ANNUAL REPORT 2017

GATEHOUSE CAPITAL

بسم الله الرحمن الرحيم

ANNUAL REPORT 2017

غيتهاوس كابيتال
GATEHOUSE CAPITAL

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 2017

غيتهاوس كابيتال
GATEHOUSE CAPITAL

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
31 December 2017

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

TABLE OF CONTENTS

BOARD OF DIRECTORS

Fahed Faisal Boodai
Chairman

Abdulaziz Saud Al Bader
Board Member

Mohamad Tawfik Al Tahawy
Board Member

SUBSIDIARY COMPANIES

GSH FRANCE

Global Securities House - France

GSH USA

Global Securities House - USA

ASSOCIATE COMPANIES

Weaver Point Company - USA

BOARD OF DIRECTORS' REPORT

For the Fiscal Year Ended on 31 December 2017

Praise be to Allah, and prayers and peace be upon our master, the Messenger of Allah, his family, companions, and those who follow him properly.

Dear Shareholders,

On behalf of myself and members of the Board of Directors of the Gatehouse Capital for Economic and Financial Consultancy Company K.S.C (Closed) (the "Company" or "GC") and all the Company employees, we are pleased to present to you the Company's annual report for the financial year ended on 31 December 2017.

The Company's operating profit has continued to grow exponentially, increasing by 24% to KD 3.41m (2016: KD 2.75m) driven by stable operating income and strong control over operating expenses. The Company reported a net profit of KD 2.20m representing a KD 0.71m increase from 2016 mainly driven by outstanding exits from two US transactions in the last quarter of the year.

From a strategic perspective and as part of Gatehouse Financial Group (the "Group"), there has been strong collaboration in 2017 between the Company and its affiliate company, Gatehouse Bank in completing the £67m acquisition of a UK retail park, benefiting Gatehouse Financial Group from this strong partnership between the two entities. Such a partnership will bring value to the Group and its shareholders and will continue to provide new investment opportunities for clients.

Furthermore, the Company successfully acquired additional assets to its portfolio under management and structuring several US transactions during the year. These included:

- Strategic Industrial Portfolio, a portfolio of eleven Industrial and Office Buildings situated in the Midwest, Northeast, and Southeast regions of the US.
- USIPA II, an aggregation portfolio that will target geographically dispersed and sector diversified Industrial assets in the US.
- Harvesting significant Promote related performance fees from legacy investments made in 2012, 2013 respectively, through the successful disposal of the FBI Building in Salt lake city, and the USIP 3 portfolio acquired back in 2013.

GC also continued to develop single-family luxury residences for the Prime Residential Development Portfolio in Los Angeles, USA. This is a joint venture with Marmol Radziner and Associates ("MRA") and is focused on developments in some of Los Angeles' most affluent neighborhood's allowing investors to capitalize on MRA's full service architectural platform.

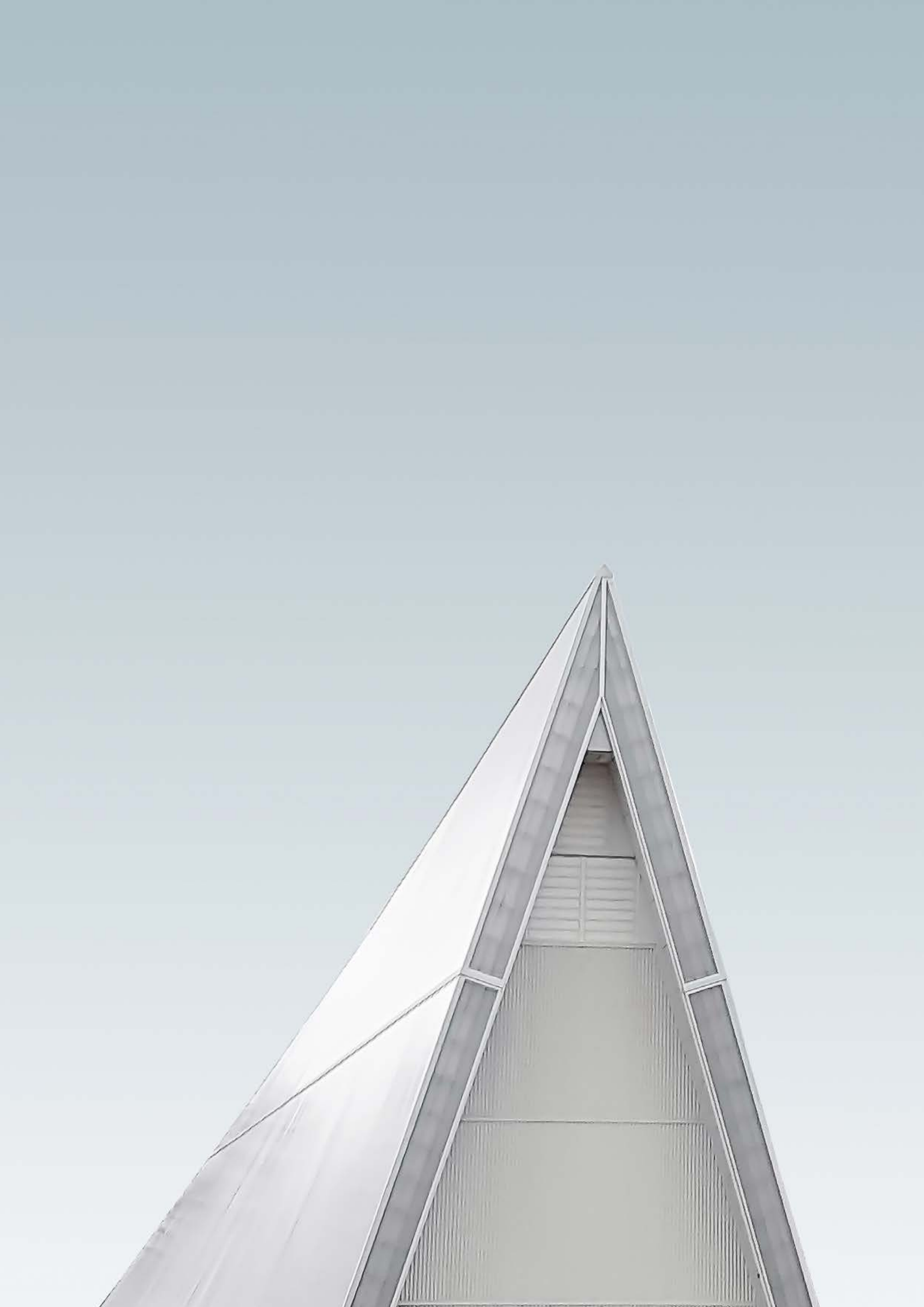
It is my pleasure to announce that in November 2017, the Company obtained an approval from the Capital Markets Authority to act as a licensed placement agent and investment advisor, allowing it to structure and execute its own transactions in addition to having the ability to place the Company's products on a more established institutional basis. The Company ensures compliance with the principles of corporate governance in accordance with the Law 7/2010 regarding the Establishment of the Capital Markets

Authority and the Regulation of the Activity of Securities and the amendments thereof, as mentioned in the Corporate Governance Report presented to you for the year ended 31 December 2017.

