parent company and its subsidiaries ("the group") are as follows:

- Funding import and export operations, whether by direct credit or accepting drafts drawn on the company for short terms, as well as brokerage in securing the banking facilities for clients in Kuwait and abroad.

- Undertake the job of broker between the public of borrowers and lenders, undertake approved agency works for the payment processes arising from issuing medium and long term securities, in addition to keeping securities on behalf of the clients.

- Dealing and trading in the foreign currencies and the precious metal markets inside and outside Kuwait.

- Undertake investment works and evaluation of projects on behalf of clients, as well as provide technical and financial advice to them before taking the decisions related to funding projects.

- Undertake all the services which assist to extend and support the money and capital market capacity in Kuwait and fulfil its needs within the limits of the law and the procedures or instructions issued by the Central Bank of Kuwait. The company may have an interest or participate in any manner with the bodies practicing business similar to its business or which may assist it to achieve its objectives inside or outside Kuwait and it may acquire such bodies or append them to itself.

- Offering personal, commercial and consumer loans, undertake finance operations on the basis of margin related to investment operations in the local and international markets, trading currencies, as well as the finance operations related to pledging investment portfolios and securities, and undertaking finance and brokerage in international and local commercial operations.

- Practicing all types of relevant financial and brokerage operations.

- Investment in the various economic sectors such as the industrial, real estate, agricultural, services and other sectors, whether directly or by contribution through existing companies or incorporating these companies related to the said activity or acquire projects which fulfill such objective.

- Undertake securities trading, including the selling and purchase of stocks, bonds, companies, government bodies in this field according to the conserved investment principle and diversification of its investment portfolios.

- Undertake the functions of investment trustees and investment portfolio management for the account of third parties with the required loaning and borrowing operations.

- Setting up and managing investment funds.

- Providing investment consultations related to securities against commission (investment advisory).

- Offering or selling securities for their issuer or his ally or acquiring securities from the issuer or his ally for re-marketing (issuance management).

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012. The executive regulations of Law No. 1 of 2016 was issued on 12 July 2016.

The group comprises the parent company and its subsidiaries as detailed in note 7.

The address of the parent company's registered office is PO Box 23444, Safat 13095, State of Kuwait.

The parent company's board of directors approved these consolidated financial statements for issue on 8 March 2017 and are subject to the approval of the general assembly of the shareholders.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets available for sale and derivative financial instruments that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company rounded off to the nearest thousand.

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

4 Changes in accounting policies

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016 which have been adopted by the group but did not have any significant impact on the financial position or the results for the year. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the group (continued)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the group (continued)

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Annual Improvements to IFRSs 2012–2014 Cycle

(i) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in financial statements

(ii) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Amendments	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017 and 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
    - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
    - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

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

The Amendments to IAS 12 make the following changes:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income. This will affect the group's investment amounting to KD345 thousand (see note 15) if still held on 1 January 2018.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- Specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition.
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Annual Improvements to IFRSs 2014-2016 Cycle

(i) *Amendments to IFRS 12* - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B17) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5. Amendment is effective for annual periods beginning on or after 1 January 2017.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2014-2016 Cycle (continued)

(ii) *Amendments to IAS 28* - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

5 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The group controls subsidiaries if it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Notes to the consolidated financial statements

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

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

5.2 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquire either at fair value or at the proportionate share of the acquire's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through profit or loss.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquire's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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 acquire.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquire and c) acquisition-date fair value of any existing equity interest in the acquire, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 Revenue recognition

Revenue is recognised 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 payment is made.

Revenue arises from rendering of services and is measured by reference to the fair value of consideration received or receivable.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

Notes to the consolidated financial statements

5 Summary of significant accounting policies (continued)

5.3 Revenue recognition (continued)

5.3.1 Rendering of services

The group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

Fee income from providing transaction services

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

5.3.2 Interest income

Interest income is reported on an accrual basis using the effective interest method.

5.3.3 Dividend income

Dividend income, other than those from investment in associates, are recognised at the time the right to receive payment is established.

5.3.4 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

5.4 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.6 Taxation

5.6.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.6.2 National Labour Support Tax (NLST)

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

Notes to the consolidated financial statements

5 Summary of significant accounting policies (continued)

5.6 Taxation (continued)

5.6.3 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.

5.6.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.7 Investment in associate

Associate is this entity over which the group is able to exert significant influence but which is neither subsidiary nor joint venture. Investment in associate is initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associate.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

Unrealised gains and losses on transactions between the group and its' associate are eliminated to the extent of the group's interest in this entity. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associate and the group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.8 Investment in joint venture

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities required unanimous consent of parties sharing control. A joint venture is a joint arrangement which by the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The group recognises its interests in joint ventures as an investment and accounts for it using the equity method.

5.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation and are initially measured at cost, including transaction costs, Subsequently, investment properties are accounted for using the cost model whereby these investments are stated at cost less accumulated depreciation and impairment losses, if any. The group depreciates its investment property except land on the straight-line method over their expected useful lives of over 45 years for properties held outside Kuwait.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.9 Investment properties (continued)

When investment property is sold, its cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from the disposal is recognised in the consolidated statement of profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

5.10 Equipment

Vehicles and other equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Vehicles and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of vehicles and other equipment. 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 equipment.

The following useful lives are applied:

- Office equipment and software: 3 to 5 years
- Vehicles: 3 to 4 years
- Furniture and fixtures: 7 to 10 years
- Decorations: 7 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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 recognised in the consolidated statement of profit or loss.

5.11 Financial instruments

5.11.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

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

- rights to receive cash flows from the assets have expired;
- 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 risks and rewards of the asset but has transferred control of the asset.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.1 Recognition, initial measurement and derecognition (continued)

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

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

5.11.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in the consolidated statement of profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

- ***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 recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The group categorises loans and receivables into following categories:

- *Loans and advances*

Loans and advances are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.2 Classification and subsequent measurement of financial assets (continued)

- ***Loans and receivables (continued)***

- *Accounts receivable and other assets*

Receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances, together with time deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- ***Financial assets at FVTPL***

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in the consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- ***AFS financial assets***

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in the consolidated statement of profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in the consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to the consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity 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. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in the consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include borrowings, accounts payable and other liabilities, bonds and derivatives financial instruments.

