Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
and its subsidiaries
State of Kuwait

Consolidated financial statements and
independent auditor's report
For the year ended 31 December 2017

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Independent auditor's report

To the Shareholders of Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) ("the Parent Company") and its subsidiaries, ("the Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of income and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements and a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. We identified the following key audit matters:

Impairment of property, plant and equipment	How our audit addressed the matter
Property, plant and equipment recognized in the consolidated statement of financial position include certain rights of utilization and buildings that are measured at cost less accumulated depreciation and impairment loss, if any, which represent significant portion of the total assets of the Group as at the date of the consolidated financial statements. The Group's management determining the fair value of its properties for the purposes of disclosure and impairment testing at the date of the consolidated financial statements and uses external valuers to support these valuations. The valuation of properties is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, market knowledge and historical transactions. Furthermoe, disclosures related to assumptions are deemed significant in the view of estimation uncertainty and sensitivity of valuations. Accordingly to the size and complexity of performing audit on properties, and importance of the disclosures relating to the assumptions used in the valuation, we addressed this matter as a key audit matter.	Our audit procedures included, among other procedures, evaluating the valuation assumptions and methodologies used by the Group taking into consideration independency, reputation and capabilities of the external valuers. We also assessed the accuracy of the data used by the external valuers, and assessed the appropriateness of the disclosures relating to the property, plant and equipment of the Group in Note 7 to the consolidated financial statements.

Independent auditor's report (continued)

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

Key Audit Matters (continued)

Valuation of investment properties	How our audit addressed the matter
The Group's investment properties represent significant portion of the total assets that are recorded at fair value as at 31 December 2017 which determined by external real estate valuers. Determination of the fair value of investment properties mainly depends on estimates and assumptions such as market knowledge and average market price of similar properties. Disclosures relating to assumptions and estimates and the policy of investment properties recognition and measurement are presented in accounting polices section in the notes to the consolidated financial statements. According to the size and the complexity of performing audit on investment properties, and importance of the disclosures relating to the assumptions used in valuation, we addressed this matter as a key audit matter.	Our procedures included verifying assumptions and estimates made by the Group's management, and appropriateness of relevant data supporting valuations of the external valuators. Such procedures included, as appropriate, comparing judgments made concerning current and emerging practices, and verifying the valuations on a sample basis. We also reviewed the Group's valuation of whether there is an indication of impairment of local properties. Moreover, we evaluated appropriateness of disclosures related to assumptions sensitivity in Note 10 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information includes information stated in the annual report of the Group for the financial year ended 31 December 2017, other than the consolidated financial statements and our auditor's report. It is expected that the annual report of the Group for the financial year ended 31 December 2017 will be available to us after date of this audit report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, 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.

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

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

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

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

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

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

Independent auditor's report (continued)

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence on the financial information of the entities or commercial activities inside the Group to express an opinion on the consolidated financial statements. We are responsible for expressing guidelines and supervise and perform the audit process for the Group, and we are responsible for the audit opinion only.

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

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016 and its Executive Regulation, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulation, as amended, and by 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 Parent Company or its financial position.

Qais M. Al Nisf
License No. 38 – "A"
BDO Al Nisf & Partners

Kuwait: 28 March 2018

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
and its subsidiaries
State of Kuwait

Consolidated statement of financial position
As at 31 December 2017

	Notes	2017 KD	2016 KD
Assets			
Non-current assets			
Property, plant and equipment	7	6,724,479	7,020,014
Right of utitlization	8	150	110,000
Intangible assets	9	401,790	507,460
Investment properties	10	14,464,800	15,211,800
Investments available for sale		3,366	3,173
Due from related parties	11	187,581	196,088
		21,782,166	23,048,535
Current assets			
Inventories		412,113	378,559
Trade receivables and other debit balances	12	829,652	1,272,651
Cash and bank balances	13	433,964	235,351
		1,675,729	1,886,561
Total assets		23,457,895	24,935,096
Equity and liabilities			
Equity			
Share capital	14	14,650,000	14,650,000
Statutory reserve	15	866,845	866,845
Voluntary reserve	16	866,845	866,845
Change in fair value reserve		(274)	(467)
Revaluation surplus reserve		-	109,832
Accumulated losses		(2,151,107)	(1,565,566)
Equity attributable to shareholders of the Parent Company		14,232,309	14,927,489
Non-controlling interests		21,132	26,481
Total equity		14,253,441	14,953,970
Liabilities			
Non-current liabilities			
Employees' end of service indemnity	17	495,063	384,435
Due to related parties	11	6,144,476	8,764,930
		6,639,539	9,149,365
Current liabilities			
Ijara payables	18	2,054,053	-
Other credit balances	19	510,862	831,761
Total liabilities		9,204,454	9,981,126
Total equity and liabilities		23,457,895	24,935,096

The notes on pages 10 to 44 form an integral part of these consolidated financial statements.