On the management side, there was considerable progress at GC as the Company's board of directors approved a change in the executive team to take place from the start of 2018 in a move relevant to the new strategy, through promoting Mr. Khalid Al-Baijan to be the Acting CEO and the hiring of Ms. Aysha Al-Mudhaf as Acting COO.

I would like to conclude by thanking our Shareholders for their continued support and wisdom as the Company continues to grow sustainably. I also wish to express my appreciation to the Group's employees, without whom 2017 would not have been as successful as it was.

Fahed Faisal Boodai
Chairman



Dear sirs,

Under the framework of the keenness of Gate House Capital Company to comply with all the instructions and decrees of the Capital Markets Authority (CMA), particularly CMA instructions set forth under the provision of article (3-7) of Book 5 of the executive regulation of law No.7 of 2010 for establishing the Capital Market Authority, regulating the securities activity and amendments thereof, we are pleased to present to you below all the procedures taken in 2017 to execute all the requirements and policies for implementing the governance rules, according to CMA instructions in this respect:

First rule: building a balanced composition of the board of directors

1. Criteria of composing the board of directors:

The board of directors of the Gatehouse Capital Company consists of 5 members. The composition of the board of directors takes into consideration several factors, including the diversification of the academic and professional experiences of its members. Furthermore, the majority of the board members are non executive members. The board of directors includes within its membership an independent member, which reflects a balanced structure enabling it to perform the role mandated to it, by drawing the Company general strategy, determine policies and objectives, in addition to controlling the performance of the executive management. The following table illustrates the names and qualifications of all members of the board of directors.

Name	Classification of the member (executive/ non executive/independent)	Academic quality and practical experience	Date of election or appointment
Fahed Faisal Boodai	Chairman, non executive	MBA, 20 years (financial and administrative field)	27 December 2015
Abdulla Tareq Al Essa	Vice chairman, executive	MBA, 18 years (financial and administrative field)	27 December 2015
Abdulaziz Saud Al Bader	Board member, non executive	MBA, 37 years (financial and administrative field)	14 March 2017
Mohamad Tawfik Al Tahawy	Board member, independent	MBA, 27 years (financial and administrative field)	27 December 2015
Osama Mohamed Al Rasheed	Board member, executive	Bachelor of accounting, 20 years (financial and administrative field)	30 November 2016
Wael Jalal Sabbah	Secretary	Bachelor of accounting	19 October 2011

2. Organizing the board of directors meetings

Meetings of the Board of Directors are held on a regular basis at the invitation of the Chairman of the Board. All members of the Board are provided with the necessary information and data at least three business days prior to the meeting. The Board approves the agenda once it is held. For the validity of the meeting, half the number of members shall attend provided that the number of attendees is not less than three, and take decisions by an absolute majority. The Company's Memorandum of Association and Articles of Association also regulate the attendance of Board meetings, as well as how to deal with irregularities of members in attendance. The Company has held 8 meetings during the year ended 31 December 2017, as follows:

The Board of Directors Meetings During the Year 2017

Member's Name	Meeting (1) dated 21/2/2017	Meeting (2) dated 14/3/2017	Meeting (3) dated 25/4/2017	Meeting (4) dated 17/5/2017	Meeting (5) dated 17/5/2017	Meeting (6) dated 2/10/2017	Meeting (7) dated 27/11/2017	Meeting (8) dated 24/12/2017	Number of meetings
1. Fahed Faisal Boodai	√	√	√	√	√	X	√	√	7
2. Abdulla Tareq Al Eissa	√	√	√	√	√	√	X	X	6
3. Abdulaziz Abdulmohsen Al Daweesh	Resigned								
4. Abdulaziz Saud Al Bader		Appointed	√	√	√	√	√	√	6
5. Mohamad Tawfik Al Tahawy	√	√	√	√	√	√	√	√	8
6. Osama Mohamed Al Rasheed	√	√	√	√	√	√	X	X	6

3. Recording, coordinating and keeping minutes of meetings of the Board of Directors of the Company

The Board of Directors of the Company appointed a secretary of the Board from among the employees of the Company, where the secretary records and keeps all the minutes of meetings of the Board of Directors in addition to the reports submitted by and to the Board, and also coordinates between members of the Board and notifies the dates of meetings of the Board three working days in advance of the date the meeting.

The Company's management shall keep a record of the minutes of the meetings of the Board of Directors in serial numbers for the year in which the meeting was held. The record shall also include the place of the meeting, the date and hour of the start and the end of the meeting.

Rule (2): Proper identification of tasks and responsibilities

1. Proper identification of tasks and responsibilities

The tasks, responsibilities and duties of each member of the Board of Directors and executive management of the Company are defined through several forms, whereby the Articles of Association of Gate House Capital Company outlines the duties and responsibilities of the Board of Directors. Further, the Board of Directors working regulation outlines the Board's duties, including supervision over the performance of the executive management and verifying its compliance with executing the main working strategies and plans approved by the Board. The working regulation of the Executive Committee outlines, in addition to the working policies and procedures manuals approved by the Board, determines the tasks and duties of the executive management. The matrix of authorities outlines all the authorities delegated to the executive management and those retained by the Board where it has the authority to decide them.

Board of Directors:

The Board of Directors is concerned with drawing the comprehensive strategy of the Company and key working plans. Further, the Board's main duties include the following:

- Laying down and outlining the general goals and strategy of the Company and controlling the comprehensive performance of the Company
- Approval of the annual estimated budgets and monitoring any deviations
- Verifying the extent of the management's compliance with the working policies and procedures and the internal regulations
- Approval of the reviewed interim and annual audited financial statements
- Forming specialized committees and controlling the performance of such committees, and reading all reports issued by them
- Monitoring the performance of the executive committee and verifying their performance of all the duties mandated to them

Most significant achievements during 2017:

1. Studying a number of investment projects and opportunities and entering in a number of them
2. Approval of the estimated budget for 2017 and the action plan for three years 2018-2020
3. Approval of a number of the working policies and procedures manuals in line with the instructions of the Capital Markets Authority

As the Company obtained approval of the Capital Markets Authority to exercise a number of securities activities before the end of the year, the Company Board of Directors was unable to form the Board committees, which will be formed once a new Board of Directors is elected in the forthcoming general assembly of the Company, following approvals of the Capital Markets Authority in this respect:

2. Mechanism of obtaining precise information and data by the Board members in the right time

The executive management furnishes members of the Board of Directors with numerous reports and data which enable the Board with an oversight over all the course of work. Further, all the Board committees and the Executive Committee submit their reports to the Board. The Board of Directors is also furnished with all the data and information related to the topics raised on the agenda of the Board's meetings, to enable the Board to perform its duties and take decisions pursuant to adequate and precise information.