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

Accounts payable and other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Borrowings
All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Murabaha payables
Murabaha payables represent amount payable on deferred settlement basis for assets purchases under murabaha arrangements. Murabaha payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Bonds
Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTSI.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in consolidated statement of profit or loss, are included within finance costs or finance income.

Derivative financial instruments and hedge accounting
Derivative financial instruments are accounted for at FVTSI except for derivatives designated as hedging instruments in cash flow hedge relationships or fair value hedge relationship, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.3 Classification and subsequent measurement of financial liabilities (continued)

Derivative financial instruments and hedge accounting (continued)
At the time the hedged item affects consolidated statement of profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

All derivative financial instruments are recognised in the consolidated statement of financial position as either assets (positive fair values) or liabilities (negative fair values).

Derivative financial instruments used by the group include foreign exchange forwards contracts.

Note 33 sets out details of the fair values of the derivative instruments.

5.12 Impairment testing of non financial assets
An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.13 Amortised cost of financial instruments
This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.14 Trade and settlement date accounting
All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.15 Offsetting of financial instruments
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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.16 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

5.17 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Kuwait Dinars.
- fair value reserve – comprises gains and losses relating to available for sale financial assets.

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in accounts payable and other liabilities when the dividends have been approved in a meeting of the general assembly.

5.18 Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group. 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. 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.

5.19 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.19 Provisions, contingent assets and contingent liabilities (continued)
Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.20 Foreign currency translation

5.20.1 Foreign currency transactions
Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.20.2 Foreign operations
In the group's consolidated financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to the consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.21 End of service indemnity
The group provides end of service benefits to 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 in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.22 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 these consolidated financial statements.

5.23 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

5.24 Segment reporting

The group has two operating segments: the asset management and investment banking. In identifying these operating segments, management generally follows the group's service lines representing its main services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

6 Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments, the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.2 Classification of real estate

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

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The group classifies property as property under development if it is acquired with the intention of development.

The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.3 Control assessment

When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of associates and joint venture

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 company and joint venture, at each reporting date based on existence of any objective evidence that the investment in the associate and joint venture 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 joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.2 Impairment of available for sale equity investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.3 Impairment of receivables

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

6.2.4 Impairment of loans to customers

An estimate of the collectible amount of loans to customers is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.
Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.5 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.6 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 35).

7 Subsidiary companies

7.1 Details of the group's material consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2016 %	31 Dec. 2015 %	
Mar-Gulf Management Inc.	USA	**100.00**	100.00	Assets management
Markaz First Management and Economic Consultancy Company – KSCC	Kuwait	**95.00**	85.00	Economic consultancy
MDI Holding Limited	Cayman Islands	**66.66**	66.66	Property management
MDI Management Limited	Cayman Islands	**66.66**	66.66	Property management
MDI Ventures Ltd	Cayman Islands	**50.00**	50.00	Property management
Markaz Offshore Ltd.	Cayman Islands	**100.00**	100.00	Investment
Marmore Mena Intelligence Private Limited	India	**98.73**	96.25	Consultancy
Aradi Development Limited	Cayman Islands	**96.89**	96.89	Real Estate
Markaz Real Estate Investment Company WLL	KSA	**100.00**	100.00	Real Estate
Rimal Venture Company WLL	Bahrain	**100.00**	100.00	Assets management
Markaz Fixed Income Fund	Kuwait	**73.66**	82.50	Investment Fund
Markaz Arabian Fund	Bahrain	**58.17**	54.35	Investment Fund
Arab Gulf Real Estate Development Company WLL	Kuwait	**99.85**	99.55	Real Estate
Bay View Real Estate Company WLL	Kuwait	**99.85**	99.55	Real Estate
Boardwalk International Real Estate Company WLL	Kuwait	**99.85**	99.55	Real Estate
Al Rihab Real Estate Development Company WLL	Kuwait	**99.85**	99.55	Real Estate
Al Bandriya Real Estate Company WLL	Kuwait	**99.85**	99.55	Real Estate
Mawazeen International Fund	Kuwait	**58.95**	56.53	Investment Fund
Markaz Mena Islamic Fund	Kuwait	**75.00**	-	Investment Fund

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 The changes in ownership of Markaz Fixed Income Fund decreased by 8.84%, Mawazeen International Fund increased by 2.42% and Markaz Arabian Fund increased by 3.82% due to changes in units held by non controlling interest holders as a result of addition and redemption of the fund's units. These changes in the ownership resulted in a net gain of KD177thousand. Since, the parent company continues to control these subsidiaries, the changes resulting from deemed ownership changes in these subsidiaries has been recognised in equity.

7.3 The group has participated in share capital increase of Markaz First Management and Economic Consultancy Company-KSCC for total consideration of KD200 thousand which resulted in an increase in ownership percentage by 10%. Consequently, there is increase in Marmore Mena Intelligence Private Limited by 2.48% as Markaz First Management and Economic Consultancy Company-KSCC has invested in Marmore Mena Intelligence Private Limited.

7.4 The parent company incorporated Markaz Mena Islamic Fund during the year and holds 75% of the issued units. The non-controlling interests in the fund is 25% amounting to KD1,617 thousand. The group assessed that it controls Markaz Mena Islamic Fund as other unit holders does not have the ability to remove the parent company as the manager of the fund and the parent company has significant exposure to variable returns based on its investment in the units of the fund. Therefore the parent company concluded that it acts as the principal and not as an agent.

7.5 Subsidiaries with material non-controlling interests

The group includes five subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2016 %	31 Dec. 2015 %	**31 Dec. 2016 KD '000**	31 Dec. 2015 KD '000	**31 Dec. 2016 KD '000**	31 Dec. 2015 KD '000
MDI Venture Ltd	**50**	50	**112**	53	**1,277**	2,220
Markaz Fixed Income Fund	**26.34**	17.50	**36**	11	**1,326**	888
Markaz Arabian Fund	**41.83**	45.65	**(20)**	(1,005)	**4,230**	4,901
Mawazeen International Fund	**41.05**	43.47	**(58)**	(235)	**2,242**	2,440
Markaz Mena Islamic Fund	**25.00**	-	**83**	-	**1,617**	-
Individually immaterial subsidiaries with non controlling interests			**(365)**	(137)	**11,308**	7,594
			(212)	(1,313)	**22,000**	18,043

No dividends were paid to the NCI during the year (31 December 2015: KD 443 thousand).

