غيتهاوس كابيتال
GATEHOUSE CAPITAL

ANNUAL REPORT

2016

بسم الله الرحمن الرحيم

غيتهـــاوس كـــابيتـــال
GATEHOUSE CAPITAL

2016
ANNUAL REPORT

Established on July 13th, 2008

(Previously established on April 2nd, 2002 as a company with limited liability)

Paid up Capital KD 10,000,000

Divided into 100,000,000 share

Par value 100 Fils / share

ANNUAL REPORT 2016

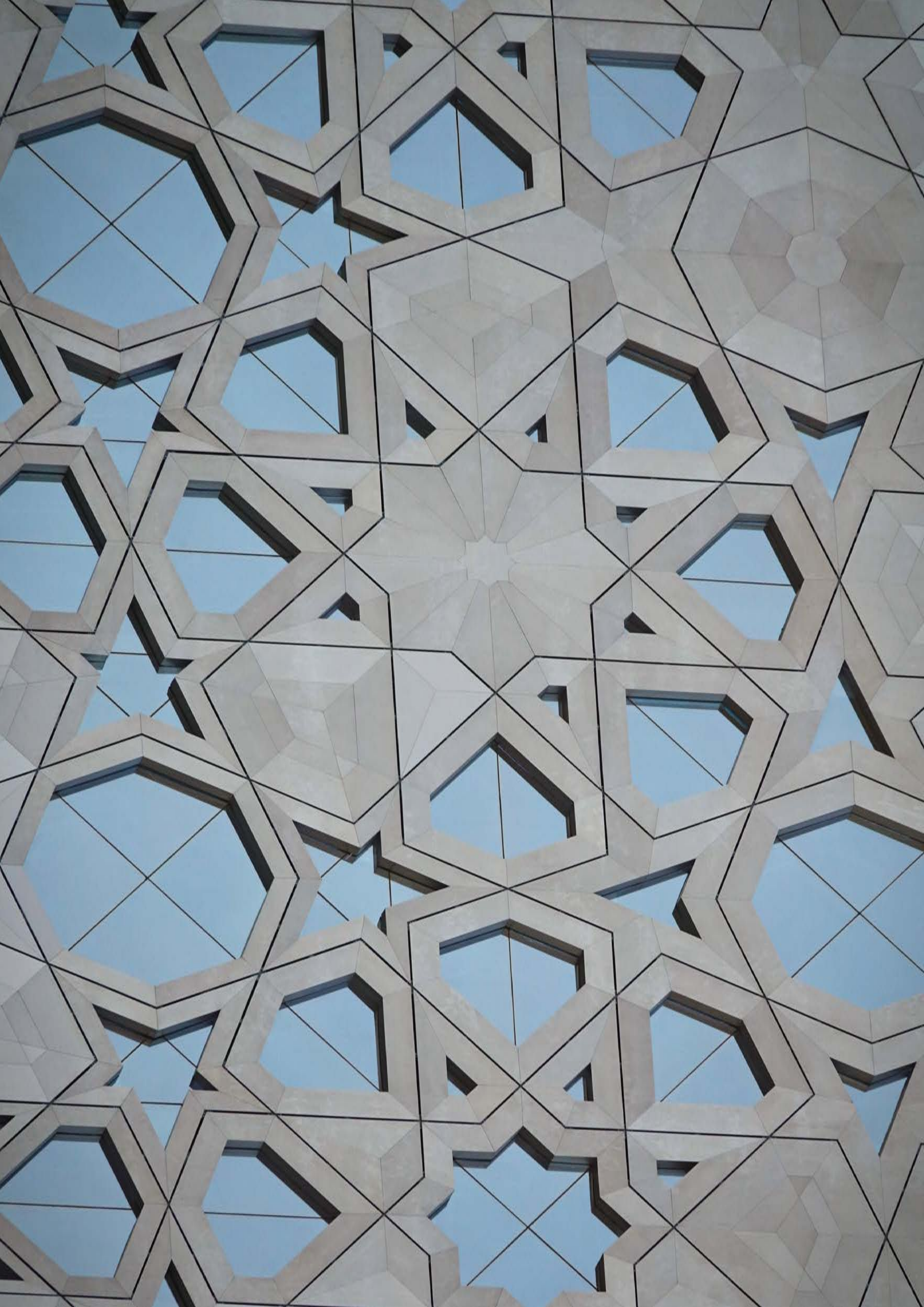
Gatehouse Capital – Economic and Financial Consultancy K.S.C (Closed) and Subsidiaries, Kuwait

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
31 December 2016

غيتهاوس كابيتال
GATEHOUSE CAPITAL

H.H. Sheikh
Sabah Al Ahmed Al Jaber Al Sabah
The Amir of the State of Kuwait

H.H. Sheikh
Nawaf Al Ahmed Al Jaber Al Sabah
The Crown Prince



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BOARD OF DIRECTORS

Fahed Faisal Boodai
Chairman

Abdullah T. Al-Essa
Vice Chairman

Osama M. Al Rasheed
Chief Executive Officer

Abdulaziz Al Bader
Board Member

Mohammad Tawfiq Al Tahawy
Board Member

SUBSIDIARY COMPANIES

GSH FRANCE

Global Securities House - France

GSH USA

Global Securities House - USA

ASSOCIATE COMPANIES

Weaver Point Company - USA

AGENDA OF THE MEETING OF THE ORDINARY GENERAL ASSEMBY

1. To hear and approve the report of the Board of Directors for the financial year ended 31.12.2016

2. To hear and approve the auditor's report of the Company for the financial year ended 31.12.2016.

3. To review and approve the financial statements for the financial year ended 31.12.2016.

4. To approve the recommendation of the Board of Directors to distribute a cash dividend for the financial year ended 31.12.2016 at the rate of 20% of the nominal value per share (20 Fils per share), being equal to KD 2,000,000 after having received the approval of the competent supervision authorities. The source of these distributions is the Company's profits for the financial year ended 31.12.2016 and the retained earnings of the Company amounted to KD2,777,726 as at 31 December 2016.