The Company management is currently developing the infrastructure of the information technology systems, through the development of the computer system being used, which will lead to the development of the reporting systems in terms of the accuracy and quality of the reports submitted to the Company Board of Directors:

Rule (3): Selection of qualified members of the Board of Directors and Executive Management

1. Implementing the requirements for forming the Nominations and Remunerations Committee.

The Company did not form the Nominations and Remunerations Committee during 2017 as it obtained approval of the Capital Markets Authority to exercise a number of securities activities before end of the year. The Company management will form all the committees, including the Nominations and Remunerations Committee, upon the election of the new Board of Directors during the forthcoming general assembly of the Company, after obtaining approvals of the Capital Markets Authority in this respect.

2. Report on the remunerations paid to members of the Board of Directors and the Executive Management.

Gatehouse Capital company applies a suitable and easily applicable personnel remunerations policy to achieve the objective of their participation, especially those with outstanding performance, in the profits realized by the Company, in appreciation of their compliance and for encouraging and motivating them for dedication in achieving and accomplishing the minimum targeted profit. This policy takes into consideration at the same time the creation of assurance among shareholders by confirming the achieving of the minimum limit of the annual profit before the personnel's participation in this profit.

Personnel's remunerations:

The general bonus is set at a guideline of 6% to 10% of the net profit realized before the remuneration calculation, adjusted to the ratio of profit to net profit for the bonus calculation as shown in the following table:

At the end of each fiscal year, in conjunction with the completion of the adoption of the draft financial statements, the performance of each employee is assessed based on the extent to which the employee's objectives are achieved at the beginning of the year, as well as the skills and features of the employee's personal performance during the year.

It should be noted that it is possible to grant special bonus to some employees in the event they achieve the target performance such as a percentage of the marketing fees or performance fees achieved by the Company even if the minimum required net profit is not achieved at the general level of the company, provided that the approval of the Nominations and Remunerations Committee of the Board of Directors For the Chief Executive Officer, executive posts and approval by the Chief Executive Officer for the remaining staff.

Directors' remuneration:

For the members of the Board of Directors, it is recommended to pay a lump sum annual bonus after the approval of the annual general assembly of the shareholders of the Company's financial statements and in light of compliance with the legal and supervisory controls in this regard. Their annual remuneration is determined in light of a number of determinants such as the number of committees of which the Director is a member thereof, in addition to his membership in the Board and the number of the annual meetings attended by the Director, whether the Board or determined committees' meetings, in additional to the annual assessment of the performance of Directors according to the criteria of skills and personal or technical features related to being informed of the nature of the Company's activity.

The following table illustrates the remunerations, benefits and bonuses offered to the Board and executive management members for the fiscal year ended on 31 December 2017:

	Amounts (thousand KD)	
Board members:	Year 2017	Year 2016
Remunerations and bonuses of the Board members	15	15
Executive management:		
Wages, allowances and leaves	185.3	184.5
End of service indemnity provision	32.6	41.2
Variable bonuses	112.5	90.8

During the year, the Company did not record any deviation from the policy approved for offering bonuses and incentives.

Rule (4): assurance of the integrity of financial reports

1. Written undertakings of the Board of Directors and executive management of the safety and integrity of financial reports

The executive management, represented in the Operations Chief Officer and Financial Controller, undertakes to the Board of directors that the Company financial reports are presented properly and fairly.

Further, under this framework, the Chairman declares and undertakes the accuracy, safety and integrity of the financial statements furnished to the external auditor and that the Company financial reports have been presented fairly and properly, and according to the international financial reporting standards applied in the State of Kuwait and approved by the Authority, and that they reflect the Company financial position as on 31 December 2017, pursuant to the information and reports we received from the executive management and auditor, and exert the due diligence to verify the safety and accuracy of such reports.

2. Implementation of the requirements of forming the Audit Committee:

The Company did not form the Audit Committee during the year 2017, as it obtained approval of the Capital Markets Authority to exercise a number of the securities activities before the end of the year. The Company management shall form all the committees, including the Audit Committee, upon the election of the new Board of Directors in the forthcoming general assembly of the Company, after obtaining approvals of the Capital Markets Authority in this respect.

3. Independence and impartiality of the external auditor

The Company shareholders ordinary general assembly appoints the external auditor, pursuant to the recommendation of the Audit Committee. The Audit Committee ensures the independence and neutrality of the external auditor. The external auditor does not provide any additional works to the Company which do not fall within the review and auditing operations. Further, he is completely independent of the Company and its Board of Directors.

Rule (5): laying down proper systems for risk management and internal control

1. Implementation of the requirements of forming the Risks Department

The Company Risks Department identifies and measures the various risks to which the Company is exposed, compared with the acceptable risk level to the Company, identifying deviations, in addition to submitting its reports to the Risks Committee. The Company Risk Department officer enjoys independence by being directly accountable to the Board of Directors. The Company determined the risk appetite which has been approved by the Board of Directors.

2. Implementing the requirements for forming the Risk Management Committee

The Company did not form the Risk Committee during the year 2017, as it obtained approval of the Capital Markets Authority to exercise a number of the securities activities before the end of the year. The Company management shall form all the committees, including the Risk Committee, upon the election of the new Board of Directors in the forthcoming general assembly of the Company, after obtaining approvals of the Capital Markets Authority in this respect.

3. Internal control systems

The internal control systems of the Gate House Capital Company have been designed to cover all the Company's activities, and verify the efficiency and effectiveness of the operations. The Company internal controls systems depend on fundamental foundations to ensure the dual control process, through the proper identification of authorities and responsibility, through a number of mechanisms including the existence of an approved authorities and powers matrix, in addition to the existence of approved policies and procedures manuals, which outline all levels of power and authority. Further, there is a complete segregation of duties through the implementation of the principle of the segregation of duties, in addition to controlling all the operations which may involve a conflict of interest and complete disclosure of such operations. The Company management has also approved the principle of dual control over all the operations and activities.