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.5 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for MDI Venture Ltd, before intra group eliminations, is set out below:

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Non-current assets	2,093	3,076
Current assets	477	1,384
Total assets	2,570	4,460
Non-current liabilities	-	8
Current liabilities	16	12
Total liabilities	16	20
Equity attributable to the owners of the parent company	1,277	2,220
Non-controlling interests	1,277	2,220
Total equity	2,554	4,440

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Revenue	447	436
Profit for the year attributable to the owners of the parent company	112	53
Profit for the year attributable to NCI	112	53
Profit for the year	224	106
Total other comprehensive (loss)/income	(308)	136
Total comprehensive (loss)/income for the year	(84)	242
Total comprehensive (loss)/income for the year attributable to the owners of the parent company	(42)	121
Total comprehensive (loss)/income for the year attributable to NCI	(42)	121
Total comprehensive (loss)/income for the year	(84)	242

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Net cash used in operating activities	(61)	(103)
Net cash from investing activities	1,148	890
Net cash used in financing activities	(2,000)	-
Net cash (outflow)/inflow	(913)	787

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.5 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for Markaz Fixed Income Fund, before intra group eliminations, is set out below:

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Non-current assets	**4,200**	3,438
Current assets	**899**	1,647
Total assets	**5,099**	5,085
Current liabilities	**64**	12
Total liabilities	**64**	12
Equity attributable to the owners of the parent company	**3,709**	4,185
Non-controlling interests	**1,326**	888
Total equity	**5,035**	5,073

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Revenue	**176**	100
Profit for the year attributable to the owners of the parent company	**100**	51
Profit for the year attributable to NCI	**36**	11
Profit for the year	**136**	62
Total other comprehensive loss	**(14)**	(46)
Total comprehensive income for the year	**122**	16
Total comprehensive income for the year attributable to the owners of the parent company	**90**	13
Total comprehensive income for the year attributable to NCI	**32**	3
Total comprehensive income for the year	**122**	16

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Net cash from operating activities	**194**	156
Net cash used in investing activities	**(756)**	(147)
Net cash used in financing activities	**(198)**	-
Net cash (outflow)/inflow	**(760)**	9

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.5 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for Markaz Arabian Fund, before intra group eliminations, is set out below:

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Current assets	**10,218**	10,800
Total assets	**10,218**	10,800
Current liabilities	**107**	63
Total liabilities	**107**	63
Equity attributable to the owners of the parent company	**5,881**	5,836
Non-controlling interests	**4,230**	4,901
Total equity	**10,111**	10,737

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Revenue/(loss)	**197**	(1,888)
Loss for the year attributable to the owners of the parent company	**(28)**	(1,197)
Loss for the year attributable to NCI	**(20)**	(1,005)
Loss for the year	**(48)**	(2,202)
Total other comprehensive loss	**(21)**	(23)
Total comprehensive loss for the year	**(69)**	(2,225)
Total comprehensive loss for the year attributable to the owners of the parent company	**(40)**	(1,210)
Total comprehensive loss for the year attributable to NCI	**(29)**	(1,015)
Total comprehensive loss for the year	**(69)**	(2,225)

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Net cash from operating activities	**3,136**	2,091
Net cash used in financing activities	**(677)**	(2,041)
Net cash inflow	**2,459**	50

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.5 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for Mawazeen International Fund, before intra group eliminations, is set out below:

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Current assets	**5,470**	5,624
Total assets	**5,470**	5,624
Current liabilities	**10**	10
Total liabilities	**10**	10
Equity attributable to the owners of the parent company	**3,218**	3,174
Non-controlling interests	**2,242**	2,440
Total equity	**5,460**	5,614

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Losses	**(24)**	(469)
Loss for the year attributable to the owners of the parent company	**(83)**	(306)
Loss for the year attributable to NCI	**(58)**	(235)
Loss for the year	**(141)**	(541)
Total other comprehensive loss	**(6)**	(4)
Total comprehensive loss for the year	**(147)**	(545)
Total comprehensive loss for the year attributable to the owners of the parent company	**(87)**	(308)
Total comprehensive loss for the year attributable to NCI	**(60)**	(237)
Total comprehensive loss for the year	**(147)**	(545)

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Net cash from/(used in) operating activities	**213**	(5,839)
Net cash from financing activities	**265**	6,159
Net cash inflow	**478**	320

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.5 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for Markaz Mena Islamic Fund, before intra group eliminations, is set out below:

	From 10 Jan. 2016 to 31 Dec. 2016 KD '000
Current assets	6,481
Total assets	**6,481**
Current liabilities	15
Total liabilities	**15**
Equity attributable to the owners of the parent company	4,849
Non-controlling interests	1,617
Total equity	**6,466**
Revenue	**480**
Profit for the year attributable to the owners of the parent company	249
Profit for the year attributable to NCI	83
Profit for the year	**332**
Total other comprehensive loss	(6)
Total comprehensive income for the year	**326**
Total comprehensive income for the year attributable to the owners of the parent company	245
Total comprehensive income for the year attributable to NCI	81
Total comprehensive income for the year	**326**

	31 Dec. 2016 KD '000
Net cash used in operating activities	(4,195)
Net cash from financing activities	6,131
Net cash inflow	**1,936**

Notes to the consolidated financial statements (continued)

8 Interest income

	Year ended 31 Dec. 2016 KD '000	Year ended 31 Dec. 2015 KD '000
Time deposits	92	39
Investments at fair value through profit or loss	111	119
Available for sale investments	437	574
Loans to customers	16	41
Other	15	1
	671	774

9 Management fees and commission

Management fees and commission relate to income arising from the group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory services.

