

Al Madina for Finance and Investment Company – K.S.C.P.
and its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report
For the year ended 31 December 2017



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Independent Auditors' Report to the Shareholders

Al Madina for Finance and Investment Company K.S.C.P.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

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

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the State of Kuwait.

Basis for Qualified Opinion

The Group's investment in one of the associate accounted for by the equity method, is carried at KD 6,190,660 on the consolidated statement of financial position as at December 31, 2017 and the Group's share of the associate's net loss of KD 1,281,848 is included in Group's income for the year then ended based on reviewed but unaudited financial statements of the associate as of and for the period ended 30 September 2017 and audited financial statements as of 31st December 2017 is not available. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Group's investment in the associate and the Group's share of its results and its share of other comprehensive income as the audit of the associate financial statements for the year ended 31 December 2017 and as of that date is not complete and we did not receive responses to our audit instructions from its auditors. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the state of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of investments in associates

The Group's assessment of whether there is an impairment of investments in associates is a judgmental process. This requires assessment of net asset value, estimates concerning the future cash flows, growth rates based upon management's view of future business prospects and the associated discount rates etc. As at 31 December 2017 investments in associates are carried at KD 22,786,388 which represents 57% (31 December 2016: KD 21,946,282 which represents 57%) of the total assets. The disclosures related to investments in associates are included in notes 2.4, 3.2 and 8 to the consolidated financial statements.

We used internal valuation specialists to review valuation methodologies used in the assessment of the recoverable value and to challenge the key assumptions including the estimated future cash flows, growth rates and the discount rates applied to the investment in associates by comparing these against industry benchmarks, our understanding of the future prospects of the business and the accuracy of historical forecasts. We performed a sensitivity analysis to assess the risk of impairment to changes in those assumptions.

Other Information

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

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

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

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

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of Group's investment in one the associate and share of it's net income for the year. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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Independent Auditors' Report to the Shareholders (Continued)

Al Madina for Finance and Investment Company – K.S.C.P.
State of Kuwait

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2017, that might have had a material effect on the business of the Group or on its consolidated financial position, except as disclosed in note 11 to these consolidated financial statements which states that the Group has obtained Wakala payable from Investment Funds, which is in violation of the instructions of Central Bank of Kuwait.

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

Kuwait
21 March 2018

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

	Notes	Kuwaiti Dinars 2017	2016
Assets			
Cash and bank balance	4	553,012	4,261,551
Financial investments at fair value through profit or loss	5	1,567,907	1,377,041
Receivables	6	12,027,325	7,311,199
Investments properties	7	1,155,000	1,231,000
Investments in associates	8	22,786,388	21,946,282
Available for sale investments	9	1,775,954	2,130,270
Property and equipment		41,189	110,804
Total assets		39,906,775	38,368,147
Liabilities and equity			
Liabilities			
Payables	10	2,744,028	4,019,183
Wakala payable	11	2,522,653	2,522,653
Employees' end of service indemnity	12	228,517	165,786
Total liabilities		5,495,198	6,707,622
Equity			
Equity attributable to shareholders of the Parent Company			
Share capital	13	40,706,523	40,706,523
Share premium		4,552,924	4,552,924
Other reserves	14	(18,764)	875,704
Treasury shares	15	(2,694,680)	(2,694,680)
Accumulated losses		(20,730,169)	(20,988,376)
Total equity attributable to shareholders of the Parent Company		21,815,834	22,452,095
Non-controlling interests		12,595,743	9,208,430
Total equity		34,411,577	31,660,525
Total liabilities and equity		39,906,775	38,368,147

The attached notes on pages 10 to 38 form an integral part of these consolidated financial statements.

Mohammad Darwesh Al-Shamali
Chairman

Consolidated Statement of Income for the year ended 31 December 2017

	Notes	Kuwaiti Dinars 2017	2016
Revenues			
Gains from settlement of Wakala and payables	17	-	2,302,352
Net losses from investments	18	(423,968)	(186,805)
Net losses from investment properties	19	(62,640)	(363,350)
Net reversal of provisions and impairment	21	1,815,790	1,151,126
Management fees and other income		117,687	237,673
Share of losses of associates	20	(112,331)	(874,913)
Gains from sale of investment in associates	20	687,200	343,354
		2,021,738	2,609,437
Expenses and other charges			
Staff cost		804,737	898,661
Other expenses	22	515,405	894,132
Net profit for the year before contribution to National Labour Support Tax and Zakat		701,596	816,644
National Labour Support Tax		-	(24,285)
Zakat		-	(9,714)
Net profit for the year		701,596	782,645
Attributable to:			
Shareholders of the Parent Company		381,364	1,401,790
Non-controlling interests		320,232	(619,145)
		701,596	782,645
Earnings per share attributable to shareholders of the Parent Company (fils)	23	0.98	3.60

The attached notes on pages 10 to 38 form an integral part of these consolidated financial statements.

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

	Kuwaiti Dinars	
	2017	**2016**
Net profit for the year	701,596	782,645
Other comprehensive income items:		
Items that may be reclassified subsequently to statement of income:		
Investments in associates		
Group's share in associates' other comprehensive income items	(805,362)	127,455
Transfer to statement of income from sale of shares in associates	24,402	254,578
	(780,960)	382,033
Available for sale investments		
Change in fair value	(345,251)	392,069
Transferred to statement of income due to sale of investments	(94,873)	(109,364)
	(440,124)	282,705
Total other comprehensive income items	(1,221,084)	664,738
Total comprehensive income for the year	(519,488)	1,447,383
Attributable to:		
Shareholders of the Parent Company	(513,104)	2,019,674
Non-controlling interests	(6,384)	(572,291)
Total comprehensive income/for the year	(519,488)	1,447,383

The attached notes on pages 10 to 38 form an integral part of these consolidated financial statements.