4. Implementing the requirements for forming the Internal Audit Independent Unit

The Internal Audit Unit was established to evaluate the efficiency and effective of the internal control systems applied within the Company. the Internal Audit Department enjoys independence by being directly accountable to the Audit Committee, and therefore to the Board of Directors. The internal audit officer was appointed according to the Board of Directors' approval, pursuant to the approval of the Capital Markets Authority.

Rule (6): fostering professional behavior and ethical values

1. Criteria and determinants of the professional behavior and ethical values

The Company expects that all members of the Board of Directors and all personnel perform their duties according to their maximum capacity and to act in a manner which reflects and boosts the Company image and reputation. The professional conduct rules and ethics (code of conduct) confirm the Company's policy and considered as guidelines for:

- Promote honest and ethical behavior that positively reflects on the Company
- Maintain a corporate climate that preserves the value, integrity and dignity of every individual
- Ensure compliance with the laws, rules and regulations governing the activities and operations of the Company.
- Ensure proper use of the Company's assets

These rules and ethics demonstrate the criteria for how each manager, officer or employee acts with all stakeholders in the Company and the general public. These rules are ultimately designed to ensure that others perceive the Company as an institution committed to high standards of integrity in all its transactions. These rules do not address all situations that may be encountered, and are not a substitute for the exercise of any individual in the Company of good judgment and good conduct.

Rules and ethics of professional conduct

All the Company's personnel are always committed to maintaining the Company's good reputation and must:

1. Provide responsible and efficient service of high quality with integrity
2. Not to abuse the power granted to him as a personnel in the Company when dealing with any person, complainant or entity
3. Act fairly and impartially towards everyone in the exercise of any discretion in the performance of duties
4. Exercise the powers vested in him in a responsible manner, in particular
   - Perform all their duties impartially without favoritism and without regard to social status, sex, race, religion, political beliefs or ambitions
   - To act with honor, honesty, respect, transparency and responsible manner
   - Treat all persons on an equal footing with objectivity
   - The use of any discretionary authority vested with reason, impartiality and integrity
5. Refrain from disclosing any information received in the context of his work and duties unless the performance of duties or requirements require otherwise
6. Resist and report any bribery or other forms of corruption resulting from any source; and act in their private lives in a manner that does not distort or impair the reputation and honor of the Company
7. Respect and implement these Rules. If they have reason to believe that a violation of these Rules or the Law has occurred or is about to occur, the matter shall be communicated to the Chief Executive Officer or the Chairman of the Board, as appropriate

2. Policies and mechanisms to reduce conflicts of interest

A conflict of interest policy has been developed to ensure that the highest degree of transparency is maintained to cover all operations of the Company. A conflict of interest between employees and members of the Board of Directors of the Company and their immediate family members (i.e husband, wife, children, parents, brothers and sisters) and the Company should be avoided in their commercial and economic interests.

Although this policy does not seek to describe all possible conflicts of interest that may arise, the following are some conflicts of interest that Board members and staff should avoid:

- Obtain any advantage as a result of the position of the person as a member of the Board of Directors or employee of the Company
- Participate in any behaviour or activity that interferes inappropriately with current or prospective business relationships with third parties
- Accept bribes, hidden commissions or any illegal payments for services related to the Company's activities

- Accepting or instructing an immediate family member of a Board member or employee to accept a gift from persons or entities dealing with the Company in cases where the gift is expected to affect the actions of the Board member as a member of the Company in the light of the prevailing circumstances

Conflict of Interest - General Provisions

The Board of Directors shall take all reasonable measures to identify, prevent or deal with cases of conflict of interest between members of the Board of Directors, a Company employee, his relative, subsidiary or a relative, customers and employees, and in particular the following cases:

1. Concluding transactions on securities with one of the customers of the Company
2. Concluding agreements on securities to exploit the private information of customers
3. Offer an unsuitable advice or recommendation to the customer to carry out a transaction or to sign a paperwork in order to achieve the benefit of serving the employees or agents of the Company
4. To provide confidential information that may have been made available to the employees of the Company or to the person concerned for the purpose of entering into a securities transaction, of which one of the Company customers is the other party or provide advice or recommendation to the other person to conclude such transaction

Conflict of Interest - Board Members

The members of the Board of Directors shall act at all times to serve the interests of the Company and not specific interests or entities. This means putting the personal interest aside and performing their duties in running the affairs of the Company in a manner that enhances the public's confidence and trust in the integrity, objectivity and impartiality of the Board.

No member of the Board of Directors shall receive directly or indirectly any profit from his position in this capacity:

Disclosure of conflicts of interest by a member of the Board of Directors

A member of the Board of Directors shall immediately disclose to the Chairman of the Board any situation which reasonably involves or anticipates a conflict of interest:

Interest in the business and contracts concluded in favor of the Company

No member of the Board of Directors may, without the approval of the General Assembly (provided this approval is renewed annually), have any interest (directly or indirectly) in the business or contracts concluded for the Company except for the businesses carried out through a public tender, in case the member of the Board of Directors presented the best bid.

The member of the Board of Directors shall inform the Board of his personal interests in the businesses and contracts concluded in favour of the Company. Such notification shall be recorded in the minutes of the meeting. A member who has such interests shall not participate in voting on the decision to be issued in this regard. The Chairman of the Board of Directors shall inform the General Assembly of the acts and contracts in which the member of the Board of Directors has interests, and shall be accompanied by a special report prepared by the Company's auditor.

Interest in businesses that compete with the Company's business and provide credit facilities or guarantees

The Board member should not participate in any business or activities that may constitute a competition for the Company's business and activities. The Company should not offer credit facilities of any kind to its Board of Directors or guarantee any loan granted under a contract to any member of the Board:

Conflict of interest - employees

The Company expects its employees to avoid any personal activities or financial or non-financial interests that may interfere with their obligation to perform their functions effectively.

Employees shall not participate in an external business or project which, by its nature, scope or time requirements, may:

- Includes a conflict of interest that would distract the employee from performing his duties in a fair and impartial manner
- Contradicts with the satisfactory performance of the business of the Company or distract the employee from addressing attention to his daily work
- Results in a risk or misuse of authority or information
- Adversely affect the interests or reputation of the Company

Rule (7): Disclosure and transparency in an accurate and timely manner

1. Mechanism of accurate and transparent presentation and disclosure

The management of Gate House Capital Company is keen to follow the highest criteria for disclosure and transparency, in view of the keenness of the Company management for treating all its current and prospective shareholders and all stakeholders fairly and without discrimination. The presentation and disclosure mechanisms have been adopted by the Board of Directors. The presentation and disclosure mechanisms adopted by the Company take into account the accuracy and transparency of the presentation of data and information, whether financial or non-financial. The Company's management reviews the mechanisms of disclosure and transparency systems periodically to ensure that they meet the best international practices in this regard.