5. To approve the recommendation of the Board of Directors not to deduct a portion of the net profits of the financial year ended 31.12.2016 for transfer to the voluntary reserve.

6. To approve the Company's transactions with related parties.

7. To release the members of the Board of Directors from liability in respect of the legal and financial acts for the financial year ended 31.12.2016.

8. To approve the recommendation of the Board of Directors to pay a remuneration to the members of the Board of Directors For the financial year ended 31.12.2016 in the amount of KD 15,000.

9. To appoint or re-appoint the auditor of the Company for the financial year ended 31.12.2017.

Fahed Faisal Boodai
Chairman

AGENDA OF THE MEETING OF THE EXTRA-ORDINARY GENERAL ASSEMBY

First: To approve amending the clause of Article 5 of the memorandum of association and Article 4 of the articles of association of the Company pertaining to the objects of the Company by adding new activities, to become as follows:

<u>The clause before amendment:</u>

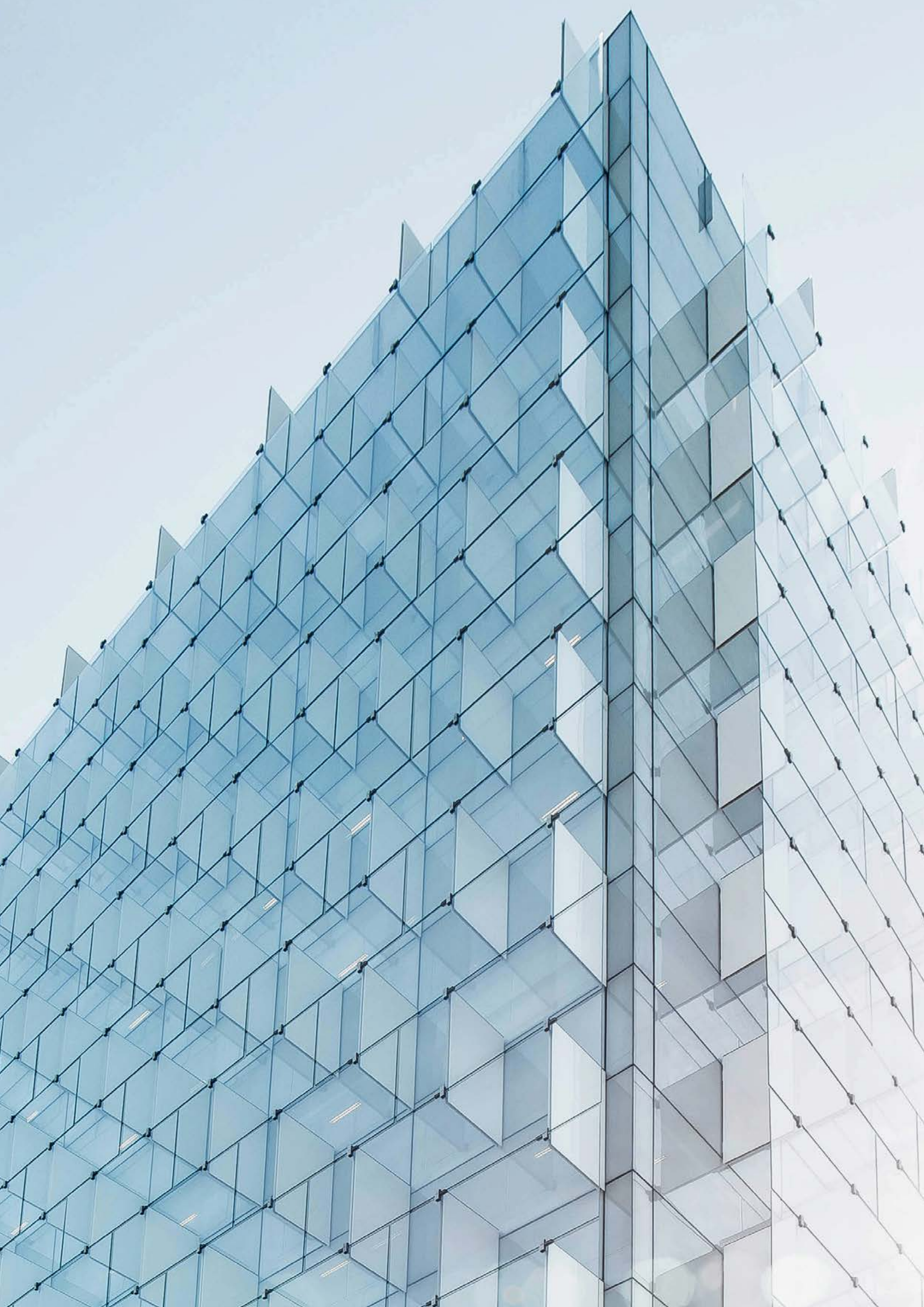
1. Financial, management and economic consultancy provided that the person who carries on this professional shall fulfill the required conditions.
2. To conduct financial, management and economic studies and researchs.
3. To organize specialized conferences, forums and workshops.
4. Effect transactions in securities (offer or sell) for the account of the issuer or any of its affiliates, or buying securities from the issuer or its affiliates for the purpose of re-marketing after appropriate regulatory approval.
5. Own movables and immovable properties required for carrying out its business within the limit permitted by law.
6. Utilize financial surpluses available to the Company for investment in financial portfolios managed by competent companies and authorities.

<u>The clause after amendment:</u>

1. Financial, management and economic consultancy provided that the person who carries on this professional shall fulfill the required conditions.
2. To conduct financial, management and economic studies and researchs.
3. To organize specialized conferences, forums and workshops.
4. Effect transactions in securities (offer or sell) for the account of the issuer or any of its affiliates, or buying securities from the issuer or its affiliates for the purpose of re-marketing after appropriate regulatory approval.
5. Own movables and immovable properties required for carrying out its business within the limit permitted by law.
6. Utilize financial surpluses available to the Company for investment in financial portfolios managed by competent companies and authorities.
7. Investment portfolio manager.
8. Investment advisor.
9. Subscription agent.