10 Gain/(loss) from investments at fair value through profit or loss

	Year ended 31 Dec. 2016 KD '000	Year ended 31 Dec. 2015 KD '000
Change in fair value of investments at fair value through profit or loss	1,264	(4,622)
Loss from sale of investments at fair value through profit or loss	(642)	(589)
	622	(5,211)

11 General and administrative expenses

	Year ended 31 Dec. 2016 KD '000	Year ended 31 Dec. 2015 KD '000
Staff costs	4,687	4,591
Depreciation	340	204
Other expenses	2,730	2,651
	7,757	7,446

12 Finance costs

	Year ended 31 Dec. 2016 KD '000	Year ended 31 Dec. 2015 KD '000
Bonds issued	1,045	1,051
Bank borrowings	213	99
	1,258	1,150

Notes to the consolidated financial statements (continued)

13 Basic and diluted earnings per share attributable to the owners of the parent company

Basic and diluted earnings per share attributable to the owners of the parent company is calculated by dividing the profit for the year attributable to the owners of the parent company by the weighted average number of shares in issue excluding treasury shares.

	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015
Profit for the year attributable to the owners of the parent company (KD '000)	4,030	2,878
Weighted average number of shares in issue during the year (excluding treasury shares) (000's)	480,802	480,802
Basic and diluted earnings per share attributable to the owners of the parent company	8 Fils	6 Fils

14 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following accounts:

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Cash and bank balances	12,237	7,977
Time deposits with banks and other financial institutions	9,857	7,321
	22,094	15,298
Less: Time deposits maturing after three months	(857)	(97)
Cash and cash equivalent for consolidated statement of cash flows	21,237	15,201

The group's time deposits carry an effective interest rate of 1.25% (31 December 2015: 0.67%) per annum.

15 Investments at fair value through profit or loss

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Trading :		
Local quoted securities	1,909	-
Foreign quoted securities	15,389	15,138
	17,298	15,138
Designated on initial recognition:		
Local managed funds	20,244	24,406
Foreign quoted securities	9,180	131
Fixed income securities	1,311	1,425
	30,735	25,962
	48,033	41,100

Notes to the consolidated financial statements (continued)

15 Investments at fair value through profit or loss (continued)

The investments in local managed funds are carried at net asset value provided by the respective fund managers due to the nature of these investments. Management believes the net asset value provided by the fund managers represents the best estimate of fair value available for these investments.

Fixed income securities include investment amounting to KD345 thousand (31 December 2015: KD345 thousand) is carried at cost less impairment, if any due to non availability of quoted market price of other reliable measurement of fair value. The management has performed analysis of the underlying investment and concluded that carrying value appropriate to fair value.

The interest rates on fixed income securities range from 6.50% to 9.00% (31 December 2015: 2.50% to 9.00%) per annum.

16 Accounts receivable and other assets

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Management fees and commission receivable	1,109	1,139
Prepayments and advances	3,243	750
Interest receivable	92	118
Receivable from trade	256	2,070
Other receivables	617	1,007
	5,317	5,084

The carrying value of accounts receivable and other assets approximates its fair value. The effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

17 Loans to customers

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Personal loans	743	927
Provision for credit losses	(490)	(491)
	253	436

The maturity profile of loans to customers is as follows:

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Between one month and six months	4	7
Between six months and one year	12	161
Over one year	239	272
Non-performing loans (fully impaired)	488	487
	743	927

Notes to the consolidated financial statements (continued)

17 Loans to customer (continued)

Provision for credit losses is made in accordance with Central Bank of Kuwait requirements including general provision on the balance of regular facilities for which no specific provisions are made. The total non-performing loans which have been fully provided amounts to KD488 thousand (31 December 2015: KD487 thousand).

The interest rate on personal loans ranged from 2% to 6.50% (2015: 2.00% to 6.25%) per annum. All loans are denominated in KD or US Dollars.

18 Available for sale investments

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Quoted securities	**4,973**	6,870
Unquoted securities	**1,518**	807
Managed funds	**18,872**	26,239
Equity participation	**11,050**	13,662
Debt instruments	**5,457**	6,210
	41,870	53,788

The investments in managed funds are carried at net asset value provided by the respective fund managers due to the nature of these investments. Management believes the net asset value provided by the fund managers represents the best estimate of fair value available for these investments.

Fair value of investments in equity participation are determined mostly based on net assets value provided by the investment managers as this represents the best estimate of fair value available for these investments.

Investment in debt instrument amounting to KD446 thousand (31 December 2015: KD1,186 thousand) are secured by charges over real estate properties and carry average interest rate of 7.25% (31 December 2015: 5.44%) per annum.

Debt instruments include investment in sukuk for KD4,985 thousand (31 December 2015: KD4,997 thousand). The effective profit rate on these sukuk is 4.50% (31 December 2015: 4.25%) per annum.

During the year, the group recognised an impairment loss of KD171 thousand (31 December 2015: KD294 thousand) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

19 Investment in associate and joint venture

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Investment in associate (Note 19.1)	**2,041**	2,267
Investment in joint venture (Note 19.3)	**961**	823
	3,002	3,090

Notes to the consolidated financial statements (continued)

19 Investment in associate and joint venture (continued)

19.1 The details of the group's investment in associate are as follows:

Company name	Principal Activities	Place of incorporation	31 Dec. 2016 %	31 Dec. 2016 KD'000	31 Dec. 2015 %	31 Dec. 2015 KD'000
First Equilease for Equipment and Transportation Company-KSCC (unquoted)	Transportation and Renting	Kuwait	17.24	2,041	17.24	2,267
				2,041		2,267

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

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Carrying value at the beginning of the year	2,267	2,186
Additions during the year	-	2
Share of results of associate	(145)	59
Share of other comprehensive income	5	20
Dividend received	(86)	-
	2,041	2,267

19.2 Summarised financial information of group's material associate are set out below:

a) First Equilease for Equipment and Transportation Company-KSCC (Unquoted):

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Non-current assets	10,070	3,853
Current assets	2,458	9,847
Total assets	12,528	13,700
Non-current liabilities	286	32
Current liabilities	403	518
Total liabilities	689	550
Net assets	11,839	13,150

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Revenue	1,133	1,135
(Loss)/profit for the year	(844)	344
Other comprehensive income for the year	30	114
Total comprehensive (loss)/income for the year	(814)	458

Notes to the consolidated financial statements (continued)

19 Investment in associates and joint ventures (continued)

a) First Equilease for Equipment and Transportation Company-KSCC (Unquoted): (continued)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Group's ownership interest (%)	17.24	17.24
Net assets of the associate	11,839	13,150
Group's share of net assets	2,041	2,267
Carrying amount	2,041	2,267

The group has accounted for its share of results of associate using unaudited management accounts as at 31 December 2016.