2. Investor Affairs Unit

The Company's management has set up a unit for regulating the investors' affairs, which is subordinate to the vice chairman and chief executive officer, thus making it an independent entity. The Unit provides all the necessary data and information to potential shareholders and investors through the accustomed means of disclosure, including the Company's website.

3. Development of IT infrastructure

The management of the Company has given special attention to the development of IT infrastructure. The Company has launched its website, which includes a dedicated section of the corporate governance system. The website contains the interim financial statements as well as the audited annual financial statements of the Company in addition to all the information and core events related to the Company, and numerous data and information that help potential shareholders or investors and stakeholders exercise their rights and assess the performance of the Company.

Rule (8): Respect for Shareholders' Equity

1. Identify and protect the general rights of shareholders

The investor and stakeholder relationship policy adopted by the Board of Directors of the Company provides all the due rights of the shareholders of the Company and the necessity of treating all shareholders of the same class of shares equally and without distinction between any of them. Such rights included under the Articles of Association and the Company bylaws include the following:

- Transacting with the shares including the registration of ownership, transfer and/or assignment
- Participation in decisions regarding the amendment of the Articles of Association and Memorandum of Association of the Company, as well as decisions regarding unusual transactions that may affect the Company's future or activity, such as mergers, the sale of a large part of its assets or liquidation of subsidiaries
- Monitor the performance of the Company in general and the work of the Board of Directors in particular
- Obtain accurate, comprehensive, adequate and timely information, including the Company's operational and investment strategies, to assess the financial statements and performance of the Company
- Holding members of the Board or the executive management responsible and claim their accountability if they fail in performing the tasks mandated to them.
- Receipt of dividends, participation and voting in the general assembly meetings
- Acquiring a share of the Company's assets in case of its liquidation
- Election of the members of the Board of Directors

2. Continuous monitoring of shareholder data

For the purpose of continuous follow-up of the shareholders' data, the Company has entered into a contract with the Gulf Securities Holding Company to maintain the register of shareholders, which includes the names of the shareholders, their nationality and domicile as well as the shares owned by each of them. The register is annotated with any changes in the data contained therein, All shareholders have access to the register of shareholders, and the data in the register is treated according to maximum protection and confidentiality.

3. Encouraging shareholders to participate and vote in meetings of the General Assembly

The Company will make available all data and information related to the agenda items well in advance of the General Assembly meeting, giving all shareholders a chance to view and effectively participate in such data and information. The Chairman of the Board of Directors of the Company or its auditor shall answer all questions and queries of the shareholders, whether related to the financial position of the Company and the results of its operations, or related to the Company's operational activity and future plans.

The Company also allows all shareholders to vote on the resolutions of the General Assembly whether in person or on behalf of the Company. In addition to voting for the election of the Board of Directors, no fees are imposed on the shareholders of the Company in exchange for attendance at the General Assembly meetings or giving a preferential benefit to any category compared with the other categories of shareholders.

Rule (9): recognizing the role of stakeholders

1. Systems and policies which ensure protection and recognition of the stakeholders' rights:

Gate House Capital Company has laid down several policies and systems which ensure protection of the rights of stakeholders. One of the fundamentals of the success of the Company for achieving its goals is the result of the joint efforts of numerous parties, including customers, suppliers, employees, investors and other parties having business relations with the Company.

These systems and policies have been developed to achieve the following objectives:

- Treatment on a fair and equitable basis
- Obtain compensation in the event of any violations of their rights recognized by the regulations and protected by the contracts concluded with them
- Enjoy the same rights and privileges as the Board of Directors and related parties in dealing with the Company, including the Company's commitment to the policy of procurement within other policies and practices
- The Company's commitment to the privacy policy and confidentiality of data
- Ensure that the following is included in each contract between the stakeholders and the company:
  - Procedures and mechanisms to be followed in the event of any party violating its obligations
  - Procedures for payment of damages in case of irregularities
- Obtain the relevant Company information that is necessary for the stakeholders
- Clear and explicit disclosure of relevant information
- Notify them of the Company's whistle-blowing program and should be provided with adequate protection in accordance with the requirements of the Irregularities Reporting Policy
- Provide them with an appropriate mechanism (through the Irregularities Reporting Program if they wish to notify the Board of Directors of any incorrect practices performed by the Company

2. Encouraging stakeholders to participate in the follow-up of the Company's various activities

The Company's management encourages stakeholders to participate in the follow-up of the Company's various activities through a transparent and fair approach to all stakeholders. The Company's management also creates a culture of employees to link their performance and career development to the Company's strategic objectives, to encourage employees to participate actively and continuously in the follow-up of the Company's various activities.

Rule (10): Enhancement and improvement of performance

1. Application of the requirements that each of the members of the Board of Directors and Executive Management obtain training programs

The Gate House Capital Company addresses a special attention to the ongoing training and qualification processes of each member of the Board of Directors and executive management. The Company management believes that the ongoing training processes contribute in achieving the Company objectives, thorough the exercise by each of the Board of Directors and executive management of the tasks mandated to them in a perfect manner. Through these courses, the training needs of the candidate are taken into consideration, whether he is a member of the Board of Directors or a member of the Company executive management.

2. Evaluation of the performance of the Board of Directors and Executive Management

The Company has developed the Key Performance Indicators (KPIs) to measure the performance of the Board of Directors as a whole and the contribution of each of its members, as well as the development of performance indicators for all committees of the Board and the members of the Executive Management as well, in order to identify any deviations and treat them to ensure the outstanding performance of each of the members of the Board of Directors and Executive Management, and thus achieve the objectives of the Company.

3. The Board's efforts to create corporate values

The Board of Directors of the Gate House Capital Company is keen to create corporate values by developing mechanisms and procedures to achieve the Company's strategic objectives and improve performance. The Company's management continuously develops the integrated reporting systems within the Company to become more comprehensive. Both Board members and the Executive Management help to make decisions in a systematic and proper manner.