Ahmad Abdul Razaq Albahar
Vice Chairman

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
and its subsidiaries
State of Kuwait

Consolidated statement of income
For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Sales		1,248,952	1,437,120
Cost of sales		(697,206)	(629,771)
Gross profit		551,746	807,349
Net rental income	20	1,021,117	1,108,900
Realized losses on sale of investments at fair value through statement of income		-	(229,224)
Change in fair value of investment property	10	350	(1,428,836)
Profits from savings accounts		-	219
Foreign currency translation loss		-	(15,507)
(Loss) / gain on sale of property, plant and equipment		(4,130)	2,247
Other income	21	488,386	164,970
Net operating income		2,057,469	410,118
Impairment of right of utilization	7	-	(699,231)
Impairment of investments available for sale		-	(5,000)
Provision for accrued rentals	12	(472,258)	(45,000)
Provision for doubtful debts	12	(222,441)	-
General and administrative expenses	22	(1,893,237)	(2,050,955)
Finance costs		(54,053)	-
Loss for the year before contribution to Zakat and National Labour Support Tax		(584,520)	(2,390,068)
Contribution to Zakat		(765)	-
National Labour Support Tax		(5,587)	-
Net loss for the year		(590,872)	(2,390,068)
Attributable to:			
Shareholders of the Parent Company		(585,541)	(2,379,214)
Non-controlling interests		(5,331)	(10,854)
Net loss for the year		(590,872)	(2,390,068)
Basic and diluted loss per share for the year attributable to the shareholders of the Parent Company's (fils)	23	(4.00)	(16.24)

The notes on pages 10 to 44 form an integral part of these consolidated financial statements.

Dar Al-Thuraya Real Estate Company K.S.C. (Public)
and its subsidiaries
State of Kuwait

Consolidated statement of income and other comprehensive income
For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Net loss for the year		(590,872)	(2,390,068)
Other comprehensive income items:			
Items that may be classified subsequently to the consolidated statement of income:			
Changes at fair value of investments available for sale		193	(467)
Revaluation surplus reserve adjustments	8	(109,850)	-
Revaluation surplus reserve	8	-	(60,000)
Total other comprehensive loss		(109,657)	(60,467)
Total comprehensive loss for the year		(700,529)	(2,450,535)
Attributable to:			
Shareholders of the Parent Company		(695,180)	(2,439,672)
Non-controlling interests		(5,349)	(10,863)
		(700,529)	(2,450,535)

The notes on pages 10 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Change in fair value reserve KD	Revaluation surplus reserve KD	Accumulated losses KD	Equity attributable to shareholders of the Parent Company KD	Non-controlling interests KD	Total equity KD
At 1 January 2016	14,650,000	866,845	866,845	-	169,823	813,648	17,367,161	37,344	17,404,505
Net loss for the year	-	-	-	-	-	(2,379,214)	(2,379,214)	(10,854)	(2,390,068)
Other comprehensive loss	-	-	-	(467)	(59,991)	-	(60,458)	(9)	(60,467)
Total comprehensive loss for the year	-	-	-	(467)	(59,991)	(2,379,214)	(2,439,672)	(10,863)	(2,450,535)
At 31 December 2016	14,650,000	866,845	866,845	(467)	109,832	(1,565,566)	14,927,489	26,481	14,953,970
At 1 January 2017	14,650,000	866,845	866,845	(467)	109,832	(1,565,566)	14,927,489	26,481	14,953,970
Net loss for the year	-	-	-	-	-	(585,541)	(585,541)	(5,331)	(590,872)
Other comprehensive income/ (loss)	-	-	-	193	(109,832)	-	(109,639)	(18)	(109,657)
Total comprehensive income/ (loss) for the year	-	-	-	193	(109,832)	(585,541)	(695,180)	(5,349)	(700,529)
At 31 December 2017	14,650,000	866,845	866,845	(274)	-	(2,151,107)	14,232,309	21,132	14,253,441

The notes on pages 10 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Operating activities			
Net loss for the year		(590,872)	(2,390,068)
Adjustments for:			
Depreciation and amortization	7,9	412,538	357,379
Loss/ (gain) on sale of property, plant and equipment		4,130	(2,247)
Provision for accrued rentals	12	472,258	45,000
Provision for doubtful debts	12	222,441	-
Impairment of right of utilization	7	-	699,231
Impairment of investments available for sale		-	5,000
Change in fair value of investment properties	10	(350)	1,428,836
Profits from savings accounts		-	(219)
Realized losses on sale of investments at fair value through statement of income		-	229,224
Loss on foreign currency translation		-	15,507
Finance costs		54,053	-
Employees' end of service indemnity	17	230,970	74,643
		805,168	462,286
Changes in working capital:			
Due from/to related parties - net		(1,841,947)	(1,327,195)
Trade receivables and other debit balances		(251,700)	(342,335)
Inventories		(33,554)	8,429
Other credit balances		(320,899)	(136,268)
Cash used in operations		(1,642,932)	(1,335,083)
Payment of employees' end of service indemnity	17	(120,342)	(62,648)
Net cash used in operating activities		(1,763,274)	(1,397,731)
Investing activities			
Payment for purchase of investments available sale		-	(316)
Payment for purchase of property, plant and equipment	7	(55,448)	(89,520)
Payment for purchase of investment properties	10	(32,650)	(75,487)
Proceeds on sale of investments at fair value through statement of income		-	1,385,385
Proceeds from sale of property, plant and equipment		49,985	3,895
Received profits from saving accounts		-	219
Net cash (used in)/ generated by investing activities		(38,113)	1,224,176
Financing activities			
Proceeds from Ijara payables	18	2,000,000	-
Net cash from financing activities		2,000,000	-
Net increase / (decrease) in cash and bank balances		198,613	(173,555)
Cash generated from acquisition of subsidiaries		-	11,552
Cash and bank balances at the beginning of the year		235,351	397,354
Cash and bank balances at the end of the year	13	433,964	235,351

The Group has the following non-cash activities during the year, which is not reflected in the consolidated statement of cash flows.