First Equilease for Equipment and Transportation Company-KSCC is a private company, therefore, no quoted market prices are available for the share.

19.3 The details of the group's investment in joint venture are as follows:

Company name	Principal Activities	Place of incorporation	31 Dec. 2016 %	31 Dec. 2016 KD'000	31 Dec. 2015 %	31 Dec. 2015 KD'000
MZES Gayrimenkul Alim Satim Company	Real Estate	Turkey	50	961	50	823
				961		823

The movement of investment in joint venture during the year is as follows:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Carrying value at the beginning of the year	823	807
Additions during the year	144	30
Share of results of joint venture	(6)	7
Share of other comprehensive loss	-	(21)
	961	823

19.3.1 Summarised financial information of group's material joint venture is set out below:

a) MZES Gayrimenkul Alim Satim Company (Unquoted)

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Non-current assets	1,814	1,557
Current assets	122	96
Total assets	1,936	1,653
Current liabilities	(14)	(7)
Total liabilities	(14)	(7)
Net assets	1,922	1,646

Notes to the consolidated financial statements (continued)

19 Investment in associates and joint ventures (continued)

Summarised financial information of group's material joint venture is set out below: (continued)

a) MZES Gayrimenkul Alim Satim Company (continued)

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Revenue	-	35
(Loss)/profit for the year	(12)	14
Other comprehensive loss	-	(57)
Total comprehensive loss for the year	(12)	(43)

Reconciliation of the above summarised financial information of the joint venture with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Group's ownership interest (%)	50	50
Net assets of the joint venture	1,922	1,646
Group's share of net assets	961	823
Carrying amount	961	823

The group has accounted for its share of results of the joint venture using unaudited management accounts as at 31 December 2016.

MZES Gayrimenkul Alim Satim Company is a private company, therefore, no quoted market prices are available for the share.

No dividend was received from the joint venture during the years 2016 and 2015.

19.4 Share of results from associate and joint venture:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Groups' share of results from associate	(145)	59
Groups' share of results from joint venture	(6)	7
	(151)	66

Notes to the consolidated financial statements (continued)

20 Investment properties

The movement in investment properties is as follows:

	Land KD'000	Projects under development KD'000	Building KD'000	Total KD'000
31 December 2016				
Cost				
At 1 January 2016	19,881	6,952	2,474	29,307
Additions	-	7,727	34	7,761
Transfer to building	(1,414)	(9,598)	11,012	-
Disposals	(540)	-	(279)	(819)
Impairment	(451)	-	-	(451)
Foreign currency adjustment	341	(116)	18	243
At 31 December 2016	**17,817**	**4,965**	**13,259**	**36,041**
Accumulated depreciation				
At 1 January 2016	-	-	140	140
Charge for the year	-	-	179	179
Relating to disposals	-	-	(23)	(23)
At 31 December 2016	-	-	**296**	**296**
Net book value				
At 31 December 2016	**17,817**	**4,965**	**12,963**	**35,745**
31 December 2015				
Cost				
At 1 January 2015	19,119	1,181	4,109	24,409
Additions	2,624	5,771	45	8,440
Disposals	(2,230)	-	(1,762)	(3,992)
Impairment	(274)	-	-	(274)
Foreign currency adjustment	642	-	82	724
At 31 December 2015	19,881	6,952	2,474	29,307
Accumulated depreciation				
At 1 January 2015	-	-	208	208
Charge for the year	-	-	62	62
Relating to disposals	-	-	(130)	(130)
At 31 December 2015	-	-	140	140
Net book value				
At 31 December 2015	19,881	6,952	2,334	29,167

As at 31 December 2016, the fair value of the investment properties is KD39,688 thousand (31 December 2015: KD33,332 thousand).Investment properties were revalued by independent evaluators using market comparable approach that reflects recent transaction prices for similar properties and is therefore classified under level 2. In estimating the fair value of investment properties, the highest and best use is their current use. There has been no change to the valuation technique during the year.

During the year, the group recognised an impairment loss of KD451 thousand (31 December 2015: KD274 thousand) in respect of certain investment properties.

Notes to the consolidated financial statements (continued)

20 Investment properties (continued)

The group sold certain investment properties in USA and GCC for aggregated sale consideration of KD1,286 thousand (31 December 2015: KD5,712 thousand) and realized a gain of KD490 thousand (31 December 2015: KD 1,850 thousand).

The groups investment properties are located as below:

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
North America	2,093	2,289
GCC	33,652	26,878
	35,745	29,167

21 Accounts payable and other liabilities

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Accrued expenses	2,439	2,090
Post employment benefits	2,293	2,107
Dividend payable	410	364
Payable to contractors	1,474	-
Other liabilities	1,711	1,802
	8,327	6,363

22 Bank borrowings

This represent following bank borrowing:

a. Unsecured loan facilities amounting to KD24,422 thousand obtained from local commercial banks and carries interest rate ranging from 1.90% to 2.50% above Central Bank of Kuwait discount rate. As at 31 December 2016, an amount of KD1,747 thousand (31 December 2015: KD2,687 thousand) was drawn against these facilities. This loan is guaranteed by the Parent Company (note 32).

b. Murabaha facility obtained from a local Islamic bank amounting to KD4,979 thousand (31 December 2015: KD4,998 thousand) carrying an effective profit rate of 1.5% above Central Bank of Kuwait discount rate and maturing in January 2017.

c. During the year, unsecured loan facility was obtained from a commercial bank amounting to AED107,350 thousand (equivalent to KD8,959 thousand) carrying an interest rate of 3.25% above 3 month LIBOR. As at 31 December 2016 AED17,017 thousand (equivalent to KD1,420 thousand) was drawn against this facility. This loan is guaranteed by the Parent Company (note 32).