Al Madina for Finance and Investment Company - K.S.C.P.
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Consolidated Statement of Changes in Equity for the year ended 31 December 2017

	Kuwaiti Dinars							
	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves (note 14)	Accumulated losses	Total		
Balance at 1 January 2016	40,706,523	4,552,924	(2,694,680)	257,820	(22,390,166)	20,432,421	9,780,721	30,213,142
Net loss for the year	-	-	-	-	1,401,790	1,401,790	(619,145)	782,645
Other comprehensive income	-	-	-	617,884	-	617,884	46,854	664,738
Balance at 31 December 2016	40,706,523	4,552,924	(2,694,680)	875,704	(20,988,376)	22,452,095	9,208,430	31,660,525
Balance at 1 January 2017	40,706,523	4,552,924	(2,694,680)	875,704	(20,988,376)	22,452,095	9,208,430	31,660,525
Net profit for the year	-	-	-	-	381,364	381,364	320,232	701,596
Other comprehensive income	-	-	-	(894,468)	-	(894,468)	(326,616)	(1,221,084)
Change in non-controlling interest (note 24)	-	-	-	-	(123,157)	(123,157)	3,393,697	3,270,540
Balance at 31 December 2017	**40,706,523**	**4,552,924**	**(2,694,680)**	**(18,764)**	**(20,730,169)**	**21,815,834**	**12,595,743**	**34,411,577**

The attached notes on pages 10 to 38 form an integral part of these consolidated financial statements.

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

	Note	Kuwaiti Dinars 2017	2016
Cash flows from operating activities			
Net profit for the year		701,596	782,645
Adjustments:			
Net Losses from investments	18	448,882	160,750
Gains from settlement of wakala payable		-	(2,302,352)
Share of losses from associates	20	112,331	874,913
Gains from sale of investment in associates	20	(687,200)	(343,354)
Loss from investment properties	19	-	430,000
Net reversal of provisions and impairment	21	(1,815,790)	(1,151,126)
Depreciation		16,984	24,087
Provision of employees' end of service indemnity		116,196	1,848
Operating losses before change in working capital		(1,107,001)	(1,522,589)
Change in working capital:			
Financial investments at fair value through profit or loss		(639,748)	(85,344)
Accounts Receivables		(4,905,768)	(539,201)
Accounts Payables		(1,275,155)	(3,204,715)
Employees' end of service indemnity		(53,465)	-
Net cash used in operating activities		(7,981,137)	(5,351,849)
Cash flows from investing activities			
Purchase of available for sale investments		(877,813)	(1,468,455)
Proceeds from sale of available for sale investments		892,932	2,404,897
Dividends received		-	20
Purchase of investments in associates		(1,812,224)	(837,986)
Consideration transferred for purchase of additional shares in associates		(3,816,022)	-
Proceeds from sale of investments in associates		6,634,001	4,766,645
Proceeds from sale of investment properties		-	3,750,000
Proceeds from disposal of subsidiary		3,199,874	-
Proceeds from sale of property and equipment		72,630	-
Purchase of property and equipment		(20,000)	(5,082)
Net cash generated from investing activities		4,273,378	8,610,039
Net (decrease)/increase in cash and cash equivalents		(3,707,759)	3,258,190
Cash and cash equivalents at the beginning of the year	4	4,190,646	932,456
Cash and cash equivalents at the end of the year	4	482,887	4,190,646

The attached notes on pages 10 to 38 form an integral part of these consolidated financial statements.

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

1. Incorporation of the Group

Al Madina for Finance and Investment Company (the Parent Company) is a Public Kuwaiti Shareholding Company incorporated in Kuwait on 1980 and is registered as an investment company with the Central Bank of Kuwait on 27 April 2005. The shares of the Company were listed on the Kuwait Boursa on 24 April 2006 and on the Dubai Financial Market on 10 September 2007.

The Parent Company's head office is at Al-Soor Street - Al-Mirqab - Kuwait.

The principal activities of the Parent Company are investing, financing, management of funds and trading and leasing of real estate.

The consolidated financial statements, include the financial statements of the Parent Company and its subsidiaries (referred together as "Group") (note 24).

The activities of the Parent Company are carried out in accordance with the Noble Islamic Sharia principles.

The Annual General Assembly meeting of the shareholders of the Parent Company held on 13 June 2017 approved the consolidated financial statements for the year ended 31 December 2016.

The consolidated financial statements were authorized for issuance by the Board of Directors on 21 March 2018 and are subject to approval of shareholders at the forthcoming annual general meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

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

2.2 New and revised IFRSs issued and effective

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

- Amendments to IAS 7 Disclosure initiative

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

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

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

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

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

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

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

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

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

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

2.3 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	1 January 2019
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) (a) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas: • **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. • **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	1 January 2018
Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019

New and revised IFRSs	Effective for annual periods beginning on or after
Impact assessment of IFRS 9 *Financial Instruments* Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows: *Classification and measurement:* All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39 except the investment securities classified as AFS under IAS 39. Management is in the process of assessing whether to classify AFS investments under IFRS 9 as Fair Value Through OCI (FVOCI) or Fair Value Through Profit or Loss (FVTPL). *Impairment:* Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required by IFRS 9. In general, the Group's management anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the trade receivables and bank balances and will increase the amount of loss allowance recognised for these items.	
IFRS 15 *Revenue from Contracts with Customers* In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018

New and revised IFRSs	Effective for annual periods beginning on or after
Impact assessment of IFRS 15 *Revenue from Contracts with Customers* The application of IFRS 15 may have an impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group is in the process of performing a detailed review to assess the impact on implementation of IFRS 15.	
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Impact assessment of IFRS 16 *Leases* The application of IFRS 16 may have an impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its operating lease commitments. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.	1 January 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019.