Non-cash transactions

	Notes	2017 KD	2016 KD
Assignment of an investment property to related party	10	780,000	-
Purchase of Intangible assets	9	10,000	-
Acquisition of a subsidiary through a related party		-	450,000

The notes on pages 10 to 44 form an integral part of these consolidated financial statements.

1. General Information

Dar Al-Thuraya Real Estate Co. K.S.C. (Public) (the "Parent Company") was incorporated on 30 May 2004 in accordance with provisions of Kuwait Companies Law, and was registered with the commercial register on 5 June 2004 under No. 101003.

The objectives for which the Company is established in accordance with the Islamic Sharia are as follows:

- Owning, selling, purchasing, developing real estate and land plots for the Company's account in the State of Kuwait or abroad in addition to third party management, without violation of the provisions stipulated in the applicable laws, and their restriction on trading in private housing plots as stated there in.
- Acquiring, selling and purchasing shares and bonds of the real estate companies only in favour of the company inside and outside Kuwait.
- Preparing studies and providing consultancy in real estate sector in all its types provided that meeting the required terms as for who carries out this profession.
- Carrying out maintenance works related to the buildings and properties owned by the Company and others, including maintenance works and carrying out civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organizing real estate exhibitions for the Company's real estate projects in accordance with the regulations applied in the Ministry.
- Arranging real estate auctions as per the Ministry regulations.
- Acquisition and management of commercial and residential complexes.
- Using the financial surplus available with the Company via investing the same in portfolios managed by specialized companies and entities.
- Direct contribution in the infrastructure of residential, commercial and industrial areas and projects through (B.O.T) system and management of real estate facilities under the same system.

The Company carries out the above activities directly in the State of Kuwait and abroad, for itself or through agency. The Company may have interest or participate in entities with similar activities or that may help the Company achieving its objectives inside Kuwait or abroad. The Company may also establish, participate in, or purchase these entities or affiliate them.

The Parent Company's shares were listed on the Kuwait Stock Exchange on 18 August 2009.

The Company's registered office is situated at P.O. Box 1376 Safat, 13014 - State of Kuwait.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (Note 5.1).

The Parent Company is a subsidiary of Al Madar Finance and Investment Company K.S.C. (Public) (the "Parent Company") which is listed on the Kuwait Stock Exchange, and is a subsidiary of Al Thekair General Trading and Contracting Company W.L.L. (the "Ultimate Parent Company").

1. General Information (Continued)

The consolidated financial statements of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) and its subsidiaries ("the Group") for the year ended 31 December 2017 were authorized for issue by the Parent Company's board of directors on 28 March 2018. The shareholders' of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for certain rights of utilization, investment properties and available for sale investments that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is also functional currency of the Parent Company.

3. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS interpretations Committee applicable to companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB"), and applicable requirements of the Companies Law.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas of significant judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in (Note 6).

4. Application of New and Revised International Financial Reporting Standards (IFRSs)

a) New standards, interpretations and amendments effective from 1 January 2017

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards:

Amendments to IAS 7: Disclosure Initiative
The amendment to this standard which is effective prospectively for annual periods beginning on or after 1 January 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of these amendments did not have any material impact on the current period.

4. Application of New and Revised International Financial Reporting Standards (IFRSs) (Continued)

a) New standards, interpretations and amendments effective from 1 January 2017 (Continued)

Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses
The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that any entity needs to look into whether the tax law limits sources of the taxable profits in return for deducting the amendment resulting from temporary tax differences. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The adoption of these amendments did not have any material impact on the current period.

Annual Improvements to IFRSs 2014 – 2016 Cycle:

Amendments to IFRS 12 - "Disclosure of Interests in Other Entities"
IFRS 12 states that an entity need not provide summarized 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.

b) Standards and interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

Amendments to IFRS 2: Classification and measurement of share-based payment transactions.
This standard will be effective for annual periods beginning on or after 1 January 2018. These amendments address three main aspects as follows:
- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

These amendments are not expected to have any material impact on the Group.

IFRS 9 Financial Instruments
The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and recognition of financial instruments from IAS 39.

4. Application of New and Revised International Financial Reporting Standards (IFRSs) (Continued)

b) Standards and interpretations issued but not effective (Continued)

The directors of the Parent Company anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

IFRS 15 – Revenue from contract with customers
The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue – Barter Transactions Involving Advertising Services.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16: Leases
This standard will become effective for annual periods beginning on or after 1 January 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. As at the date of commencement of the lease, the tenant will acknowledge commitment of paying the lease payments, and a principal amount represents the right to use the concerned principal during lease period.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

IFRS 17: Insurance Contracts
This standard will become effective for annual periods beginning on or after 1 January 2021, and replaces IFRS 4: Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

a) A specific adaptation for contracts with direct participation features (Variable fee approach).
b) A simplified approach (premium allocation approach) mainly for short duration contracts.

These amendments are not expected to have any material impact on the Group.

4. Application of New and Revised International Financial Reporting Standards (IFRSs) (Continued)

b) Standards and interpretations issued but not effective (Continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The interpretation will be effective for annual periods beginning on or after 1 January 2018 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

These amendments are not expected to have any material impact on the Group.

Amendments to IAS 28 – Investment in Associates and Joint Ventures
The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted.

The amendments clarify that:

a) An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
b) If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

These amendments are not expected to have any material impact on the Group.