(After having received the approval of the competent supervision authorities)

Fahed Faisal Boodai
Chairman



REPORT OF THE BOARD OF DIRECTORS

for the Financial Year ended on 31 December 2016

Thanks be to Allah the Lord of all beings and may prayer and peace be upon the most honorable of all beings and the Lord of all messengers, and upon his good and pure hearted family members and whoever followed them in good deeds until the day of judgment.

Esteemed Shareholders,

For myself and on behalf of my colleagues on the Board of Directors of Gatehouse Economic and Financial Consultancy Company KSC (Closed) and all the employees of the Company, I am pleased to welcome you to this meeting of the Company's ordinary general assembly and to present to you the Company's annual report, hoping that you will find it satisfactory, that you will be assured that your valuable trust in your Board of Directors has been well-placed and that the company's performance fully reflects your aspirations. We hope we have honored this trust and are pleased to present the following report on the performance of your company the financial year ended 31.12.2016.

First: The Financial Position Statement

To start, we would like to state that the results of 2016 do not reflect the real efforts made during the year although the company achieved net profits that quite good, by all counts, compared to the totally unexpected obstacles and challenges, that were entirely beyond control, faced by the Company and prevented the closing of a number of deals, thereby having adverse effects on the results achieved as compared to the planned results and profits.

As you know, the year 2016 witnessed events of the deepest and far-reaching impact, such as the UK's voting to exit the European Union (BREXIT) and the US presidential elections. These events have had a strong effect on the closing of deals in the USA and UK and on investors as well at the time of those developments, preferring to wait until the uncertainty has faded away. Nevertheless, the Company has managed to market a number of successful investments. It can be readily seen that the difference between the achieved results and the budget are the natural consequences of all the changes and developments referred to, and that took place during the year.

This would not have been achieved without the grace of Allah Almighty and the tremendous efforts made by the Company's stable and serious-minded management that was quite instrumental in achieving a steadily improving performance, as well as the quality of its assets and strength of its capital base.

The following are the main items of the Company's Financial Position Statement:

1. **Total Equity:**

   The Company managed to increase its total shareholders' equity by KD 152,940, representing 1.53% of the total capital of KD10,000,000. Equity stood at KD 13,937,764 at the end of 2016 compared to KD 13,784,824 at the end of 2015.

2. **Total Assets:**

   Through careful planning and concerted effort of the Board of Directors and the Company's personnel, Gatehouse Capital succeeded in increasing total assets by KD 376,000 representing 3.76% of the Company's capital to amount to KD 14,786,081 at the end of 2016 against KD 14,409,781 at the end of the previous year.

3. **Total Liabilities:**

   On 31 December 2016, total liabilities amounted to KD 848,317 compared to KD 624,957 at the end of 2015, with an increase of KD 223,360.

Second: The Statement of Profit and Loss:

1. **Revenues:**

   The Company's total revenues amounted to KD 3,518,721 as at 31 December 2016, representing 35.19% of the total capital of KD 10,000,000, with an increase of KD 1,485,901 over their total of KD 2,032,820 at the end of 2015:

2. **Expenses:**

   The expenses for the year 2016 amounted to KD 2,025,737 increasing by KD 479,137, compared with total revenues of KD 1,546,000 during the year 2015:

3. **Profits:**

   The company achieved a net profit of KD 1,492,984 for the financial year ended 31 December 2016, representing an impressive rate of 14.93% of its capital of KD 10,000,000, thereby increasing by KD 1,006,764 compared to profit of KD 486,220 for the year 2015.

   Total profits carried forwarded as at 31 December 2016 amounted to KD 2,777,726, representing 27.78% of the Company's capital, declining by KD 67,944 from the carried forward profits as at 31 December 2015, which amounted to KD 2,845,670.

4. **Earnings Per Share:**

   For the financial year ended 31 December 2016, earnings per share amounted to 14.93 Fils compared to 4.86 Fils as at 31 December 2015.

Third: Recommendations of the Board of Directors:

1. The Board of Directors recommends the ordinary general assembly not to deduct any portion of the profits of the year ended 31 December 2016 for transfer to the Voluntary Reserve.
2. The Board of Directors recommends the ordinary general assembly to approve the distribution of a cash dividend for the year ended on 31 December 2016 at the rate of 20% of the nominal value of the share, represent6ing KD 2,000,000, after obtaining the approval of the supervision authorities to this distribution. The source of these funds is the Company's profits for the year ended 31 December 2016 and the retained earnings, the total of which amounting to KD 2,777,726 as at 31 December 2016.
3. The Board of Directors recommends the payment of directors remuneration in the amount of KD 15,000 for the financial year ended 31 December 2016.

Fourth: Current Projects:

During the financial year ended 31 December 2016, the Company carried on its main business activity for which it was established in strict observance of the provisions of its memorandum of association and articles of association and in line with its adopted strategy.

The Company is keen to collaborate with our strategic partners such as Gatehouse Bank (GHB) in the UK and Arch Street Capital (ASC) Company in the USA.

The policies drawn by the Board of Directors and which the Board is always keen to ensure that they remain at the highest standards, continue to bear fruit particularly with regard to increasing the Company's customer base year after year, thanks to the effective efforts of all the Company's personnel.

Fifth: Future Outlook:

During the current year which ends on 31 December 2017, Gatehouse Capital will complete several contracts and execute other contracts it concluded during the year ended 31 December 2016 with a view to increasing operating revenues. The Board of Directors is currently studying several projects in order to select the best and most appropriate in order to implement them and achieve the objects of the Company, thereby expanding its business and increasing its revenues with a view to achieving profits that cater for the aspirations of all the Company's shareholders.