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

2.4 Basis of consolidation

Subsidiaries

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

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in statement of income and is calculated as the difference between:

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

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

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

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts of interests that have previously been recognised in the statement of comprehensive income, before the date of acquisition, are reclassified to statement of income had the interest been fully disposed off.

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in associates and joint ventures

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

The joint venture is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to the net assets of this arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

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

When a Group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associates or joint ventures are recognised on group financial statements only to the extent of interests in the associate or joint venture that are not related to the group.

2.5 Financial instruments

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

All financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted on initial recognition. Transaction costs directly attributable to the acquisition are recognized immediately in the statement of income.

Financial assets

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

Financial assets at fair value through profit or loss (FVTPL)

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

Financial assets at FVTPL are stated at its fair value. The net gains or losses are recognized in the consolidated statement of income and incorporates any dividend on the financial asset and recognized in the line "gains or losses from investments".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including Islamic debt instruments, other receivables, and cash and cash equivalents) are measured at amortised cost using the effective interest method less any impairment losses.

Available for sale (AFS) financial assets

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

The financial assets available for sale is re-measured at fair value.

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

AFS unquoted equity investments and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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

Impairment of financial asset

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

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

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

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

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

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

In addition, in accordance with Central Bank of Kuwait's instructions, a minimum general provision of 1% of receivables net of certain categories of collateral, to which CBK instructions.

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

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

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

Derecognition

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

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

Financial liabilities

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

Derecognition

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

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

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

The principal or the most advantageous market must be accessible 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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.

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

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

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

For assets and liabilities that are recognised in the 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.

2.6 Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss arising on disposal of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income for the period in which they arise.

2.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals of properties and equipment are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

2.8 Impairment of tangible and intangible assets other than goodwill

The Group reviews the carrying amount of its tangible and intangible assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets, that do not have a definite useful life, and intangible assets, which are not yet utilized, are tested at least annually to determine the impairment loss.

The net recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognized in the statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.9 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.10 Provisions

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

2.11 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account to the extent of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.12 Foreign currencies

The Company's functional currency is the Kuwaiti Dinar.

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

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

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

2.13 Revenues recognition

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

- Revenues from sale of inventory are stated only when the risks and benefits associated with the inventory ownership are transferred to the purchaser. These risks and benefits are transferred to the purchaser, on delivery.
- Services revenues are recognized when the services are rendered.
- Dividend income is recognized when the right to receive payment has been established.
- Deposits interests are recognized on a time basis.

2.14 Leasing

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

The Group as lessor

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

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

The Group as lessee

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

2.15 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

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

Zakat

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

2.16 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

2.17 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

2.18 Segment reporting

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

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

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

3. Critical accounting judgments and estimates

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

3.1 Judgments:

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

Classification of investments

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

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

Classification of properties

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

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

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

Assessing significant influence

Although the Group share in the Ekittab Holding Company and AAN Digital (Hits Telecom) are less than 20%. The Group exercised judgement in deciding its significant influence over these entities by virtue of its ability to influence financial and operating policies of the two entities, by acting directly and indirectly on the boards of these companies.

3.2 Sources of estimation uncertainty

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

Fair value measurements and valuation techniques

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

Evidence of impairment of investments

Management determines the impairment in investments available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Note (21) sets out the impact of that on the consolidated financial statements.

Impairment of Associates

An estimation for Impairment losses of associate is made when there is an indication for such impairment. Determination of the impairment is made for the full book value of the Group's investment in associate including goodwill and therefore, the impairment of goodwill is not separately determined.

Impairment of associate has been assessed based on the estimation of the value in use. The value in use calculation requires the management to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The impact of such impairment on these consolidated financial statements has been disclosed in Note (8, 21).

Impairment of Receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period exceeding the average credit period, change in global and local economies which led the customers to default in payment. The impact of such impairment on these consolidated financial statements has been disclosed in Note (6).

Contingent liabilities/liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment. The impact of such contingent liabilities are disclosed in Notes (27).

4. Cash and bank balance

	Kuwaiti Dinars	
	2017	**2016**
Current accounts	242,582	3,413,292
Restricted cash against letter of credit	70,125	70,905
Cash at portfolios and Kuwait Clearing company	228,847	766,776
Cash on hand	11,458	10,578
Cash and bank balances as per statement of financial position	553,012	4,261,551
Less: Restricted cash against letter of credit	(70,125)	(70,905)
Cash and cash equivalents	482,887	4,190,646

5. Financial investments at fair value through profit or loss

	Kuwaiti Dinars	
	2017	**2016**
Held for trading investments	1,218,902	936,038
Designated at inception	349,005	441,003
	1,567,907	1,377,041
Investments in local shares – quoted	1,218,902	936,038
Investments in local shares – unquoted	528	85,528
Investments in local funds – unquoted	348,477	355,475
	1,567,907	1,377,041

These investments have been valued based on the valuation techniques described in note 29.