Amendments to IAS 40 – Transfers of Investment Property
The amendments will be effective for annual periods beginning on or after 1 January 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments are not expected to have any material impact on the Group.

5. Summary of significant accounting policies

5.1. Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company and its subsidiary. Control is achieved when the Parent 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.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements.
- Historic patterns in voting attendance.

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

5. Summary of significant accounting policies (continued)

5.1 Basis of consolidation (Continued)

Subsidiaries (Continued)

When the Parent Company loses control of a subsidiary, a gain or loss is recognised in the statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in the statement of other comprehensive income in relation to that subsidiary are accounted for as if the Parent Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as follows:

Name of the subsidiary	Country of incorporation	Legal entity	Voting rights and equity interest 2017	Voting rights and equity interest 2016	Activity
Al-Thuraya Star Company	State of Kuwait	W.L.L.	99%	99%	General Trading and Contracting
Kuwait Building Real Estate Company	State of Kuwait	K.S.C.C.	96%	96%	Real estate
Pack and Move Holding	State of Kuwait	K.S.C. (Holding)	99.88%	99.88%	Holding
Golden Madar Real Estate Company	State of Kuwait	W.L.L.	98%	98%	Real estate

5.2. Business combinations

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.

5. Summary of significant accounting policies (Continued)

5.2. Business combinations (Continued)

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 acquire and the fair value of the acquirer's previously held interest in the acquired (if any), the excess is recognised immediately in consolidated 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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured 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 consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the statement of other comprehensive income are reclassified to profit and loss where such treatment would be appropriate if that interest were disposed of.

5.3. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated 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, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised.

Depreciation is calculated based on estimated useful life of the applicable assets 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 method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

5. Summary of significant accounting policies (Continued)

5.3. Property, plant and equipment (Continued)

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

Property, plant and equipment include right of use represents industrial plot leased from the State Properties for five years renewable for similar periods, the Group's buildings are erected thereon.

The Group has assessed the useful lives of right of use to be indefinite.

5.4. Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Finite
Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Indefinite
Intangible assets with indefinite useful lives are not amortized. They are tested for impairment annually, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable, otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

5. Summary of significant accounting policies (Continued)

5.4 Intangible assets (Continued)

Indefinite (Continued)

The Group has assessed the useful lives of intangible assets which represent right of use to be indefinite.

The Group has assessed the useful lives of tangible assets which represent key money to be 20 years.

5.5. Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as an investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs, where required.

Subsequent to initial recognition, investment properties are remeasured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are included in the consolidated statement of income. Investment properties are derecognised when they have been disposed.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognised in the consolidated statement of income.

5.6. Projects in Progress

Incurred costs are charged to construction or production of capital assets under projects in progress till construction or production of these assets is complete, at which time it is reclassified as property, plant, investment property, or trading properties. Costs include all direct costs and other costs attributable on reasonable basis.

5. Summary of significant accounting policies (Continued)

5.7. Impairment of non-financial assets

At each consolidated financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

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

5.8. Financial assets

Classification, initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as "loans and receivables", "financial assets at fair value through statement of income", "investments held to maturity" and "available for sale financial assets". The classification depends on the purpose for which financial assets were acquired and it is determined at initial recognition.

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through statement of income. Financial assets carried at fair value through statement of income are initially recognized at fair value and transaction costs are expensed in the consolidated statement of income.

A "regular way" purchase of financial assets is recognized using the trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

5. Summary of significant accounting policies (Continued)

5.8 Financial assets (Continued)

The Group financial assets include available for sale investments, due from related parties, trade and other receivables, bank balances and cash.

The Group didn't classify any of its financial assets as investments at fair value through statement of income or as held to maturity.

Subsequent Measurement
The subsequent measurement of financial assets depends on their classification as follows:

Available for sale financial assets
Available for sale financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through statement of income.

Investments in available for sale financial assets are initially measured at cost which is the fair value of the consideration given. Subsequent to initial recognition, financial assets available for sale are measured at fair value. For investments traded in organized financial markets, fair value is determined by reference to the last quoted bid price at the close of business on the consolidated financial position date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying net asset base of the investment. Investments whose fair value cannot be reliably measured are carried at cost less any impairment loss.

Gains or losses arising from changes in fair value of financial assets available for sale are recognised in other comprehensive income and accumulated in the fair value reserve until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in the fair value reserve is reclassified to the statement of income in the period in which they arise.

Dividends on available for sale equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividends is established.

Trade receivables and other debit balances
Trade receivables and other debit balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables and other debit balances are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. Most of the Company's other receivables fall into this category of financial instruments.

5. Summary of significant accounting policies (Continued)

5.8 Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through statement of income
Financial assets at fair value through statement of income include financial assets for trading and financial assets designated upon initial recognition at fair value through statement of income. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets designated upon initial recognition at fair value through statement of income are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. Financial assets are carried at fair value through profit or loss in the consolidated statement of financial position at fair value, and changes in fair value are recognized in the consolidated statement of income.

Cash and bank balances
Cash and bank balances comprise bank current accounts, savings accounts and cash on hand.

Effective yield rate method
The effective return rate is a method of calculating the amortized cost of a financial asset and of allocating return over the relevant period. The effective yield is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of Financial Assets
Financial assets, other than those at FVTSI, are assessed for indicators of impairment at end of each reporting period. Financial assets are considered to be impaired where 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 asset have been impacted.