Notes to the consolidated financial statements (continued)

23 Bonds issued

On 26 December 2016, the parent company issued unsecured debenture bonds in the principle amount of KD25,000 thousand as follows:

- KD13,550 thousand with a fixed rate of 5% payable quarterly in arrears maturing on 26 December 2021.
- KD11,450 thousand with variable rate of 2.25%, above Central Bank of Kuwait Discount rate, which is payable quarterly in arrears maturing on 26 December 2021.

On 19 December 2016, the group repaid KD22,000 fixed and floating rate bonds upon maturity.

24 Share capital

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Authorised: shares of 100 Kuwaiti Fils each	**48,080**	53,130
Issued and fully paid: shares of 100 Kuwaiti Fils each	**48,080**	53,130

The Extraordinary General Assembly Meeting of the Shareholders ("EGAM") held on 9 May 2016 approved the reduction of the share capital of the parent company by KD 5,050 thousand by cancelation of 50,498,253 treasury shares at nominal value of 100 Fils each (note 28).

As a result of above transaction the authorised share capital of the parent company is 480,801,747 shares (531,300,000 shares at 31 December 2015) and issued and fully paid is KD48,080 thousand (KD53,130 thousand at 31 December 2015) at nominal value of 100 fils for each share.

The amendments to the articles of association of the parent company to reflect this decision were recorded in Kuwait Commercial Register on 27 June 2016.

25 Share premium

Share premium is not available for distribution.

26 Reserves

The Companies Law and the parent company's articles of association require 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the legal reserve. The shareholders of the parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

According to the parent company's articles of association and the Companies Law, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

The Annual general assembly of the shareholders held on 9 May 2016 approved cash dividend of 5 Fils (31 December 2014: 6 Fils) per share amounting to KD2,404 thousand (31 December 2014: KD2,885 thousand) for the year ended 31 December 2015 through utilization an amount of KD813 thousand from the retained earnings and an amount of KD1,591 thousand from the voluntary reserve as of 31 December 2015.

Notes to the consolidated financial statements (continued)

27 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2016	**6,988**	**737**	**7,725**
Available for sale investments :			
- Net change in fair value arising during the year	(687)		(687)
- Transferred to consolidated statement of profit or loss on redemption/sale	(2,331)		(2,331)
- Transferred to consolidated statement of profit or loss on impairment	171		171
Exchange differences arising on translation of foreign operations	-	154	154
Share of other comprehensive income of associate and joint venture	-	5	5
Total other comprehensive (loss)/income	(2,847)	159	(2,688)
Balance at 31 December 2016	**4,141**	**896**	**5,037**
Balance at 1 January 2015	9,386	317	9,703
Available for sale investments :			
- Net change in fair value arising during the year	1,223	-	1,223
- Transferred to consolidated statement of profit or loss on redemption/sale	(3,915)	-	(3,915)
- Transferred to consolidated statement of profit or loss on impairment	294	-	294
Exchange differences arising on translation of foreign operations	-	421	421
Share of other comprehensive loss of associate	-	(1)	(1)
Total other comprehensive (loss)/income	(2,398)	420	(1,978)
Balance at 31 December 2015	6,988	737	7,725

28 Proposed dividends

The Board of Directors of the Parent Company has proposed a cash dividend of 6 Fils per share amounting to KD2,885 thousand for the year ended 31 December 2016. The proposed dividend is subject to the approval of the shareholders at the Parent Company's Annual General Assembly

The Annual General Assembly of the Shareholders held on 9 May 2016 approved the consolidated financial statements of the group for the year ended 31 December 2015 and approved cash dividend of 5 Fils (31 December 2014: 6 Fils) per share amounting to KD2,404 thousand (31 December 2014: KD2,885 thousand) for the year ended 31 December 2015 through utilization an amount of KD813 thousand from the retained earnings and an amount of KD1,591 thousand from the voluntary reserve as of 31 December 2015. Dividends were paid after the general assembly of the shareholders.

The Extraordinary General Assembly Meeting of the Shareholders ("EGAM") held on the same date approved the reduction of share capital by KD5,050 thousand by cancellation of 50,498,253 treasury shares at nominal value of 100 Fils each. The loss on cancellation of treasury shares amounting to KD11,292 thousand was first adjusted against treasury shares reserve amounting to KD7,973 thousand and the balance amount of KD3,319 thousand adjusted against retained earnings.

As a result of above transaction the authorised share capital of the parent company is 480,801,747 shares (531,300,000 shares at 31 December 2015) and issued and fully paid is KD48,080 thousand (KD53,130 thousand at 31 December 2015) at nominal value of 100 fils for each share.

Notes to the consolidated financial statements (continued)

29 Related party transactions

Related parties represent associate, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

During the year, the group entities entered into the following transactions with related parties that are not members of the group:

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Transactions included in the consolidated statement of profit or loss:		
Interest income on loans and short term financing	5	3
Management fees and commission	4,874	5,468
Key management compensation:		
Salaries and other short term benefits	745	973
End of service benefits	93	156
Audit committee fees	15	15
Board of directors remuneration	165	-
	1,018	1,144

The annual general assembly of the Shareholders held on 9 May 2016 approved to distribute directors' remuneration amounting to KD81 thousand to the board members for the year ended 31 December 2015 and accordingly paid during the year. Also the parent company management propose to distribute for the year ended 31 December 2016 directors' remuneration amounting to KD84 thousand subjects to the approval of the general assembly of the shareholders.

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Balances included in the consolidated statement of financial position:		
Loans to customers	93	94
Accounts receivable and other assets	528	631
Accounts payable and other liabilities	1,313	1,207

30 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss.