6. Accounts Receivable

	Kuwaiti Dinars	
	2017	**2016**
Receivable from sale of properties	1,167,027	2,190,555
Deferred income	(29,501)	(76,306)
	1,137,526	2,114,249
Due from related parties (note 25)	11,036,507	4,894,702
Fee income receivable	118,349	107,532
Accrued rents	491,210	491,210
Other receivables	799,110	1,139,366
	13,582,702	8,747,059
Less: provision for doubtful debts	(1,555,377)	(1,435,860)
	12,027,325	7,311,199

7. Investment properties

The movements in investment properties during the year are as follows:

	Kuwaiti Dinars	
	2017	**2016**
Opening balance	1,231,000	5,451,000
Disposals	-	(4,022,000)
Change in fair value	(76,000)	(198,000)
Closing balance	1,155,000	1,231,000

7.1 The fair value of the Group's investment properties has been determined as at the consolidated financial statements date on the basis of a valuation carried out on the respective date by independent valuers not related to the Group. These valuers are registered at the related governmental bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties (level 2). In estimating the fair value of the properties, the highest and best use of the properties is their current use.

7.2 There is no change in valuation techniques and there is no transfer between the levels of fair value during the year.

7.3 Investment properties are recorded in the name of related parties, and there are letters of assignment in favor of the Group.

8. Investments in associates

	Country of incorporation	Principal activity	Ownership percentage %	2017 KD	Ownership percentage %	2016 KD
Ekttitab Holding Co. K.S.C.P. (Ekttitab)	Kuwait	Investment	16.17%	1,683,760	16.08%	1,869,946
AAN Digital Services Holding Co. K.P.S.C (AAN Digital)	Kuwait	Telecom	14.77%	6,190,660	17.66%	6,263,283
Sarh Capital Real Estate Company K.S.C.C. (Sarh Capital)	Kuwait	Real Estate	42.41%	14,911,968	41.63%	13,813,053
				22,786,388		21,946,282

8.1 On July 9, 2017 Hits Telecom Holding Co. changed its name to AAN Digital Services Holding Company K.P.S.C.

8.2 Investments in associates of KD 647,784 as at 31 December 2017 (KD 548,082 as at 31 December 2016) is pledged against purchase of investment properties.

8.3 Ekttitab and AAN Digital shares are listed on the Kuwait Boursa. Based on published quoted prices, the market value of Ekttitab was KD 1,622,738 as at 31 December 2017 (KD 1,869,946 as at 31 December 2016) and AAN Digital was KD 3,640,939 as at 31 December 2017 (KD 6,263,283 as at 31 December 2016).

8.4 Management believes that the carrying amount of investments in AAN Digital is not impaired based on assessment of its recoverable value estimated using the value in use method and investment in Ekttitab is not impaired based on the market value. Accordingly, the Group has reversed impairment in value of investments in associates of KD 1,935,306.

8.5 During the year, Sarh Capital has issued additional share 38,160,220 for settlement of loans provided by a subsidiary to Sarh Capital (note 6) on September 2017. Further, the Group disposed off 13,000,000 shares of Sarh Capital during the year. As a result the Group effectively holds 22.65% stake of Sarh Capital through its subsidiary, Tatweer, as of 31 December 2017 (27.06% as of 31 December 2016). Tatweer directly owns 42.41% (31 December 2016: 41.63%) of Sarh capital as of 31 December 2017.

8.6 The following are the summarized financial information of associates. The summarized financial information set out below represents the amounts shown in the financial statements for these companies prepared as per IFRS:

Ekttitab Holding Company:

Financial statements for the year ended 31 December	Kuwaiti Dinars 2017	2016
Non-Current assets	13,576,109	7,189,263
Current assets	7,990,747	15,800,118
Current liabilities	1,841,544	671,078
Non-controlling interests	(1,158)	6,530
Losses	(842,500)	(508,170)
Loss for the year	(1,420,269)	(922,858)
Other comprehensive income/ (loss) for the year	(1,156,807)	573,789
Total comprehensive loss for the year	(2,577,076)	(349,069)

The following is a reconciliation of the above summarized financial information to determine the carrying value of the Group's share in the associate recorded in the consolidated financial statements:

	Kuwaiti Dinars 2017	2016
Net assets of the associate	19,726,470	22,311,773
Group's share in net assets	3,189,397	3,587,495
Other adjustments	(1,505,637)	(1,717,549)
Carrying amount of Group's interest	1,683,760	1,869,946

Other adjustments represent impairment in value.

AAN Digital Services Holding Company:

Financial information for the nine month period ended 30 September	Kuwaiti Dinars 2017	2016
Non-Current assets	50,151,141	56,408,772
Current assets	11,776,515	15,026,797
Current liabilities	5,287,148	7,088,989
Non-current liabilities	502,048	691,164
Revenue	25,567,837	71,175,540
Profit/(loss) for the period/year	(1,551,141)	588,031
Other comprehensive (loss)/income for the period/ year	(246,406)	(185,416)
Total comprehensive income/(loss) for the period/ year	(1,797,547)	402,615

The following is a reconciliation of the above summarized financial information to determine the carrying value of the Group's share in the associate recorded in the consolidated financial statements:

	Kuwaiti Dinars 2017	2016
Net assets of the associate	56,138,460	63,655,416
Group's share in net assets	8,311,061	11,221,310
Other adjustments	(2,120,401)	(4,958,027)
Carrying amount of Group's interest	6,190,660	6,263,283

Other adjustments represent impairment in value.