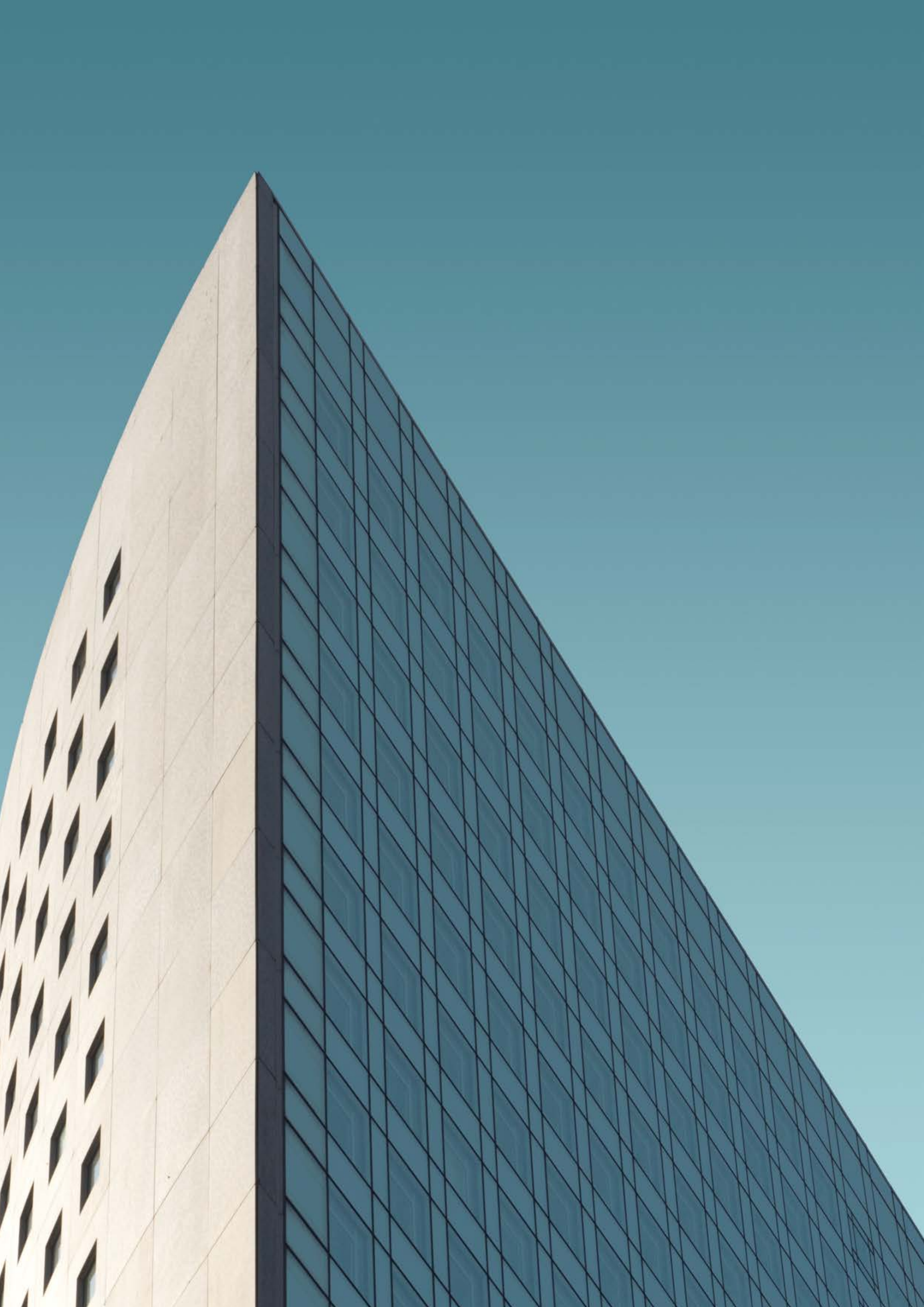
Rule (11): Focus on the importance of social responsibility

The Corporate Social Responsibility (CSR) policy has been developed to ensure the Company's contribution to the community and the region in which it is located. The Company's commitment to responsibility is key to the success of any organization. We aim to operate under a sustainable business model that generates value by building in-depth, long-term and extensive relationships with our clients and other members of the community in which we operate. Corporate Social Responsibility (CSR) is embodied in the values adopted by the Company and forms the basis for how the work is done,where products are developed and services are provided according to our objectives and commitments.

The management of the Company has taken several initiatives to highlight the Company's efforts in the field of social work. The most prominent of these initiatives is the keenness of the Company's management to attract the national workforce and the provision of appropriate training to prepare the national workforce to carry out the desired role in building and advancing the State of Kuwait.

Fahed Faisal Boodai

Chairman



غيتهاوس كابيتال
GATEHOUSE CAPITAL

2017
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 2017

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 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 2017 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 the 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 2017 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.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2017, that might have had a material effect on the business of the Company or on its consolidated financial position.

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

Kuwait
23 May 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	Kuwaiti Dinars 2017	2016
INCOME			
Consultancy and advisory fee		**3,253,381**	2,500,590
Investment income	4	**27,436**	214,474
Changes in fair values of investment properties	5	**124,303**	5,790
Other income		**9,272**	33,972
Share of results of an associate	6	**853,829**	764,446
Foreign exchange loss		**(20,363)**	(551)
		4,247,858	3,518,721
EXPENSES			
Staff costs		**1,350,758**	1,286,305
General and administrative expenses		**469,285**	599,606
Impairment of investment in an associate	6	**151,870**	75,845
Depreciation		**12,254**	17,656
		1,984,167	1,979,412
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS› REMUNERATION		**2,263,691**	1,539,309
Contribution to KFAS		**(22,737)**	(15,393)
Zakat		**(21,524)**	(15,932)
Directors› remuneration (note 10(c))		**(15,000)**	(15,000)
PROFIT FOR THE YEAR		**2,204,430**	1,492,984

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	Kuwaiti Dinars	
		2017	2016
Profit for the year		**2,204,430**	1,492,984
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		**24,283**	9,213
Realized gain on sale of financial assets available for sale transferred to the consolidated statement of profit or loss		**(82,392)**	-
Foreign currency translation adjustment		**(92,551)**	50,743
Other comprehensive income for the year		**(150,660)**	59,956
Total comprehensive income for the year		**2,053,770**	1,552,940

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		Kuwaiti Dinars	
	Notes	**2017**	2016
Non-current assets			
Furniture and equipment		**3,251**	14,278
Investment properties	5	**814,995**	690,692
Investment in an associate	6	**4,411,110**	4,548,622
Financial assets available for sale	7	**6,834,186**	5,498,825
		12,063,542	10,752,417
Current assets			
Other receivables	8	**969,923**	997,497
Bank balances and cash	9	**1,784,346**	3,036,167
		2,754,269	4,033,664
Total ASSETS		**14,817,811**	14,786,081
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**10,000,000**	10,000,000
Statutory reserve	11	**939,051**	712,682
Fair valuation reserve		**-**	58,109
Foreign currency translation reserve		**289,699**	382,250
Retained earnings		**2,762,784**	2,784,723
Total equity		**13,991,534**	13,937,764
Non-current liability			
Employees' end of service benefits	12	**276,331**	397,655
Current liability			
Accounts payable and accruals	13	**549,946**	450,662
Total liabilities		**826,277**	848,317
TOTAL EQUITY AND LIABILITIES		**14,817,811**	14,786,081