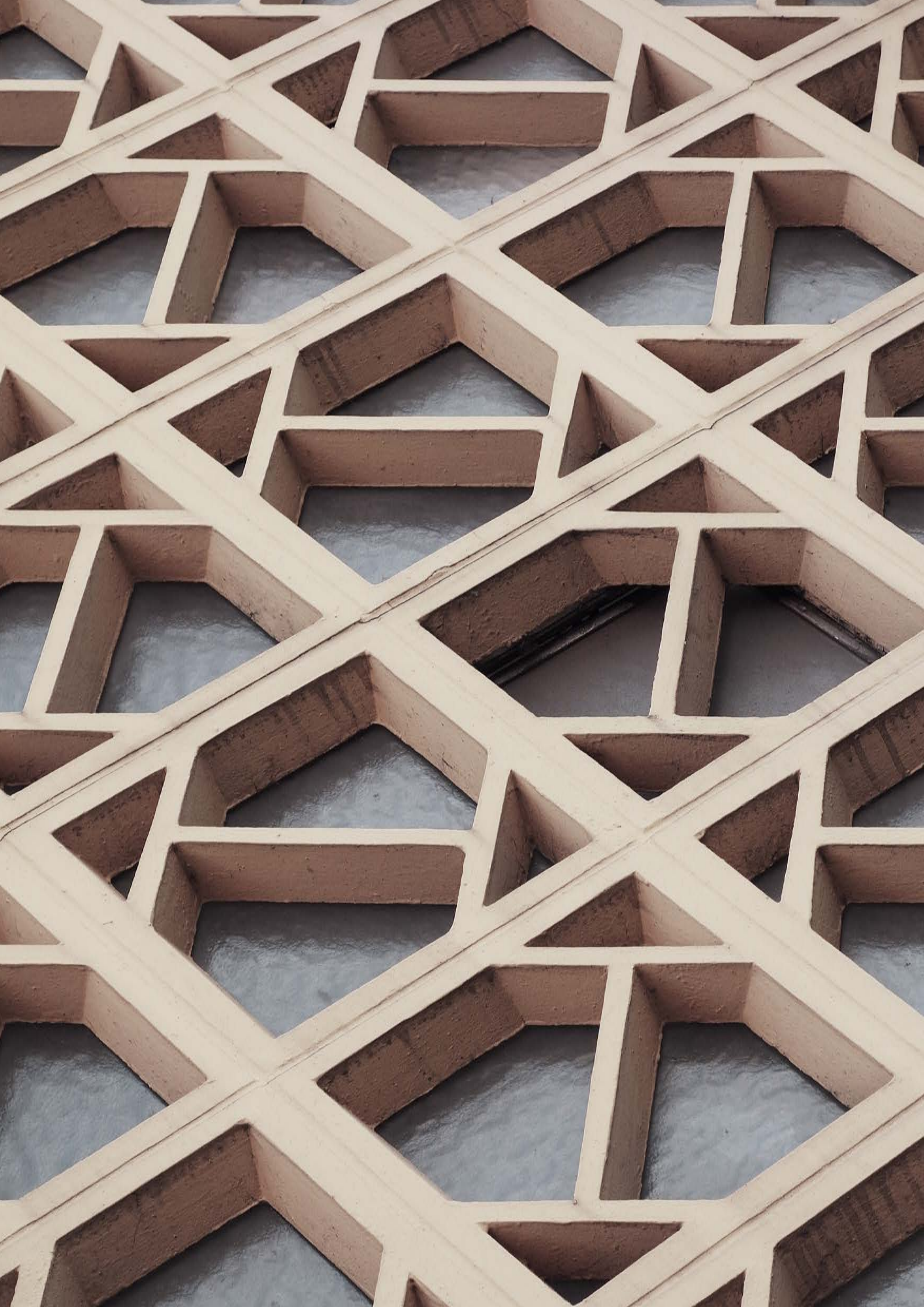
We hope that the results for the year 2017 will be strong enough to realize the ambition of our shareholders as the Board of Directors will continue to develop the Company's business and increase its activities in order to achieve the best returns for the shareholders.

Our plan and strategy for the coming years is to maintain our good reputation in the field of the Company's business and seize the best investment opportunities whenever they present themselves.

In conclusion, we would like to express our deepest thanks and appreciation to our customers for their continued confidence and to our employees for their loyalty to the Company.

Best Regards,

Fahed Faisal Boodai
Chairman



غيتهاوس كابيتال
GATEHOUSE CAPITAL

2016
FINANCIAL STATEMENTS

Gatehouse Capital – Economic and Financial Consultancy K.S.C (Closed) and Subsidiaries, Kuwait

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
31 December 2015

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GATEHOUSE CAPITAL – ECONOMIC AND FINANCIAL CONSULTANCY K.S.C (CLOSED)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gatehouse Capital – Economic and Financial Consultancy K.S.C (Closed) (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the 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).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GATEHOUSE CAPITAL – ECONOMIC AND FINANCIAL CONSULTANCY K.S.C (CLOSED) (Continued)

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

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

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

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

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

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

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

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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the 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 Company's Memorandum of Incorporation and Articles of Association, 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 Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Company or on its consolidated financial position except for the matter discussed in note 5 regarding investment properties. The Company's objects do not include this activity.

Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
25 April 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	Kuwaiti Dinars 2016	2015
INCOME			
Consultancy and advisory fee		**2,500,590**	1,325,617
Investment income	4	**214,474**	146,603
Changes in fair values of investment properties	5	**5,790**	28,741
Realized gain on sale of investment properties		**-**	32,158
Other income		**33,972**	44,478
Share of results of an associate	6	**764,446**	264,198
Foreign exchange (loss)/gain		**(551)**	191,025
		3,518,721	2,032,820
EXPENSES			
Staff costs		**1,286,305**	1,081,258
General and administrative expenses		**599,606**	389,974
Impairment of investment in an associate	6	**75,845**	-
Amortization of intangibles	6	**-**	45,092
Depreciation		**17,656**	21,721
		1,979,412	1,538,045
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (“KFAS”), ZAKAT AND DIRECTORS’ REMUNERATION		**1,539,309**	494,775
Contribution to KFAS		**(15,393)**	(4,949)
Zakat		**(15,932)**	(3,606)
Directors' remuneration (note 11(c))		**(15,000)**	-
PROFIT FOR THE YEAR		**1,492,984**	486,220

The attached notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	Kuwaiti Dinars	
		2016	2015
Profit for the year		**1,492,984**	486,220
Other comprehensive income:			
Items that may be reclassified to the consolidated statement of profit and loss in subsequent periods:			
Change in fair value of financial assets available for sale		**9,213**	48,896
Foreign currency translation adjustment		**50,743**	158,053
Other comprehensive income for the year		**59,956**	206,949
Total comprehensive income for the year		**1,552,940**	693,169