For financial assets classified as financial assets available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For receivables and loans and advances, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in yield or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset such as loans, advances and receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, 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 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 yield.

5. Summary of significant accounting policies (Continued)

5.8 Financial assets (Continued)

Impairment of Financial Assets (Continued)
For financial assets carried at amortised cost, the amount of the impairment 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. The carrying amount of the financial asset is reduced by the impairment loss directly.

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

With the exception of financial asset available for sale, 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 financial asset available for sale, impairment losses previously recognised in the consolidated statement of income are not reversed. Any increase in fair value subsequent to an impairment loss is recognized directly in consolidated statement of income and other comprehensive income.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

5.9. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, within the scope of IFRS 39, as financial liabilities at fair value through statement of income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, as for loans and trade payables, less directly attributable transaction costs.

The Group's financial liabilities include due to related parties, Ijara payables and other credit balances.

5. Summary of significant accounting policies (Continued)

5.9 Financial liabilities (Continued)

Subsequent Measurement

Ijara payables
Ijara payables represent the amount payable on a deferred settlement basis for items financed by others in accordance with agreements of Ijara contracts. Ijara payables balance is stated at total of the amount payable, net of finance costs related to the future periods. Future finance costs are amortized when matured on a time proportion basis using the effective interest method.

Trade and other payables
Liabilities are recognised for the amount to be paid in the future for goods or received services, whether billed or not. Trade and other payables are subsequently measured at amortised cost using the effective yield method.

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

5.10. Offsetting of financial instruments

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

5.11. Inventories

Inventories are stated at the lower of cost and net realisable value after making allowance for any slow moving and obsolete items. Cost comprises the purchase price, import duties, transportation, handling and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

5.12. Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5. Summary of significant accounting policies (Continued)

5.13. Employees' end of service indemnity

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. This liability which is unfunded represents the amount payable to each employee as a result of termination on the consolidated financial position date.

5.14. Contingent assets and liabilities

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

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

5.15. Leases

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

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the lease term. 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 in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for lease. 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 in the consolidated statement of income on a straight-line basis over the lease term.

5.16. Foreign currency translation

Functional and presentation currency
The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is also functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5. Summary of significant accounting policies (Continued)

5.16. Foreign currency translation (Continued)

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

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

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

5.17. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised:
- Profit from sale of investment properties is measured by the difference between the sale proceeds and the book value of the investment at the date of sale, and it is recognized at the date of sale.
- Revenues from sale of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred to the buyer on delivery.
- Yield income is recognised on a time proportion basis using the effective yield method.
- Rental income is recognized on a straight-line basis over the term of the relevant lease, and in accordance with nature of the related agreements.
- Other revenues and expenses are recognized on the bases of maturity.
- Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

5. Summary of significant accounting policies (Continued)

5.18. Financing costs

Finance costs that are not directly related to purchasing, investing or producing the qualified asset, are recognised in the consolidated statement of income using the effective yield method in the period in which they are incurred.

5.19. Contribution to Kuwait Foundation for the Advancement of Sciences and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat represent levies/taxes imposed on the Parent Company at the flat percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for financial statements purposes.

Tax/statutory levy	Percentage
Contribution to Kuwait Foundation for the Advancement of Sciences	1.0% of net profit less permitted deductions
Contribution to Zakat	1.0% of net profit less permitted deductions

5.20. National Labour Support Tax

The Group calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit attributable to shareholders of the Parent Company, less permitted deductions.

6. Significant accounting judgments and estimation uncertainty

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimations and assumptions are based on the management's pervious experiences and other relevant factors. Actual results may vary from these estimations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recorded in the periods in which the review and adjustment of the estimates are made if the adjustment related to this particular period. Adjustments are recorded in the review period and future periods if these adjustments to estimates will impact the current period and future financial periods.

Significant accounting judgments

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

6. Significant accounting judgments and estimation uncertainty (Continued)

Significant accounting judgments (Continued)

Useful lives of tangible assets
The Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

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

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

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Classification of financial instruments
Management decides on acquisition of an investment whether it should be classified as at financial assets at fair value through statement of income or available for sale financial asset.

Classification of financial assets at fair value through statement of income depends on how management monitors the performance of these financial assets. The Group classifies financial assets at held for trading if they are acquired primarily for the purpose of short term profit making. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of income in the management accounts, they are classified as designated at fair value through statement of income.

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

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

Key sources of estimation uncertainty

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

6. Significant accounting judgments and estimation uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of non-financial assets
The Group reviews tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Impairment of inventories
Inventories are held at cost or net realisable value whichever is lower. When inventories become old or obsolete, an estimate is made of the required impairment. For significant amounts, estimation is performed on an individual basis. Amounts which are not significant are assessed collectively and a provision is created according to the type of inventory and the length of time past due, based on historical selling rates.

Provision for impairment of trade receivables and other debit balances
Impairment cost reflects estimations of losses resulted from failure or inability of the concerned parties to settle the required amounts. The cost is based on the life of the party's accounts and credit worthy of the client as well as historical write off experience. Any difference between the amounts actually collected in the future period and the amount expected will be recognised in the consolidated statement of income.

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

Valuation of investment properties
The Group records its investment properties at fair value where changes in the fair value are recognized in the consolidated statement of income, three basic methods are used for determining the fair value of the investment properties:

a) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.
b) Income capitalization: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of return from the property as per market inputs, which is known as capitalization rate.
c) Comparative analysis: which base on estimations made by an independent real estate assessor by reference to new actual deals done among other parties for similar properties in location and condition and relying on expertise of such independent real estate assessor.