Fahed Faisal Boodai
Chairman

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	Kuwaiti Dinars 2017	Kuwaiti Dinars 2016
OPERATING ACTIVITIES			
Profit for the year before tax		**2,248,691**	1,524,309
Adjustment for:			
Investment income	4	**71,069**	(214,474)
Changes in fair value of investment properties	5	**(124,303)**	(5,790)
Share of results of an associate	6	**(853,829)**	(764,446)
Impairment of investment in an associate	6	**151,870**	75,845
Provision for employees' end of service benefits	12	**136,485**	111,315
Depreciation		**12,254**	17,656
		1,642,237	744,415
Adjustments for changes in working capital:			
Other receivables		**27,574**	769,656
Accounts payable and accruals		**55,023**	138,062
Cash from operating activities		**1,724,834**	1,652,133
Employees' end of service benefits paid	12	**(257,809)**	(57,342)
Net cash flows from operating activities		**1,467,025**	1,594,791
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(1,227)**	(2,751)
Dividend income received from an associate	6	**768,980**	280,503
Purchase of financial assets available for sale		**(2,665,321)**	(2,424,654)
Proceeds from disposal of financial assets available for sale		**1,029,621**	-
Dividend income received		**171,161**	225,879
Net cash flows used in investing activities		**(696,786)**	(1,921,023)
FINANCING ACTIVITIES			
Dividends paid		**(2,000,000)**	(1,400,000)
Net cash flows used in financing activities		**(2,000,000)**	(1,400,000)
Net decrease in cash and cash equivalents		**(1,229,761)**	(1,726,232)
Net foreign exchange differences		**(22,060)**	12,096
Cash and cash equivalents as at 1 January		**3,036,167**	4,750,303
Cash and cash equivalents as at 31 December	9	**1,784,346**	3,036,167

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Kuwaiti Dinars					
	Share capital	**Statutory reserve**	**Fair valuation reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
As at 1 January 2016	10,000,000	558,751	48,896	331,507	2,845,670	13,784,824
Other comprehensive income	-	-	9,213	50,743	1,492,984	1,552,940
Transfer to reserve (note 11)	-	153,931	-	-	(153,931)	-
Dividends paid (note 10(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
As at 1 January 2017	**10,000,000**	**712,682**	**58,109**	**382,250**	**2,784,723**	**13,937,764**
Other comprehensive income	**-**	**-**	**(58,109)**	**(92,551)**	**2,204,430**	**2,053,770**
Transfer to reserve (note 11)	**-**	**226,369**	**-**	**-**	**(226,369)**	**-**
Dividends paid (note 10(b))	**-**	**-**	**-**	**-**	**(2,000,000)**	**(2,000,000)**
As at 31 December 2017	**10,000,000**	**939,051**	**-**	**289,699**	**2,762,784**	**13,991,534**

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 2017 were authorized for issue by the Company's board of directors on 23 May 2018. The annual general assembly of the shareholders of the Company has the power to amend these consolidated financial statements after issuance.

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 Changes in accounting policies and disclosures

Effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year. Amendments to IFRSs which are effective for accounting period starting 1 January 2017 did not have any material impact on the accounting policies, financial positions or performance of the Group.

Standards and interpretations issued but not yet adopted

The following IFRS 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 9 'Financial Instruments':

IFRS 9 'Financial Instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 impacts the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The primary impact on the Group relates to the provisioning for future credit losses on its financial assets and the requirement of certain additional disclosures.

The Group will adopt IFRS 9 from the effective date of 1 January 2018, apply it retrospectively and recognize on that date any difference between the previous carrying amount and the carrying amount as at 1 January 2018 in opening retained earnings. The Group will not restate prior periods.

Based on currently available information, the Group does not expect the adoption and application of IFRS 9 will have a material impact on the Group. This is subject to changes as the Group is continuing to analyze that and will disclose the actual impact in its annual consolidated financial statements as of 31 December 2018 that includes the effects of its application from the effective date.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers', effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue arising from contracts with customers and establishes a five-step model for that. Under IFRS 15, revenue will be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to consideration in exchange for those goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Group will adopt IFRS 15 from the effective date of 1 January 2018 and apply the cumulative effect approach by retrospectively adjusting retained earnings on 1 January 2018. The Group will not restate prior periods.

Based on currently available information, the Group does not expect the adoption and application of IFRS 15 will have a material impact on the Group. This is subject to changes as the Group is continuing to analyze that and will disclose the actual impact in its annual consolidated financial statements as of 31 December 2018 that includes the effects of its application from the effective date.

IFRS 16 'Leases'

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

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

Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Other new standards or amendments to existing standard are not expected to have a material impact on the consolidated financial statements of the Group.

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 profit or loss.

2.5 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally bank balances and cash, other receivables, investments and accounts payables. 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 profit or loss 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 profit or loss 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.

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 profit or loss as the expense is incurred. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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 profit or loss 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 profit or loss in the period of derecognition.

2.10 Investment in an associate

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. An investment in an associate is accounted for using the equity method from the date on which it becomes one. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

(a) Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized

(b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or profit or loss in the period in which the investment is acquired.

Goodwill on acquisition of associates is included in the carrying values of investments in associates. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases.

Appropriate adjustments to the entity's share of the associate's profit or loss after acquisition are made in order to account, for the effect of the fair valuation of the investee's identifiable assets and liabilities and for any impairment losses related to the fair value adjustments.

Under the equity method, the Group recognises in the consolidated statement of profit or loss, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

The most recent available financial statements of the associate is in applying the equity method. When the end of the reporting period of the Group is different from that of the associate it prepares, for the use of the Group consolidated financial statements as of the same date as the consolidated financial statements of the Group. When, the financial statements of an associate used in applying the equity method are prepared as of a date different from that used by the Group 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 difference between the ends of the respective reporting periods is no more than three months and their respective lengths are the same from period to period. If an associate uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments are made for the associate's accounting policies conform to those of the Group.

The Group discontinues recognising its share of further losses if its' share of losses of an associate equals or exceeds its interest in the associate. The interest in an associate is the carrying amount of the investment in the associate using the equity method together with any long-term interests that, in substance, form part of the entity's net investment in the associate or joint venture. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If such evidence exists, it is tested for impairment as a single asset, including goodwill, by comparing its recoverable amount (being the higher of its value in use and its fair value less cost to sell) with its carrying amount. Any impairment loss is recognized in the consolidated statement of profit or loss and forms part of its carrying amount. Any impairment loss reversal is recognized in the consolidated statement of profit or loss to the extent that the recoverable amount of the associate subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized.