The attached notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		Kuwaiti Dinars	
	Notes	**2016**	2015
Non-current assets			
Furniture and equipment		**14,278**	29,183
Investment properties	5	**690,692**	684,902
Investment in an associate	6	**4,548,622**	4,101,877
Financial assets available for sale	7	**5,498,825**	3,076,363
		10,752,417	7,892,325
Current assets			
Other receivables	8	**997,497**	1,767,153
Murabaha investments	9	**-**	1,421,192
Bank balances and cash	10	**3,036,167**	3,329,111
		4,033,664	6,517,456
Total ASSETS		**14,786,081**	14,409,781
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**10,000,000**	10,000,000
Statutory reserve	12	**712,682**	558,751
Fair valuation reserve		**58,109**	48,896
Foreign currency translation reserve		**382,250**	331,507
Retained earnings		**2,784,723**	2,845,670
Total equity		**13,937,764**	13,784,824
Non-current liability			
Employees' end of service benefits	13	**397,655**	343,682
Current liability			
Accounts payable and accruals	14	**450,662**	281,275
Total liabilities		**848,317**	624,957
TOTAL EQUITY AND LIABILITIES		**14,786,081**	14,409,781

Fahed Faisal Boodai
Chairman

Osama M. Al Rasheed
Chief Executive Officer

The attached notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	Kuwaiti Dinars 2016	Kuwaiti Dinars 2015
OPERATING ACTIVITIES			
Profit for the year before tax		**1,524,309**	494,775
Adjustment for:			
Investment income	4	**(214,474)**	(146,603)
Changes in fair value on investment properties	5	**(5,790)**	(28,741)
Realized gain on sale of investments properties	5	**-**	(32,158)
Share of results of an associate	6	**(764,446)**	(264,198)
Impairment of investment in an associate	6	**75,845**	-
Amortization of intangibles	6	**-**	45,092
Provision for employees' end of service benefits	13	**111,315**	103,112
Depreciation		**17,656**	21,721
		744,415	193,000
Adjustments for changes in working capital:			
Other receivables		**769,656**	(850,617)
Accounts payable and accruals		**138,062**	(283,828)
Cash (used in)/from operating activities		**1,652,133**	(941,445)
Employees' end of service benefits paid	13	**(57,342)**	(252,456)
Net cash flows (used in)/from operating activities		**1,594,791**	(1,193,901)
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(2,751)**	(6,423)
Proceeds from sale of investment properties	5	**-**	192,950
Dividend income received from an associate	6	**280,503**	785,951
Purchase of financial assets available for sale		**(2,424,654)**	(455,851)
Proceeds from disposal of financial assets available for sale		**-**	98,023
Proceeds from disposal of financial assets at fair value through profit or loss		**-**	70,725
Dividend income received	4	**225,879**	181,625
Net cash flows (used in)/ from investing activities		**(1,921,023)**	867,000
FINANCING ACTIVITIES			
Dividend paid		**(1,400,000)**	-
Net cash flows used in financing activities		**(1,400,000)**	-
Net decrease in cash and cash equivalents		**(1,726,232)**	(326,901)
Net foreign exchange differences		**12,096**	26,454
Cash and cash equivalents as at 1 January		**4,750,303**	5,050,750
Cash and cash equivalents as at 31 December	9, 10	**3,036,167**	4,750,303

The attached notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Kuwaiti Dinars					
	Share capital	Statutory reserve	Fair valuation reserve	Foreign currency translation reserve	Retained earnings	Total
As at 1 January 2015	10,000,000	509,273	-	147,000	2,408,928	13,065,201
Profit for the year	-	-	-	-	486,220	486,220
Other comprehensive income	-	-	48,896	184,507	-	233,403
Transfer to reserve (note 12)	-	49,478	-	-	(49,478)	-
As at 31 December 2015	10,000,000	558,751	48,896	331,507	2,845,670	13,784,824
As at 1 January 2016	**10,000,000**	**558,751**	**48,896**	**331,507**	**2,845,670**	**13,784,824**
Profit for the year	**-**	**-**	**-**	**-**	**1,492,984**	**1,492,984**
Other comprehensive income	**-**	**-**	**9,213**	**50,743**	**-**	**59,956**
Transfer to reserve (note 12)	**-**	**153,931**	**-**	**-**	**(153,931)**	**-**
Dividends paid (note 11(b))	**-**	**-**	**-**	**-**	**(1,400,000)**	**(1,400,000)**
As at 31 December 2016	**10,000,000**	**712,682**	**58,109**	**382,250**	**2,784,723**	**13,937,764**

The attached notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2016

1. Corporate information and activities

Gatehouse Capital – Economic and Financial Consultancy K.S.C (Closed) (the 'Company') is a closed shareholding company registered in Kuwait on 13 July 2008. The main objectives of the Company are as follows:

- provide financial, management and economic consultations;
- conduct financial, management and economic studies and researches;
- organize specialized conferences, forums and workshops;
- effect transactions in securities (offer or sell) for the account of the issuer or any of its affiliates, or buying securities from the issuer or its affiliates for the purpose of re-marketing after appropriate regulatory approval;
- own movables and immovable properties required for carrying out its business within the limit permitted by law;
- utilize financial surpluses available to the Company for investment in financial portfolios managed by competent companies and authorities.

The Company's registered address is 15 Floor, Al Dhow Tower, Sharq, Khalid Bin Al Waleed Street, P. O. Box 29120, Safat 13150, Kuwait.

The consolidated financial statements of the Company and subsidiaries (collectively the "Group"), for the year ended 31 December 2016 were authorized for issue by the Company's board of directors on 25 April 2017. The annual general assembly of the shareholders of the Company has the power to amend these consolidated financial statements after issuance.

On 1 February 2016, the new Companies Law No.1 of 2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the Companies Law No. 25 of 2012 and its amendments have been cancelled. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016, which cancelled the Executive Regulations of Law No. 25 of 2012.