7. Property, plant and equipment

	Right of utilization	Buildings	Containers	Vehicles	Furniture and fixtures	Office equipment & devices	Work in progress	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
At 1 January 2016	4,948,236	2,300,070	169,853	159,438	109,088	177,324	190,352	8,054,361
Additions	-	10,439	-	23,135	1,051	20,826	34,069	89,520
Disposals	-	-	-	(24,853)	(65)	(4,636)	-	(29,554)
Transfers	-	41,205	-	-	-	-	(41,205)	-
Effect of acquisition of a subsidiary	-	160,393	-	5,870	135,010	545,605	9,980	856,858
At 31 December 2016	4,948,236	2,512,107	169,853	163,590	245,084	739,119	193,196	8,971,185
Additions	-	9,508	-	19,074	8,793	18,073	-	55,448
Disposals	-	(3,228)	-	(7,684)	(43,719)	(60,826)	-	(115,457)
Transfers	-	9,758	183,438	-	-	-	(193,196)	-
At 31 December 2017	4,948,236	2,528,145	353,291	174,980	210,158	696,366	-	8,911,176
Accumulated depreciation								
At 1 January 2016	-	676,754	102,492	77,241	70,956	85,094	-	1,012,537
Charged during the year	-	150,682	18,887	27,504	10,213	60,023	-	267,309
Related to disposals	-	-	-	(23,217)	(162)	(4,527)	-	(27,906)
Impairment	699,231	-	-	-	-	-	-	699,231
At 31 December 2016	699,231	827,436	121,379	81,528	81,007	140,590	-	1,951,171
Charged during the year	-	136,616	27,460	24,162	26,137	82,493	-	296,868
Related to disposals	-	(3,219)	-	(2,548)	(32,561)	(23,014)	-	(61,342)
Impairment	-	-	-	-	-	-	-	-
At 31 December 2017	699,231	960,833	148,839	103,142	74,583	200,069	-	2,186,697
Net carrying value								
At 31 December 2017	4,249,005	1,567,312	204,452	71,838	135,575	496,297	-	6,724,479
At 31 December 2016	4,249,005	1,684,671	48,474	82,062	164,077	598,529	193,196	7,020,014
Annual depreciation rates		5%	10%	20%	20%- 3.33%	20%-3.33%		

Buildings are constructed on a land leased from the government of the State of Kuwait for five years renewable for similar periods.

7. Property, plant and equipment (Continued)

The land leased from the State of Kuwait represents right of use of a plot in Shuwaikh, for a period of five years, to be used in establishing garages, warehouses and showrooms. The contract was renewed for a period of five years starts from 11 May 2017.

The fair value of the Group's right of utilization and buildings as at 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective dates by two independent valuers, one of them is a bank, not related to the Group and the management has adopted the lower valuation. In estimating the fair value of the properties, the highest and best use of the properties and plant is their current use. The Group recognised an impairment loss of Nil (31 December 2016: KD 699,231).

8. Right of utilization

	2017 KD	2016 KD
At 1 January	110,000	170,000
Change in fair value	-	(60,000)
Revaluation surplus adjustments	(109,850)	-
At 31 December	150	110,000

Right of utilization of a subsidiary was recognized at cost as at 31 December 2017 in order to conform the accounting policies with the Parent Company. Accordingly, an amount of KD 109,850 related to the fair value of prior years was reversed.

9. Intangible assets

	Key money KD
Cost	
At 1 January 2016	-
Effect of acquisition of a subsidiary	597,530
At 31 December 2016	597,530
Additions	10,000
Disposals	(64,000)
At 31 December 2017	543,530
Accumulated amortization	
At 1 January 2016	-
Charged during the year	90,070
At 31 December 2016	90,070
Charged during the year	115,670
Related to disposals	(64,000)
At 31 December 2017	141,740
Net carrying value	
At 31 December 2017	401,790
At 31 December 2016	507,460
Annual depreciation rates	5%

10. Investment properties

	2017	2016
	KD	KD
Investment properties		
At 1 January	13,224,999	14,312,999
Transferred to a related party (note 11)	(780,000)	-
Change in fair value	(37,000)	(1,088,000)
At 31 December	12,407,999	13,224,999
Projects in progress		
At 1 January	1,986,801	2,252,150
Additions	32,650	75,487
Change in fair value	37,350	(340,836)
At 31 December	2,056,801	1,986,801
	14,464,800	15,211,800

The fair value of the Group's investment properties as at 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective dates by two independent valuers, one of them is a bank, not related to the Group and the management has adopted the lower valuation. The fair value was determined under level 2 based on the market comparable approach that reflects recent transaction priced for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

During the year ended 31 December 2017, a subsidiary ("Pack & Move Holding Company K.S.C. (Closed)") has assigned an investment property of KD 780,000 (2016: Nil), which represents a plot in Al Rai area, to a related party ("Al Madar Finance and Investment Company K.P.S.C.") (the "Parent Company") in return for settlement of part of the debt payable to them from the Parent Company.

Certain investment properties of the Group were received during the financial year ended 31 December 2017 through Ijara contracts with a promise for purchase by a local bank (Note 18).