The revenues and profits generated by the group from business segments are summarised as follows:

a) Asset management

- GCC and MENA investments
- International investments
- Private equity
- Real Estate

Notes to the consolidated financial statements (continued)

30 Segmental information (continued)

b) Investment banking
- Corporate finance & advisory
- Real estate
- Oil and gas
- Treasury
- Loans
- Structured finance and derivatives

	Asset Management		Investment Banking		Total	
	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000	**31 Dec. 2016 KD'000**	31 Dec. 2015 KD'000	**31 Dec. 2016 KD'000**	31 Dec. 2015 KD'000
Segment revenue	**11,426**	9,409	**2,500**	1,848	**13,926**	11,257
Segment result	**3,313**	1,411	**802**	304	**4,115**	1,715
KFAS, NLST, Zakat and Board of directors remuneration	**(246)**	(137)	**(51)**	(13)	**(297)**	(150)
Profit for the year	**3,067**	1,274	**751**	291	**3,818**	1,565
Total assets	**126,741**	122,140	**30,007**	26,111	**156,748**	148,251
Total liabilities	**32,684**	27,521	**8,789**	8,527	**41,473**	36,048
Interest income	**111**	155	**560**	619	**671**	774
Finance costs	**(1,019)**	(943)	**(239)**	(207)	**(1,258)**	(1,150)
Depreciation	**(236)**	(99)	**(104)**	(105)	**(340)**	(204)
Impairment of available for sale investments	**(163)**	(287)	**(8)**	(7)	**(171)**	(294)
Purchase of property and equipment	**(215)**	(32)	**(92)**	(72)	**(307)**	(104)
Purchase of investment properties	**(7,761)**	(8,440)	**-**	-	**(7,761)**	(8,440)

Segment income above represents income generated from external customers. There was no inter-segment income in the year (31 December 2015: Nil).

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

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

31 Fiduciary accounts

The group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2016 amounted to KD934,787 thousand (31 December 2015: KD1,026,808 thousand). The group earned management fee of KD6,346 thousand (31 December 2015: KD6,594 thousand) from the asset management activities.

Notes to the consolidated financial statements (continued)

32 Commitments

	31 Dec. 2016 KD '000	31 Dec. 2015 KD '000
Commitments for purchase of investments	3,978	4,166
Letters of guarantee	11	825
Corporate guarantee - below	3,167	-
	7,156	4,991

Corporate guarantee represents guarantee given by the parent company towards loans taken by its subsidiaries.

33 Derivative financial instruments

The contractual amounts of out-standing derivative instruments together with the fair value are as follows:

	31 Dec. 2016		31 Dec. 2015	
	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000
Held for trading:				
Forward foreign exchange contracts	7,656	(52)	7,653	(18)

34 Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risks (including foreign currency risk, interest rate risk, and equity price risk), credit risk and liquidity risk.

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The group's risk management is carried out by the central risk management function and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The most significant financial risks to which the group is exposed to are described below.

34.1 Market risk

a) Foreign currency

The group mainly operates in the GCC, USA and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Euro, Sterling Pound, Bahraini Dinars, UAE Dirhams, Saudi Riyals, Qatari Riyals and others. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

a) Foreign currency risk management (continued)

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
US Dollar	**47,169**	53,538
Euro	**1,249**	2,808
Sterling Pound	**150**	33
Bahraini Dinars	**398**	579
UAE Dirhams	**34**	123
Saudi Riyals	**5,374**	8,491
Qatari Riyals	**6**	8
Others	**66**	394

Foreign currency sensitivity is determined based on 2% (31 December 2015: 2%) increase or decrease in exchange rate. These has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

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

	31 Dec. 2016		31 Dec. 2015	
	+ 2% KD'000	- 2% KD'000	+ 2% KD'000	- 2% KD'000
Profit or the year	**727**	**(727)**	720	(720)
equity	**357**	**(357)**	579	(579)

This is as a result of the changes in fair value of available for sale investments.

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

b) Interest and profit rate risk

Interest and profit rate risk arises from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The Board has established levels of interest and profit rate risk by setting limits on the interest and profit rate gaps for stipulated periods.

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

b) Interest and profit rate risk (continued)

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of monetary financial instruments is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (31 December 2015: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each date of the consolidated statement of financial position. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2016		31 Dec. 2015	
	+ 1 % KD'000	-1 % KD'000	+ 1 % KD'000	-1 % KD'000
Profit for the year	(67)	67	17	(17)

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, USA, and GCC. Equity investments are classified either as "investments at fair value through profit or loss" or "available for sale investments".

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the group. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 2% higher/lower, the effect on the profit for the year and equity would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Investments at fair value through profit or loss	±343	±281	-	-
Available for sale investments	-	-	±99	±137

The group's sensitivity to price risk in regards to its unquoted investments cannot be reliably determined due to numerous uncertainties and non-available of reliable information to determine future price of such investments.

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

34.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group 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 groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Bank balances	**12,235**	7,973
Time deposits	**9,857**	7,321
Accounts receivable and other assets	**4,856**	4,678
Investments at fair value through profit or loss	**21,555**	25,831
Loans to customers	**253**	436
Available for sale investments	**24,329**	32,449
	73,085	78,688

Except for loans to customers referred to in note 17 and available for sale investments referred to in note 18, none of the above financial assets are past due or impaired. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balance and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 34.3.

34.3 Concentration of assets

The group operates in different geographical areas. The distribution of financial assets by geographic region is as follows:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD '000
Kuwait	**53,239**	57,150
North America	**7,492**	10,491
GCC	**9,401**	2,157
Europe	**2,725**	6,930
MENA	**99**	1,848
Others	**129**	112
	73,085	78,688

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.4 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Upto 1 month KD'000	Upto 1-3 months KD'000	3-12 months KD'000	1 to 5 years KD'000	Total KD'000	Weighted average effective interest rate %
31 December 2016						
Financial liabilities						
Accounts payable and other liabilities	1,489	1,331	2,496	718	6,034	
Bank borrowings	4,987	37	113	3,306	8,443	4% to 5%
Bonds issued	-	305	916	31,107	32,328	4.75% to 5%
	6,476	1,673	3,525	35,131	46,805	
Commitments				3,978	3,978	
31 December 2015						
Financial liabilities						
Accounts payable and other liabilities	2,855	214	1,187	-	4,256	-
Bank borrowings	-	5,064	1,983	816	7,863	3.5% to 4.75%
Bonds issued	-	-	23,021	-	23,021	4.75% to 5.00%
	2,855	5,278	26,191	816	35,140	
Commitments	-	-	-	4,166	4,166	