The Company is a subsidiary of Gatehouse Financial Group Limited, United Kingdom (The "Ultimate Parent Company")..

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).These consolidated financial statements have been prepared under the historical cost basis except for the measurement at fair value of investment properties, financial assets classified as available for sale and financial assets classified as at fair value through profit or loss.

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

2.2 New and revised accounting standards

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the consolidated financial statements of the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the income statement and statement of comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to income statement.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the income statement and statement of comprehensive income. These amendments do not have any impact on the consolidated financial statements of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2016 did not have any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not effective

The following IFRS and Interpretations have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and is effective for annual periods beginning on or after 1 January 2018 with an option to early adopt. IFRS 15 specifies how and when an entity will recognize revenue as well as requires the entity to provide users of financial statements with more informative, relevant disclosures. The Standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The Group is currently assessing the impact of this Standard.

IFRS 16 – Leases

IFRS 16 was issued by IASB on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019. IFRS 16 supersedes IAS 17: Leases along with related IFRIC 4, SIC-15 and SIC-27 from the effective date. This new standard establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The Group is currently assessing the impact of this Standard.

Adoption of other new or amended Standards is not expected to have any material effect on the financial position or financial performance of the Group. Additional disclosures will be made in the financial statements when these Standards become effective.

2.3 Business combination

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of profit or loss. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

2.4 Consolidation

The Group consolidates the financial statements of the Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and profit or loss. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. Intra group losses that indicate an impairment is recognized in the consolidated financial statements.

When the Company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

2.5 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally bank balances and cash, murabaha investments, other receivables, investments and accounts payables. Murabaha is the sale of commodities, real estate and certain other assets at cost plus an agreed profit mark-up whereby the seller informs the purchaser of the cost of the product purchased and the amount of profit to be recognized. In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as “at fair value through profit or loss”, “loans and receivables” or “available for sale”. All financial liabilities are classified as “other than at fair value through profit or loss”.

Recognition/derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where 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 recognition of a new liability.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Financial instruments

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as “at fair value through profit or loss”.

Financial assets at fair value through profit or loss

Financial assets classified as “at fair value through profit or loss” are divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Derivatives are classified as “held for trading” unless they are designated as hedges and are effective hedging instruments.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of comprehensive income. When the “available for sale “asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of income as gains or losses.

Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Financial guarantees

Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the present value of the amount required to settle any financial obligation arising as a result of the guarantee.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the consolidated statement of income. For "available for sale" equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial assets are written off when there is no realistic prospect of recovery.

General provision

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

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.6 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

i. Gain or losses on sale of investments are recognised when the risks and rewards are transferred to the buyer.
ii. Dividend income is recognised when the right to receive payment is established.
iii. Consultancy and advisory fee income is recognised when services are rendered.
iv. Investment services income is recognised when services are rendered.
v. Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

2.7 Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and.

Level 3 - inputs are unobservable inputs for the asset or liability.

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

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

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

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

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

2.8 Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows.

Furniture and fixtures	3 years
Office equipment	3 years
Decorations	5 years
Vehicles	5 years

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

2.9 Investment properties

Investment properties are measured initially at cost, including transaction cost, being the fair value of the consideration given and including acquisition charges associated with the property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses from changes in the fair values of investment properties are recognised in the consolidated statement of income in the period in which they arise. Fair values are evaluated annually by an accredited external independent valuer, applying a valuation method consistent with the nature and usage of the investment properties.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

2.10 Investment in associates

An associate is an entity over which the Group exerts significant influence. Investment in associates is accounted for under the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale under IFRS 5.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of profit or loss its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss statement. The Group's share of those changes is recognised in the consolidated statement of income and comprehensive income.

Unrealised gains on transactions with associates are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

The associate's financial statements are prepared either to the Group's reporting date or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effects of significant transactions or other events that occur between the reporting date of the associates and the Group's reporting date.

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

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

2.12 Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes bank balances and cash and short-term murabaha investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

2.13 Post-employment benefits

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the reporting date. This basis is considered to be a reliable approximation of the present value of this liability.

2.14 Foreign currency

Foreign currency transactions are recorded at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the reporting date. Any resultant gains or losses are taken to the consolidated statement of income.

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

The income and cash flow statements of foreign operations are translated into the Company's reporting currency at average exchange rates for the year and their statement of financial position are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill) are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of income as part of the gain or loss on sale.

2.15 Taxation

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

The Group calculates the contribution to KFAS at 1% of the profit in accordance with the KFAS Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat

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

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. Income tax payable on taxable profit ("current tax") is recognized as an expense in the year in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

2.16 Contingencies

Contingent assets are not recognized as an asset until realisation becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

2.17 Significant accounting judgments, estimates and assumptions

Judgments

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

Structured entities

The Group uses judgement in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Group identifies such entities as structured entities. After determining whether an entity is a structured entity, the Company determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Company has determined that it does not have any interest in consolidated structured entities as at the reporting date.

The Company considers itself the sponsor of certain limited liability companies that are Special Purpose Vehicles (SPVs) for the Company's asset management activities. These SPVs are used to raise funds from the Group's clients on the basis of product offering memorandum with eventual objectives of investments in specified asset classes as defined in the offering documents of the SPVs. These SPVs are managed on a fiduciary basis by the Company's asset management teams and as the Company does not control these SPVs as at the reporting date in accordance with the definition of control in IFRS 10, these SPVs are not consolidated into the Group's consolidated financial statements. The Company has not transferred any assets to these SPVs during the year.

The Company's investment in these SPV's are included in financial assets available for sale amounting to KD 4,179,065 (2015: KD 1,756,603). The Company earned management fees amounting to KD 2,428,144 (2015: KD 1,200,999) from these SPV's and are included in consultancy and advisory fee income. .

Classification of financial assets

Classification of investments

On acquisition of an investment, management has to decide whether it should be classified as "at fair value through profit or loss", "available for sale" or as "loans and receivables". In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of profit or loss or directly in equity.

Impairment

When there is a significant or prolonged decline in the value of an "available for sale" quoted investment security management uses objective evidence to judge if it may be impaired. At each statement of financial position date, management assesses, whether there is any indication that non-financial assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Classification of real estate property

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 investment 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.