Sarh Capital Real Estate Company:

Financial statements for the year ended 31 December	Kuwaiti Dinars	
	2017	**2016**
Current assets	3,974,260	2,544,663
Non-current assets	40,472,240	35,014,538
Non-current liabilities	25,983	-
Current liabilities	9,263,249	5,395,187
Revenue	405,434	810,220
(Loss)/income for the year	298,417	(2,418,427)
Other comprehensive income for the year	(1,470,546)	298,542
Total comprehensive (loss)/ income for the year	(1,172,129)	(2,119,885)

The following is a reconciliation of the above summarized financial information to determine the carrying value of the Group's share in the associate recorded in these consolidated financial statements:

	Kuwaiti Dinars	
	2017	**2016**
Net assets of the associate	35,157,268	32,164,014
Group's share in net assets	14,911,968	13,390,311
Other adjustments	-	422,742
Carrying amount of Group's interest	14,911,968	13,813,053

9. Available for sale investments

Available for sale investments represent investment in local quoted shares which were evaluated based on latest bid price as at financial statements date.

	Kuwaiti Dinars	
	2017	**2016**
Local investments – quoted	1,775,954	2,130,270
	1,775,954	2,130,270

10. Accounts Payable

	Kuwaiti Dinars	
	2017	**2016**
Trade payables	62,469	77,269
Due to contractors	109,541	326,671
Provision for amount Payable towards purchase of Investment properties (note 27)	781,250	781,250
Provision for claims (note 27)	438,000	1,438,000
Due to related parties (note 25)	54,280	109,904
Dividends payable	112,372	80,148
Accrued expenses	148,712	146,197
Tax provisions	785,093	788,093
Other payables	252,311	271,651
	2,744,028	4,019,183

11. Wakala payable

	Kuwaiti Dinars	
	2017	**2016**
Wakala payable from investment funds	2,522,653	2,522,653

11.1 All Wakala payables have matured, but have not been renewed, or paid. The Group has ceased to record finance cost. There is a legal dispute with all parties of the Wakala contracts on the amounts that should be paid.

11.2 In prior years, the Parent Company submitted an application to the competent Court for protection from the creditors in accordance with Law No. 2 of 2009 "Financial Stability Law" and has submitted a Restructuring Plan for the Wakala payable. The General Counsel head of department issued a judgment accepting the request for restructuring of the facility and the resultant cessation of the civil procedures of litigation and execution. The proposal was registered at the Court of Appeal in Corporate Restructuring Circle for settlement.

12. Provisions Employees' end of service indemnity

Reconciliation of provision for post-employment benefits:

	Kuwaiti Dinars	
	2017	**2016**
At 1 January	165,786	163,938
Provisions during the year	116,196	59,540
Paid during the year	(53,465)	(57,692)
At 31 December	228,517	165,786

13. Share capital

The authorized, issued and fully paid Parent Company's capital is KD 40,706,523 distributed over 407,065,225 shares with a nominal value of 100 fils each and all shares are in cash.

14. Other reserves

	Kuwaiti Dinars			
	Employee share options reserve	**Group share of associates' reserve**	**Change in fair value reserve**	**Total**
Balance as at 1 January 2016	490,500	(232,680)	-	257,820
Total other comprehensive income for the year	-	339,250	278,634	617,884
Balance as at 31 December 2016	490,500	106,570	278,634	875,704
Balance as at 1 January 2017	490,500	106,570	278,634	875,704
Total comprehensive income for the year	-	(460,397)	(434,071)	(894,468)
Balance as at 31 December 2017	490,500	(353,827)	(155,437)	(18,764)

14.1 The employee share options have not been exercised as at the reporting date.

15. Treasury shares

	Kuwaiti Dinars	
	2017	**2016**
Number of shares	17,466,619	17,466,619
Percentage (%)	4.3	4.3
Market value	593,865	751,065
Cost value	2,694,680	2,694,680

The Parent Company is required to retain reserves and share premium equivalent to the cost of treasury shares throughout the period and not distribute it as long as they are held as per instructions of the relevant regulatory authorities. The pledged and restricted treasury shares are 8,000,000 shares as at 31 December 2017 (17,300,000 shares as at 31 December 2016).

16. Reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense are transferred to statutory reserve. Statutory reserve is not distributable to shareholders; however, the reserve could be utilized for payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital for the benefit of the Parent Company and its shareholders.

Voluntary reserve

In accordance with the Parent Company's Articles of Association, a percentage of net profit as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

There are no transfers to statutory and voluntary reserves as there are accumulated losses.

17. Gain from settlement

Gains from settlement include gains resulted from settlement of guarantee on Wakala payable on behalf of related party with a local financial institution.

18. Net losses from investments

	Kuwaiti Dinars	
	2017	**2016**
Losses on sale of investments at fair value through profit or loss	(69,959)	(135,439)
Unrealised loss of financial investments at fair value through profit or loss	(448,882)	(160,750)
Gains from sale of available for sale investments	94,873	109,364
Dividend income	-	20
	(423,968)	(186,805)

19. Gain from investment properties

	Kuwaiti Dinars	
	2017	**2016**
Losses from sale of investment properties	-	(232,000)
Change in fair value of investment properties	(76,000)	(198,000)
Rents from investment properties	13,360	66,650
	(62,640)	(363,350)

20. Losses from investments in associates

	Kuwaiti Dinars	
	2017	**2016**
Group's share in associates' results	(1,388,589)	(874,913)
Gain on purchase of additional shares in associate	1,276,258	-
Gains from sale of investment in associates	687,200	343,354
	574,869	(531,559)

20.1 Gain on purchase of additional shares in associate

Gain on Purchase of additional shares in an associates represents additional acquisition of shares in associates, Sarh Capital, for settlement of loan provided by Group's subsidiary to Sarh Capital as disclosed in notes 6.