11. Related party transactions

Related parties comprise of the Group's major shareholders who are members of the board of directors, board of directors, key management personnel, and subsidiaries in which the Company has representatives in their board. In the normal course of business, subject to approval of the Group's management, transactions were made with such parties during the year ended 31 December 2017. Balances and transactions between the Group and its subsidiaries, which are deemed as related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Balances due from/to related parties and related party transaction are as follows:

	2017	2016
	KD	KD
Consolidated statement of financial position:		
Due from related parties	187,581	196,088
Due to related parties	6,144,476	8,764,930

11. Related party transactions (Continued)

	2017	2016
	KD	KD
Transactions with related parties:		
Investment property transferred to a related party (note 10)	780,000	-
Consolidated statement of income:		
Senior management benefits and salaries	368,753	225,011

Amounts due from / to related parties are interest free and are receivable / payable on demand.

12. Trade receivables and other debit balances

	2017	2016
	KD	KD
Trade receivables	617,838	642,993
Less: provision for doubtful debts	(283,256)	(60,815)
	334,582	582,178
Accrued rentals	750,797	636,454
Less: provision for accrued rentals	(617,258)	(145,000)
	133,539	491,454
Advance payments for projects	33,697	32,060
Staff receivables	12,496	14,124
Prepaid expenses	207,350	54,985
Refundable deposits	73,734	68,746
Other receivables	34,254	29,104
	829,652	1,272,651

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	
	Less than 90 days	From 91 – 180 days	From 181 – 360 days	More than 360 days	Total
2017	179,393	121,085	167,643	900,514	1,368,635
2016	291,413	423,915	358,304	205,815	1,279,447

During the year ended 31 December 2017, the Group recognized a provision for doubtful debts against trade receivables of KD 222,441 (2016: Nil) and a provision for accrued rentals of KD 472,258 (2016: KD 45,000).

The movement of the provision for doubtful debts against trade receivables is as follows:

	2017	2016
	KD	KD
At 1 January	60,815	60,815
Charge for the year	222,441	-
At 31 December	283,256	60,815

12. Trade receivables and other debit balances (Continued)

Movement on provision for accrued rentals is as follows:

	2017	2016
	KD	KD
At 1 January	145,000	100,000
Charged during the year	472,258	45,000
At 31 December	617,258	145,000

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the consolidated financial statements preparation date. It is not the Group's policy to obtain collateral over its trade receivables.

13. Cash and bank balances

	2017	2016
	KD	KD
Bank balances	408,593	217,838
Cash on hand	25,371	17,513
	433,964	235,351

Bank balances represent unrestricted current and saving accounts.

The annual average effective return rate on savings accounts was 0.75% as at 31 December 2017 (31 December 2016: 0.94%).

14. Share capital

The Parent Company's authorized, issued, and fully paid capital is KD 14,650,000 (2016: KD 14,650,000) divided into 146,500,000 shares (2016: 146,500,000 shares) each of 100 fils. All shares are cash shares.

15. Statutory reserve

As required by the Companies Law and the Parent Company's articles of association, as amended, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and board of directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the share capital. This reserve is not available for distribution, except in cases stated by law and parent company's articles of association.

No transfer to statutory reserve was made during the year because the Group incurred losses at date of the consolidated financial statements.

16. Voluntary reserve

As required by the Parent Company's articles of association, as amended, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, National Labour Support Tax, Zakat and board of directors' remuneration is transferred to the voluntary reserve. Such annual transfer may be discontinued by a resolution of the shareholders' general assembly upon recommendation by the board of directors.

No transfer to the voluntary reserve was made during the year because the Group incurred losses at date of the consolidated financial statements.

17. Employees' end of service indemnity

	2017	2016
	KD	KD
At 1 January	384,435	246,249
Effect of acquisition of a subsidiary	-	126,191
Charged during the year	230,970	74,643
Payment during the year	(120,342)	(62,648)
At 31 December	495,063	384,435

18. Ijara payables

	2017	2016
	KD	KD
Ijara payables	2,115,300	-
Future finance costs	(61,247)	-
	2,054,053	-

Ijara payables represent facilities contracts granted by a local bank in return for lease contracts concluded with the bank related to rights of utilization for investment properties, with a promise for purchase as follows:

- Amount of KD 793,275 represents deferred rental value due at end of the contract period on 3 June 2018. The effective yield rate is 5.77% per annum (31 December 2016: nil).
- Amount of KD 1,322,025 represents deferred rental value due at end of the contract period on 5 August 2018. The effective yield rate is 5.78% per annum (31 December 2016: nil).

19. Other credit balances

	2017	2016
	KD	KD
Accrued expenses	318,076	754,604
Rentals paid in advance	48,188	43,912
Accrued zakat	765	-
National Labour Support Tax due	5,587	-
Other creditors	138,246	33,245
	510,862	831,761

20. Net rental income

	2017 KD	2016 KD
Rental income	1,219,090	1,350,830
Rental costs	(197,973)	(241,930)
	1,021,117	1,108,900

21. Other income

Other income includes an amount of KD 368,154 related to one of the Group's subsidiaries ("Pack & Move Holding Company K.S.C.") representing accounts payable for prior years.In which no claims for such amounts to be paid. Management of the subsidiary believes that it is unexpected that such amounts will be claimed in the future.