Estimation of uncertainty

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

Valuation of unquoted equity investments

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

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same; or
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Impairment of non-financial assets

The Group annually tests non-financial assets for impairment to determine their recoverable amounts based on value-in-use calculations or at fair value less costs to sell. The value in use includes estimates on growth rates of future cash flows, number of years used in the cash flow model and the discount rates. The fair value less cost to sell estimate is based on recent/intended market transactions and the related EBITDA multiples used in such transactions.

Impairment provision 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.

3. Subsidiaries and Associates

Name of Company	Country of incorporation	Percentage of ownership		Principal activities
		2016	2015	
Subsidiaries				
Global Securities House France S.A.S.	France	**100%**	100%	Investment advisory services
Dhow Holdings Corporation ("DHC")	Cayman Islands	**100%**	100%	Investment and real estate activities
Held through DHC Global Securities House USA, Inc.("GSH")	USA	**100%**	100%	Investment and real estate activities
Associates				
Held through GSH Weaver Point Capital Advisors, LLC	USA	**65%**	65%	Real estate advisory

4. Investment income

	Kuwaiti Dinars	
	2016	2015
Impairment loss on financial assets available for sale (note 7)	**(11,405)**	(37,436)
Realized loss on sale of financial assets at fair value through statement of income	**-**	961
Unrealized gain on financial assets at fair value through statement of income	**-**	1,453
Dividend income	**225,879**	181,625
	214,474	146,603

5. Investment properties

	Kuwaiti Dinars	
	2016	2015
As at 1 January	**684,902**	816,953
Change in fair value	**5,790**	28,741
Disposals	**-**	(160,792)
	690,692	684,902

Investment properties are located at the Sultanate of Oman and are stated at fair value. The fair value of the property is based on lower of two external valuations carried out by accredited independent valuators using market comparable approach. Based on certain expected developments with respect to real estate market in Sultanate of Oman, the management has further reduced the fair value by KD 231,411 (2015: KD 183,975).

The Company's objects do not include investing in investment properties.

Under market comparison approach, fair value is estimated based on comparable transactions. The market comparison approach is based upon the principal of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square meter ("sqm")..

Description of key inputs to valuation of investment properties:

Valuation technique	Significant unobservable inputs	Range (weighted average)
Market comparison approach	Price per sqm (after discount)	KD 8 - 28

The fair value of the investment is determined using the market comparable approach, adjusted for size of plots and location; hence categorized under level 3 of the fair value hierarchy (note 17).

Sensitivity analysis

Any changes to the significant assumptions used in the valuation above such as 1% for price per sqm do not have material impact on the consolidated statement of income of the Group.

6. Investment in associates

This represents Group's share of investments in Weaver Point accounted for using equity method. The Group has accounted for the investment in Weaver Point as an associate in accordance with IAS 28: Investment in Associates and Joint Ventures, as the Group does not have power over Weaver Point and the ability to use its power over Weaver Point to affect its returns and hence does not have control over Weaver Point under IFRS 10.

The movement in the carrying value of associates are as follows:

	Kuwaiti Dinars	
	2016	2015
As at 1 January	**4,101,877**	4,510,669
Share of results	**764,446**	264,198
Impairment	**(75,845)**	-
Foreign currency translation adjustment	**38,647**	158,053
Dividend received	**(280,503)**	(785,951)
Amortization of intangibles	**-**	(45,092)
	4,548,622	4,101,877

The following table illustrates summarized financial information of Weaver Point:

	Kuwaiti Dinars	
	2016	2015
Assets and liabilities:		
Current assets	**1,857,445**	621,460
Non-current assets	**82,474**	103,535
Current liabilities	**(54,378)**	(40,360)
Net assets	**1,885,541**	684,635
Revenues	**2,661,121**	1,181,341
Profit for the year	**1,614,424**	406,458
Share of associate's net assets	**870,262**	378,122
Goodwill	**3,678,360**	3,723,755

Impairment testing of goodwill

Goodwill relating to Weaver Point was tested for impairment by management as at 31 December 2016 which resulted in the recognition of an impairment loss amounting to KD 75,845 (2015: KD Nil). The management believes that there is no objective evidence on circumstances that indicates any further impairment in the value of its investment in associate.

The recoverable amount of the investment in Weaver Point has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by the Management Committee of Weaver Point covering a 4 year period (2017 to 2020). The following rates were used:

	2016	2015
Discount rate	**15.00%**	15.70%
Projected compounded annual growth for income	**3.70%**	10.20%
Terminal growth rate	**2.00%**	2.00%

Discount rate

Discount rate reflects the current market assessment of the risk specific to Weaver Point, which is a real estate advisory company located in the United States specialized in real estate advisory services in accordance with the Sharia principles. The discount rate was estimated based on the average percentage of a weighted cost of capital for the investment advisory industry determined on a pre-tax basis. This rate was further adjusted to reflect the market assessment of any risks specific to Weaver Point for which future estimates of cash flows have been adjusted after appropriate discount rate as Weaver Point is not listed on any secondary capital market.

Sensitivity to changes in assumptions:

Weaver Point strategic business plan is to provide real estate structuring advisory and real estate asset management. The calculation of value-in-use for Weaver Point is most sensitive to projected compounded annual growth rate of Weaver Point's revenues and discount rate.

7. Financial assets available for sale

	Kuwaiti Dinars	
	2016	2015
Foreign shares – unquoted	**5,498,825**	3,076,363
	5,498,825	3,076,363

Financial assets available for sale amounting to KD 1,319,760 (2015: KD 1,730,366) are carried at cost, less impairment if any, since fair value cannot be reliably measured. Further a reasonable and reliable estimate of fair value can only be determined when the individual financial assets are sold.

An impairment loss of KD 11,405 (2015: KD 37,436) was recognized in the consolidated statement of income to account for the adverse circumstances affecting certain financial assets available for sale, thus reducing the value of these financial assets available for sale to its recoverable amount. Management believes that there is no objective evidence or circumstances that indicate any further impairment in value of these assets and that there is no need to recognize any additional impairment in its value.