2.11 Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes bank balances and cash 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.

2.12 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.

2.13 Foreign currencies

Foreign currencies 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 profit or loss.

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

2.14 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.

2.15 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.

2.16 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 5,514,426 (2016: KD 4,179,065). The Company earned management fees amounting to KD 2,118,214 (2016: KD 2,428,144) 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 of financial assets available for sale

The Group treats "financial assets available for sale" equity investments as impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance; changes in technology and operational and financing cash flows.

Impairment of investment in associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associates at each reporting date based on existence of any objective evidence that the investment in the associate is impaired.

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 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
		2017	2016	
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
Blue Pillar Advisory Ltd.	Cayman Islands	100%	-	Investment advisory services
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	
	2017	2016
Impairment loss on financial assets available for sale (note 7)	**(242,230)**	(11,405)
Realized gain on sale of financial assets available for sale	**98,505**	-
Dividend income	**171,161**	225,879
	27,436	214,474

5. Investment properties

	Kuwaiti Dinars	
	2017	2016
As at 1 January	**690,692**	684,902
Change in fair value	**124,303**	5,790
	814,995	690,692

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.

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 16).

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 profit or loss of the Group.

6. Investment in an associate

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	
	2017	2016
As at 1 January	**4,548,622**	4,101,877
Share of results (Refer note below)	**853,829**	764,446
Impairment	**(151,870)**	(75,845)
Foreign currency translation adjustment	**(70,491)**	38,647
Dividend received	**(768,980)**	(280,503)
	4,411,110	4,548,622

The share of results is net of incentive distribution of KD 488,462 (2016: KD 284,930).

The following table illustrates summarized financial information of Weaver Point:

	Kuwaiti Dinars	
	2017	2016
Assets and liabilities:		
Current assets	**2,269,149**	1,857,445
Non-current assets	**59,440**	82,474
Current liabilities	**(48,837)**	(54,378)
Net assets	**2,279,752**	1,885,541
Revenues	**3,440,233**	2,661,121
Profit for the year	**2,065,063**	1,614,424
Share of associate's net assets	**940,985**	870,262
Goodwill	**3,470,125**	3,678,360

Impairment testing of goodwill

Goodwill relating to Weaver Point was tested for impairment by management as at 31 December 2017 which resulted in the recognition of an impairment loss amounting to KD 151,870 (2016: KD 75,845). 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:

	2017	2016
Discount rate	**15.00%**	15.00%
Projected compounded annual growth for income	**7.30%**	3.70%
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	
	2017	2016
Foreign shares – unquoted	**6,834,186**	5,498,825
	6,834,186	5,498,825

Financial assets available for sale amounting to KD 1,319,760 (2016: KD 1,319,760) 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 242,230 (2016: KD 11,405) was recognized in the consolidated statement of profit or loss 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	
	2017	2016
Accrued Income	**692,329**	580,211
Other receivables	**277,594**	417,286
	969,923	997,497

9. Bank balances and cash

	Kuwaiti Dinars	
	2017	2016
Cash at banks - current accounts- KD	**31,288**	170,462
Cash at banks - current accounts- USD	**1,702,051**	2,760,927
Cash at banks - current accounts- GBP	**51,007**	104,778
Cash and cash equivalents	**1,784,346**	3,036,167

10. Share capital, directors' remuneration and proposed dividend

a. Share capital

The authorized, issued and fully paid up share capital comprises of 100,000,000 (2016: 100,000,000) shares of 100 fils (2016: 100 fils) each, which is fully paid in cash.

b. Dividends

Dividends – 2016

The annual general meeting of shareholders for the year ended 31 December 2016 held on 5 July 2017 approved distribution of cash dividends of KD 2,000,000 for the year 2016.

c. Directors' remuneration

The Directors' remuneration of KD 15,000 (2016: KD 15,000) is in accordance with the local regulations and is subject to approval of the shareholders' in the annual general meeting.

11. 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.

12. Employees end of service benefits

	Kuwaiti Dinars	
	2017	2016
As at 1 January	**397,655**	343,682
Provided during the year	**136,485**	111,315
Paid during the year	**(257,809)**	(57,342)
	276,331	397,655

13. Accounts payable and accruals

	Kuwaiti Dinars	
	2017	2016
Staff payables	**97,399**	134,489
Other payables and accrued expenses	**452,547**	316,173
	549,946	450,662

14. 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	
	2017	2016
Consolidated statement of financial position:		
Financial assets available for sale (note 7)	**1,319,760**	1,319,760
Other receivables	**160,186**	88,104
Accounts payable and accruals	**64,557**	32,672
Consolidated statement of profit or loss:		
Consultancy and advisory fee income	**10,440**	69,108
Other income	**-**	12,747
General and administrative expenses	**12,000**	12,000
Key management compensation		
Salaries and other short term benefits	**224,317**	279,133
Employees› end of services benefits	**32,651**	41,163
	256,968	320,296

15. 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 2017 and 31 December 2016.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Group to credit risk, consist principally of bank balances and other receivables. The Group's bank balances is 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	
	2017	2016
Bank balances and short-term deposits	**1,784,346**	3,036,167
Other receivables	**905,646**	997,497
Total credit risk exposure	**2,689,992**	4,033,664

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 will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financials assets. 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 fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. 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.

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**	
Currency	**(+/-)**	**2017**	2016
USD	3%	**63,618**	72,954
Euro	3%	**652**	296
GBP	3%	**14,217**	6,767

Equity price risk

Equity price risk 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 profit or loss 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.

15. Fair value measurement

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

	Kuwaiti Dinars			
31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale	**-**	**-**	**5,514,426**	**5,514,426**
Investment properties	**-**	**-**	**814,995**	**814,995**
	-	**-**	**6,329,421**	**6,329,421**

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

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

	Kuwaiti Dinars				
	1 January	**Gain/(Loss) recorded in the consolidated statement of profit or loss**	**Gain/(Loss) recorded in comprehensive income**	**Net purchase, sales and settlements**	**31 December**
Level 3					
2017	**4,869,757**	**(117,927)**	**(58,109)**	**1,635,700**	**6,329,421**
2016	2,030,899	(5,615)	9,213	2,835,260	4,869,757

16. Capital risk 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 2017 and 31 December 2016. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt. The Group has no external borrowings.

Gatehouse Capital KSCC

Sharq - Khaled Bin Waleed Street
Dhow Tower
Floor 15 Kuwait City
State of Kuwait

Email : info@gc.com.kw
www.gc.com.kw