	Kuwaiti Dinars
	2017
Consideration transferred	(3,816,022)
Fair value of identifiable net asset acquired	5,092,280
Net Gain on acquisition	1,276,258

21. Net reversal of provisions and impairment

	Kuwaiti Dinars	
	2017	**2016**
Net reversal of impairment losses on investments in associates	1,935,306	1,516,129
Net (provision)/reversal of provision for doubtful debts	(119,516)	80,167
Impairment of available for sale investments	-	(255,831)
Other provisions and expenses	-	(189,339)
	1,815,790	1,151,126

22. Other expenses

	Kuwaiti Dinars	
	2017	**2016**
Rent	86,315	105,140
Consultancy fees	79,288	85,610
Subscription fees	68,872	24,696
Legal fees	44,047	62,771
Bank charges	26,932	13,928
Depreciation	16,984	24,087
Miscellaneous expenses	192,967	577,900
	515,405	894,132

23. Earnings per share

Earnings per share is calculated by dividing net profit for the year by the weighted average number of issued and outstanding shares during the year as follows:

	Kuwaiti Dinars	
	2017	**2016**
Net profit for the year attributable to shareholders of the Parent Company	381,364	1,401,790
Weighted average number of issued and outstanding shares during the year	389,598,606	389,598,606
Earnings per share (fils)	0.98	3.60

24. Investments in subsidiaries

24.1 Group's structure:

The consolidated financial statements include the financial information of the Parent Company and its following subsidiaries (referred together as "Group"):

Company name	**Legal**	**Country of incorporation**	**Activity**	Kuwaiti Dinars Ownership	
				31 December 2017	**31 December 2016 (Audited)**
Real Capita and its Subsidiaries	W.L.L.	Kuwait	General trading	99	99
Murgan One Co	W.L.L.	Cayman Island	Real estate	100	100
Held through Real Capita					
Dar Al-Bayraq for General trading and Contracting Co & its Subsidiaries	W.L.L.	Kuwait	General trading & Contracting	98	98
Morlo for General Trading	W.L.L.	Kuwait	General trading	99	99
Dasman United Real Estate	W.L.L.	Kuwait	Real estate	99	99
Held through Dar Al Bayraq					
Tatweer Capital Real Estate co. (Tatweer) and its Subsidiaries	K.S.C.C.	Kuwait	Real estate	55.08	66.92
Held through Tatweer capital real estate co.					
Halawani Saber For General Trading & Contracting Co.	W.L.L.	Kuwait	General trading & Contracting	-	99
Economic Pen for Publishing, Distribution & Advertising Co	W.L.L	Kuwait	Publishing, Distribution &Advertising	99	99
Develop for General Trading & Contracting Co	W.L.L	Kuwait	General trading & Contracting	99	99
British United Company for General Trading & Contracting Co.	W.L.L	Kuwait	General trading & Contracting	-	99

- The Group's ownership of Tatweer decreased by 11.84%, British for General Trading and Contracting Company W.L.L. decreased by 99% and Halwani Saber for General Trading & Contracting Company W.L.L decreased by 99% as a result of disposal of shares. The changes in the ownership of Tatweer resulted in a net gain of KD 123 thousand which was recognised in equity.

- Total assets of the subsidiaries amounted to KD 14,120,193 as at 31 December 2017 (KD 24,636,968 as at 31 December 2016), and its net losses to KD 148,780 for the year ended 31 December 2017 (KD 1,622,832 for the year ended 31 December 2016).

24.2 Material non-controlling interest in subsidiaries:

Material non-controlling interest is from the Group's Subsidiary- Tatweer. The minority shareholders owns 44.92% in Tatweer. The following is the summarized financial information of this Company:

	Kuwaiti Dinars	
	2017	**2016**
Current assets	16,109,479	15,160,342
Non-current assets	13,172,403	14,188,286
Current liabilities	1,312,852	1,584,440
Equity attributable to owners of the Company	14,929,144	18,550,760
Non-controlling interests	13,007,852	9,213,428
(Losses)/ revenue	1,413,099	(1,461,491)
Expenses	481,377	(593,141)
Loss attributable to the shareholders of the Parent Company	488,586	(1,370,375)
Loss attributable to non-controlling interests	425,707	(684,257)
Loss for the year	914,293	(2,054,632)
Other comprehensive income attributable to the shareholders of the Parent Company	(372,253)	83,167
Other comprehensive income attributable to non-controlling interests	(324,346)	41,120
Other comprehensive income for the year	(696,599)	124,287
Total other comprehensive (losses)/ income attributable to the Shareholders of the Parent Company	116,333	(1,287,208)
Total other comprehensive (losses)/ income attributable to non-controlling interests	101,361	(643,137)
Total other comprehensive (losses) income for the year	217,694	(1,930,345)
Net cash flows used in from operating activities	(4,622,195)	(1,388,222)
Net cash flows generated from investing activities	2,199,933	3,683,288
Net increase/ (decrease) in cash and cash equivalents	(2,422,262)	2,295,066

24.3 Non-controlling Interests

Non-controlling interest as of 31 December 2017 increased due to disposal of 11.8% shares of Tatweer by Parent Company as disclosed in note 24.1.

25. Related party transactions

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

	Kuwaiti Dinars	
	2017	**2016**
Transactions		
Remuneration of key management person	43,615	29,091
Settlement of loan on behalf of associate	-	2,460,000
Gains from settlement of Wakala and payables	-	2,152,500
Balances		
Accounts Receivable	11,036,507	4,894,702
Accounts Payable	54,280	109,904
Key management benefits payable	12,129	5,091

- The Group manages portfolios on behalf of related parties on a fiduciary capacity amounting to KD 13,411,873 as at 31 December 2017 (KD 2,314,010 as at 31 December 2016) which are off consolidated financial position items.