8. Other receivables

	Kuwaiti Dinars	
	2016	2015
Accrued Income	**580,211**	189,204
Other receivables	**417,286**	1,577,949
	997,497	1,767,153

9. Murabaha investments

Murabaha investments represent Murabaha agreements entered with a subsidiary of the Ultimate Parent Company, with an effective average profit rate of Nil % (2015: 0.65%) per annum and with an original maturity of three months.

10. Bank balances and cash

Bank balances and cash include an amount of KD 1,694,825 (2015: KD 1,872,743) under saving accounts with local Islamic banks and carry a profit rate which ranges between 0.73% to 0.65% (2015: 0.298% to 0.73%) per annum.

11. Share capital, directors' remuneration and proposed dividend

a. Share capital

The authorized, issued and fully paid up share capital comprises of 100,000,000 (2015: 100,000,000) shares of 100 fils (2015: 100 fils) each, which is fully paid in cash.

b. Dividends

Proposed dividends

The Board of Directors of the Company, subject to approval of shareholders, recommends cash dividend of KD 2,000,000 (2015: KD 1,400,000) for the year ended 31 December 2016.

Dividends – 2015

The annual general meeting of shareholders for the year ended 31 December 2015 held on 11 July 2016 approved distribution of cash dividends of KD 1,400,000 for the year 2015..

c. Directors' remuneration

The Directors' remuneration of KD 15,000 (2015: Nil) is in accordance with the local regulations and is subject to approval of the shareholders' in the annual general meeting.

12. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Company before contribution to KFAS, Zakat, and Directors' remuneration has been transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital. The statutory reserve is not available for distribution except in certain circumstances stipulated by law.

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

13. Employees end of service benefits

	Kuwaiti Dinars	
	2016	2015
As at 1 January	**343,682**	493,026
Provided during the year	**111,315**	103,112
Paid during the year	**(57,342)**	(252,456)
	397,655	343,682

14. Accounts payable and accruals

	Kuwaiti Dinars	
	2016	2015
Staff payables	**134,489**	126,899
Other payables and accrued expenses	**316,173**	154,376
	450,662	281,275

15. Related party transaction

Related parties represent the Ultimate Parent Company, 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 Company's management.

Balances and transactions with related parties included in the consolidated financial statements are as follows:

	Kuwaiti Dinars	
	2016	2015
Consolidated statement of financial position:		
Financial assets available for sale (note 7)	**1,319,760**	1,319,760
Other receivables	**88,104**	72,746
Accounts payable and accruals	**32,672**	3,645
Murabaha investments	**-**	1,421,192
Consolidated statement of income:		
Consultancy and advisory fee income	**69,108**	121,234
Other income	**12,747**	19,987
General and administrative expenses	**12,000**	12,000
Transaction:		
Purchase of financial assets available for sale	**-**	455,851

Key management compensation

Salaries and other short term benefits	**279,133**	309,179
Employees' end of services benefits	**41,163**	50,608
	320,296	359,787

16. Risk management

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

The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk, foreign currency risk and equity price risk. The Group's policy is to monitor those business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

Credit Risk

Credit risk is the risk that one party to a financial asset will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of bank balances, murabaha investments and other receivables. The Group's bank balances and short-term murabaha investments are held with high credit quality banks and financial institutions. The Group seeks to limit its credit risk also by dealing with credit worthy counter parties and regularly monitoring its outstanding receivables.

Gross Maximum Exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements, if any:

	Kuwaiti Dinars	
	2016	2015
Bank balances and short-term deposits	**3,036,167**	3,328,951
Murabaha investments	**-**	1,421,192
Other receivables	**997,497**	1,767,153
Total credit risk exposure	**4,033,664**	6,517,296

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. It is not the practice of the Group to obtain collateral against receivables.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. To manage this risk, the Group periodically assesses the financial viability of customers and invests in short-term murabaha or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

All the financial liabilities of the Group are payable within one year from the statement of financial position date.

Market risk

Market risk is the risk that the value of a financial asset will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is not significantly exposed to profit rate risk as a result of mismatches of profit rate re-pricing of assets and liabilities since it does not hold significant floating rate Islamic financial assets and Islamic financial liabilities that could have a material impact on the Group's profit.

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group monitors the positions on an ongoing basis to ensure positions are maintained within established limits and performs a continuous assessment of the Group's open positions and current and expected exchange rate movements.

The effect on profit (due to change in the fair value of monetary assets and liabilities), with all other variables held constant is shown below as at 31 December:

	Change percentage	**Effect on Profit**	
	(+/-)	**2 016**	2015
Currency			
USD	3%	**72,954**	176,732
Euro	3%	**296**	4,576
GBP	3%	**6,767**	-

Equity price risk

This is the 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. Equity price risk is managed by the Group through diversification of investments in terms of geographical distribution and industry concentration.

The Group has unquoted equity securities in available for sale category where the impact of changes in equity prices will only be reflected in the consolidated statement of income when the financial asset is sold or deemed to be impaired. The Group is not exposed to any other equity price risk.

Prepayment risk

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

17. Fair value measurement

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

	Kuwaiti Dinars			
31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale	**-**	**-**	**4,179,065**	**2,730,261**
Investment properties	**-**	**-**	**690,692**	**690,692**
	-	**-**	**4,869,757**	**3,420,953**

	Kuwaiti Dinars			
31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets available for sale	-	-	1,345,997	1,345,997
Investment properties	-	-	684,902	684,902
	-	-	2,030,899	2,030,899

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded at fair value.

	Kuwaiti Dinars				
Investment properties	**1 January**	**Gain recorded in the consolidated statement of income**	**Gain recorded in consolidated statement of other comprehensive income**	**Net purchases, sales and settlements**	**31 December**
Level 3					
2016	**2,030,899**	**(5,615)**	**9,213**	**2,835,260**	**4,869,757**
2015	1,793,662	23,463	48,896	164,878	2,030,899

18. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or borrow from Islamic financial institutions.

No changes were made in the objectives, policies or processes during the year ended 31 December 2016 and 31 December 2015. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt. The Group has no external borrowings.

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