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2016:

	Within 1 year KD'000	Over 1 year KD'000	Total KD'000
31 December 2016			
Assets			
Cash and bank balances	12,237	-	12,237
Time deposits	9,857	-	9,857
Investments at fair value through profit or loss	48,033	-	48,033
Accounts receivable and other assets	3,766	1,551	5,317
Loans to customers	16	237	253
Available for sale investments	-	41,870	41,870
Investment in associate and joint venture	-	3,002	3,002
Investment properties	-	35,745	35,745
Property and equipment	-	434	434
	73,909	82,839	156,748
Liabilities			
Accounts payable and other liabilities	5,316	3,011	8,327
Bank borrowings	4,979	3,167	8,146
Bonds issued	-	25,000	25,000
	10,295	31,178	41,473

Maturity profile of assets and liabilities at 31 December 2015:

	Within 1 year KD'000	Over 1 year KD'000	Total KD'000
31 December 2015			
Assets			
Cash and bank balances	7,977	-	7,977
Time deposits	7,321	-	7,321
Investments at fair value through profit or loss	41,100	-	41,100
Accounts receivable and other assets	4,886	198	5,084
Loans to customers	166	270	436
Available for sale investments	-	53,788	53,788
Investment in associate and joint venture	-	3,090	3,090
Investment properties	-	29,167	29,167
Property and equipment	-	288	288
	61,450	86,801	148,251
Liabilities			
Accounts payable and other liabilities	4,256	2,107	6,363
Bank borrowings	6,932	753	7,685
Bonds issued	22,000	-	22,000
	33,188	2,860	36,048

Notes to the consolidated financial statements (continued)

35 Fair value measurement

35.1 Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

35.2 Fair value measurement of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Financial assets:		
Loans and receivables at amortised cost:		
- Cash and cash equivalents	**22,094**	15,298
- Accounts receivable and other assets	**5,317**	5,084
- Loans to customers	**253**	436
Investments at fair value through profit or loss:		
-At fair value	**47,688**	40,755
-At cost	**345**	345
Available for sale investments:		
-At fair value	**41,870**	53,788
	117,567	115,706
Financial liabilities:		
Financial liabilities at amortised cost:		
-Accounts payable and other liabilities	**8,327**	6,363
- Bank borrowings	**8,146**	7,685
-Bonds issued	**25,000**	22,000
	41,473	36,048

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values. Certain investments at fair value through profit or loss in carried at cost for reason specified in note 15.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial position are grouped into the fair value hierarchy as follows:

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments

31 December 2016	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	26,478	-	-	26,478
Managed funds-GCC	-	20,244	-	20,244
Fixed income securities	966	-	-	966
	27,444	20,244	-	47,688
Derivative				
Forward foreign currency contracts held for trading	-	(52)	-	(52)
Available for sale investments				
Quoted securities	4,973	-	-	4,973
Managed funds	-	-	-	-
- GCC	-	13,260	-	13,260
- Foreign	-	5,612	-	5,612
Debt instruments	-	-	5,457	5,457
Equity participations	-	11,050	-	11,050
Unquoted securities	-	-	1,518	1,518
	4,973	29,922	6,975	41,870
	32,417	50,114	6,975	89,506

31 December 2015	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	15,269	-	-	15,269
Managed funds				
- GCC	-	24,401	-	24,401
- Foreign	-	5	-	5
Fixed income securities	1,080	-	-	1,080
	16,349	24,406	-	40,755
Derivative				
Forward foreign currency contracts held for trading	-	(18)	-	(18)
Available for sale investments				
Quoted securities	6,870	-	-	6,870
Managed funds				
- GCC	-	13,876	-	13,876
- Foreign	-	12,363	-	12,363
Debt instruments	-	-	6,210	6,210
Equity participations	-	13,662	-	13,662
Unquoted securities	-	-	807	807
	6,870	39,901	7,017	53,788
	23,219	64,289	7,017	94,525

There have been no significant transfers between levels 1 and 2 during the reporting period.

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments

Measurement at fair value
The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities
All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds
Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at 31 Dec. 2016 KD'000	Fair value as at 31 Dec. 2015 KD'000	Fair value Hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
Investments at fair value through Profit or loss:						
Quoted securities	**26,478**	15,269	1	Quoted bid prices	N/A	N/A
Managed funds	**20,244**	24,406	2	NAV Basis	N/A	N/A
Fixed income securities	**966**	1,080	1	Quoted bid prices and discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Derivative						
Forward foreign currency contracts held for trading	**(52)**	(18)	2	Foreign exchange rate	N/A	N/A
Available for sale investments						
Quoted securities	**4,973**	6,870	1	Quoted bid prices	N/A	N/A
Unquoted securities	**1,518**	807	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Managed funds	**18,872**	26,239	2	NAV Basis	N/A	N/A
Debt instruments	**5,457**	6,210	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Equity participation	**11,050**	13,662	2	NAV Basis	N/A	N/A

The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variables used to fair value the level 3 investments were changed by 5%.

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

Level 3 fair value measurements

The group's financial assets and liabilities classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Available for sale Investments	
	31 Dec. 2016 KD'000	31 Dec. 2015'000 KD'000
Opening balance	7,017	8,455
Purchase / (redemption)	84	(1,839)
Gains or losses recognised in:		
- Other comprehensive (loss)/income	(126)	401
Closing balance	6,975	7,017

36 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, system failure or from external events. The group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management.

37 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

Gearing ratio

The group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Debt (a)	33,146	29,685
Cash and cash equivalents	(21,237)	(15,201)
Net debt	11,909	14,484
Equity (b)	115,275	112,203
Net debt to equity ratio	10.33%	12.91%

a. Debt is defined as bank borrowings and bonds issued.
b. Equity includes all capital and reserves of the group.