26. Board of Directors' proposals

On 21 March 2018, Board of Directors proposed not to distribute dividends for the year ended 31 December 2017.

27. Contingent liabilities and contingent assets

Contingent liabilities

- There are legal disputes between the Group and certain portfolio clients in respect of liquidation of those parties' accounts amounting to KD 5.6 million approximately as at 31 December 2017 (KD 5.6 million approximately as at 31 December 2016). There is a legal decision issued from the Court of Cassation to enforce the Group to pay the due amount. The Group's has signed a settlement agreement to settle these obligations against payment of KD 3.5 Million. As of 31st December 2017, the Group has paid an amount of KD 3.06 Million from the settlement amount and made necessary provisions for unpaid amounts. The balance amount payable is KD 438,000 as disclosed in note 10 to the financial statements.

- There is a lawsuit for settlement of accounts from one of the investment properties creditor. The Creditor filed a case against the company but it was rejected in the Court of first instance and creditor had appealed against the ruling. The proceedings were suspended as Parent Company are subject to financial stability law.

- The Group has provided a joint security against a Murabaha payable granted to a related party of KD 2,116,073 as at 31 December 2017 (KD 2,116,073 as at 31 December 2016). There are disputes with respect to those Murabaha. There was a Court judgment from a foreign Court in favor of the lender who filed a lawsuit to execute the above-mentioned Judgment in the Kuwait Court. During the year 2016, the Court's judgment was issued to revoke the case. During the current year, the lender filed a new case regarding the merit of the dispute. During the hearing in December 2017 the judgement was issued to refer the case to the expert department. The case is currently being deliberated before the expert department.

Contingent assets

- The Parent Company has filed a cased against certain foreign parties to recover loss resulted from purchase of some properties in Abu Dhabi, United Arab Emirates. The Court of Appeal of Abu Dhabi issued a judgment in favor of the Group to pay an amount of UAE Dirham 76 million approximately (KD 6 million approximately) (31 December 2016: KD 6 million approximately) in addition to pay delay interests of 5% per year. They have filed an appeal against this judgment and the Court of Cassation upheld the judgment to the Court of Appeal's judgment obligating the litigant to pay the amount. It is currently in process of executing this judgment.

28. Segment distribution

The Group carries out the majority of its activities two major segments:

- Real estate segment: represents investment in real estate properties.

- Investment segment: represents in direct investment and portfolios management and investment funds for third parties.

The analysis of the financial information according to segments for year ended 31 December is as follows:

	Kuwaiti Dinars					
	Real Estate		**Investment**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Segment Revenue	(62,640)	(363,350)	150,901	(718,364)	88,261	(1,081,714)
Segment results	(62,640)	(363,350)	150,901	(718,364)	88,261	(1,081,714)
Profit for the year					701,596	782,645
Segment assets	1,441,341	2,613,581	26,130,249	25,453,593	27,571,590	28,067,174
Segment liabilities	890,791	1,107,921	4,604,407	5,599,701	5,495,198	6,707,622

	Kuwaiti Dinars	
	2017	**2016**
Total segments results	88,261	(1,081,714)
Other income	117,687	237,673
Gains from settlements	-	2,302,352
Net reversal of provisions and impairment	1,815,790	1,151,126
Other expenses	(1,320,142)	(1,826,792)
Net profit for the year	701,596	782,645
Total segments assets	27,571,590	28,067,174
Cash and bank balances	553,012	4,190,646
Receivables and other debit balances	11,740,984	5,999,523
Property and equipment	41,189	110,804
Total assets	39,906,775	38,368,147

Most of assets and liabilities of the Group and its results are located in Kuwait.

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

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

Geographical distribution of assets and revenues

	Kuwaiti Dinars			
	2017		**2016**	
	Assets	**Revenues**	**Assets**	**Revenues**
State of Kuwait	38,550,405	2,139,716	37,347,514	2,474,102
Gulf Co-operation Council	1,228,754	(147,686)	1,020,633	135,335
Other Arabian Countries	127,616	29,708	-	-
	39,906,775	2,021,738	38,368,147	2,609,437

29. Fair value estimation

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

	Fair value as at 31 December		**Fair value hierarchy**	**Valuation technique(s) and Key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	2017	**2016**				
Fair value through profit or loss						
Local quoted shares	1,218,902	936,038	Level 1	Last bid price	-	-
Local funds units	348,477	355,475	Level 2	NAV	-	-
Local unquoted shares	528	85,528	Level 3	Discounted cash flows	Discount Rate of 8%	The higher the discount rate, the lower the value
Available for sale investments:						
Local quoted shares	1,775,954	2,130,270	Level 1	Last bid price	-	-

The fair value of other financial assets and liabilities approximate their carrying amounts as at the consolidated financial statements date.

The fair value of these other financial assets and liabilities are determined according to the level 3 based on the management's estimations of expected cash flows. During the year, there is no transfer between valuation levels.

30. Financial risk management

30.1 Financial risk

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

The Group management for these financial risks is concentrated in continuous evaluation of market conditions and trends and assessment of long and short-term market factors.

Market risk

Foreign exchange risk

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

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

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

	KD'000	
	31 December 2017	**31 December 2016**
US Dollar	-	-
Others	1,356,274	710,137

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

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

	KD'000			
	31 December 2017		**31 December 2016**	
	+ 5%	**- 5%**	+ 5%	- 5%
Profit for the year	31,178	(31,178)	33,778	(33,778)
Equity	36,636	(36,636)	1,729	(1,729)

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

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

Price risk

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

	KD'000			
	Effect on net profit		**Effect on equity**	
	2017	**2016**	**2017**	**2016**
Kuwait Stock Exchange	78,395	68,852	88,798	106,514

Profit rate risk

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

Credit risk

The credit risk is the risk that the Group will incur a loss due to the Group inability to collect the debt because of counter parties fails to discharge their contractual obligations against the Group.

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

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

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

	Kuwaiti Dinars				
	Neither past due nor impaired	**Past due but not impaired**		**Impaired**	**Total**
		Less than 12 months	**More than 12 months**		
As at 31 December 2017					
Cash equivalents	482,887	-	-	-	482,887
Receivables from selling real estate	432,192	-	46,467	688,368	1,167,027
Due from related parties	11,036,507	-	-	-	11,036,507
	11,951,586	-	46,467	688,368	12,686,421
As at 31 December 2016					
Cash equivalents	4,190,646	-	-	-	4,190,646
Receivables from selling real estate	1,039,068	447,132	116,314	588,041	2,190,555
Due from related parties	4,894,702	-	-	-	4,894,702
	10,124,416	447,132	116,314	588,041	11,275,903

Following are the aging analysis of receivables and other debit balances:

	Kuwaiti Dinars			
	2017			
	Receivables from selling real estate	**Due from related parties**	**Accrued income and other debit balances**	**Total**
Not matured	432,192	11,036,507	541,660	12,010,359
Matured and not impaired	46,467	-	-	46,467
Matured and impaired	688,368	-	867,009	1,555,377
	1,167,027	11,036,507	1,408,669	13,612,203

	Kuwaiti Dinars			
	2016			
	Receivables from selling real estate	**Due from related parties**	**Accrued income and other debit balances**	**Total**
Not matured	1,039,068	4,894,702	961,194	6,894,964
Matured and not impaired	563,446	-	-	563,446
Matured and impaired	588,041	-	847,819	1,435,860
	2,190,555	4,894,702	1,809,013	8,894,270

Following are the aging of matured and not impaired receivables:

	Kuwaiti Dinars	
	2017	**2016**
Due from 3 to 6 months	-	155,947
Due from 6 to 12 months	-	291,185
More than one year	46,467	116,314
	46,467	563,446

The movement on the provision during the year is as follows:

	Kuwaiti Dinars	
	2017	**2016**
Balance as at 1 January	1,435,860	1,516,027
Provision during the year	228,415	105,155
Reversal during the year	(108,898)	(185,322)
Balance as at 31 December	1,555,377	1,435,860

Liquidity risk

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

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

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

	Kuwaiti Dinars			
	2017			
	Within 3 months	**From 3 months to 1 year**	**After 1 year**	**Total**
Payables and other credit balances	701,268	2,042,760	-	2,744,028
Wakala payable	-	2,522,653	-	2,522,653
	701,268	4,565,413	-	5,266,681
	2016			
	Within 3 months	**From 3 months to 1 year**	**After 1 year**	**Total**
Payables and other credit balances	1,102,048	2,917,135	-	4,019,183
Wakala payable	-	2,522,653	-	2,522,653
	1,102,048	5,439,788	-	6,541,836

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

	Kuwaiti Dinars 2017			
	Within 3 months	**From 3 months to 1 year**	**After 1 year**	**Total**
Assets				
Cash and bank balances	553,012	-	-	553,012
Financial investments at fair value through profit or loss	1,218,899	349,008	-	1,567,907
Receivable and other debit balances	46,769	11,729,111	251,445	12,027,325
Investment properties	-	-	1,155,000	1,155,000
Investment in associates	-	-	22,786,388	22,786,388
Available for sale investments	1,775,954	-	-	1,775,954
Property and equipment			41,189	41,189
	3,594,634	12,078,119	24,234,022	39,906,775
Liabilities				
Payables and other credit balances	701,268	2,042,760	-	2,744,028
Wakala payable	-	2,522,653	-	2,522,653
¤	701,268	4,565,413	-	5,266,681

	Kuwaiti Dinars 2016			
	Within 3 months	**From 3 months to 1 year**	**After 1 year**	**Total**
Assets				
Cash and bank balances	4,261,551			4,261,551
Financial investments at fair value through profit or loss	936,037	441,004	-	1,377,041
Receivable and other debit balances	246,769	6,132,234	932,196	7,311,199
Investment properties	-		1,231,000	1,231,000
Investment in associates	-		21,946,282	21,946,282
Available for sale investments	2,130,270			2,130,270
Property and equipment	-		110,804	110,804
	7,574,627	6,573,238	24,220,282	38,368,147
Liabilities				
Payables and other credit balances	1,102,048	2,917,135	-	4,019,183
Wakala payable	-	2,522,653	-	2,522,653
	1,102,048	5,439,788	-	6,541,836

30.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of equity balance.

The capital structure of the Group consists of the following:

	Kuwaiti Dinars	
	2017	**2016**
Debt	2,522,653	2,522,653
Less: Cash and cash equivalents	(482,887)	(4,190,646)
Net debt	2,039,766	(1,667,993)
Equity	34,411,577	31,660,525
Total capital	36,451,343	29,992,532
Net debt to equity ratio	5.93%	-

31. Fiduciary assets

The Group manages portfolios on behalf of others with net assets of KD 14,661,877 as at 31 December 2017 (2,601,323 as at 31 December 2016). These balances are not included in the consolidated financial position.

32. Comparatives

Certain prior period amounts have been regrouped to confirm with current period presentation, but with no effect on previously reported net profit or equity.