22. General and administrative expenses

	2017 KD	2016 KD
Employee costs	1,060,013	943,547
Depreciation and amortization	412,538	357,379
Rent	118,000	244,279
Advisory and subscriptions	73,172	27,439
Fees for right of utilization	47,632	42,767
Other	181,882	435,544
	1,893,237	2,050,955

23. Basic and diluted loss per share

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

	2017 KD	2016 KD
Loss for the year attributable to shareholders of the Parent Company (KD)	(585,541)	(2,379,214)
Weighted average number of outstanding shares during the year (share)	146,500,000	146,500,000
Basic and diluted loss per share for the year attributable to the Parent Company's shareholders (fils)	(4.00)	(16.24)

24. Commitments and contingent liabilities

	2017 KD	2016 KD
Letters of guarantee	20,793	15,624

Letters of guarantees represent guarantees against works with governmental bodies during the year.

24. Commitments and contingent liabilities (Continued)

Operating lease Commitments

The minimum operating lease commitments under non-cancellable operating leases are as follows:

	2017	2016
	KD	KD
No later than one year	156,080	134,179
Later than one year but not later than five years	252,183	235,895
	408,263	370,074

Capital costs that were contracted for as at the date of the consolidated financial statements and not incurred yet are as follows:

	2017	2016
	KD	KD
Projects in Progress	-	50,000

25. Proposed dividends and general assembly

The annual General Assembly meeting held on 28 March 2018 approved the consolidated financial statements for the financial year ended 31 December 2017. Moreover, the board of directors recommended not to distribute dividends and board of directors' remuneration for the financial year ended 31 December 2017. This proposal is subject to approval of the annual General Assembly of the shareholders.

The annual general assembly meeting of the shareholders held on 14 August 2017 approved the consolidated financial statements of the Group for the financial year ended 31 December 2016. Moreover, the board of directors recommended not to distribute dividends and board of directors' remuneration for the year ended 31 December 2016.

26. Segment reporting

The management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

Operating Segments
The Group has determined the following two major business segments for internal reporting purposes:

- Investment properties sector
- Financial investment sector.
- Other

26. Segment reporting (Continued)

Financial information about business segments for the year ended 31 December is as follows:

2017

	Investment properties	Financial investments	Other	Total
	KD	KD	KD	KD
Segment assets	21,322,968	437,330	1,697,597	23,457,895
Segment liabilities	6,144,476	2,054,053	1,005,925	9,204,454
Total revenues	1,219,440	-	1,737,338	2,956,778
Segment results	1,037,595	(54,053)	(1,574,414)	(590,872)

2016

	Investment properties	Financial investments	Other	Total
	KD	KD	KD	KD
Segment assets	22,833,268	238,524	1,863,304	24,935,096
Segment liabilities	8,764,930	-	1,216,196	9,981,126
Total revenues	1,350,830	219	1,604,337	2,955,386
Segment results	(364,936)	(234,224)	(1,790,908)	(2,390,068)

Geographical segments:
Financial information about geographical segments for the year ended 31 December is set out below:

	2017		
	Income	Assets	Liabilities
	KD	KD	KD
Inside the State of Kuwait	2,956,778	23,457,895	9,204,454

	2016		
	Income	Assets	Liabilities
	KD	KD	KD
Inside the State of Kuwait	2,955,386	24,935,096	9,981,126

27. Financial risk and capital management

Financial risk factors

The Group's activities expose it to variety of financial risks: e.g. market risk (i.e. foreign currency risk, profit rate risk and equity price risk), credit risk and liquidity risk. The Parent Company's management policies for reducing each of the risks are discussed below. The Group does not use derivative financial instruments based on future speculations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 5 to the consolidated financial statements.

27. Financial risk and capital management (Continued)

27.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises of, foreign currency risk, profit rate risk and equity price risk.

a) Foreign currency risk
Foreign currency risks arise from Company's exposure to fluctuations of foreign currency arising from various currency exposures. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities and net investments in foreign operations. The Group is not exposed to foreign currency risk currently, as there are no financial assets or liabilities in foreign currencies.

b) Profit rate risk
Profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates. The Group is not currently exposed to substantial risks as it has savings account at fixed interest rate. The Group has no other variable yield bearing financial assets or financial liabilities at the consolidated financial statements date.

c) Equity price risk
Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consist principally of available for sale financial assets. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown below.

	Change in equity price 2017	Effect on comprehensive loss for the year 2017	Change in equity price 2016	Effect on comprehensive income for the year 2016
		KD		KD
State of Kuwait	+5%	168	+5%	123

27.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets that are likely to expose the Group to credit losses are mainly composed of "due from related parties", "trade receivables and other debit balances" and "bank balances". The Group's bank balances are deposited with high credit quality financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of the Group's customers and their dispersion across different industries.

27. Financial risk and capital management (Continued)

27.2 Credit risk (Continued)

Credit risk exposure

The book values for financial assets represent the maximum exposure to credit risks. The maximum net exposure to credit risk by class of assets at the financial position date is as follows:

	2017 KD	2016 KD
Due from related parties	187,581	196,088
Trade receivables and other debit balances (excluding advance payments to projects and prepaid expenses)	588,605	1,185,606
Bank balances	408,593	217,838
	1,184,779	1,599,532

Geographic concentration of maximum exposure to credit risk

The maximum exposure to credit risk for financial assets at the reporting date by geographical region and industry wise sector is as follows:

	State of Kuwait KD	Other KD	Total KD
At 31 December 2017			
Due from related parties	187,581	-	187,581
Trade receivables and other debit balances (excluding advance payments to projects and prepaid expenses)	588,605	-	588,605
Bank balances	408,593	-	408,593
	1,184,779	-	1,184,779
At 31 December 2016			
Due from related parties	196,088	-	196,088
Trade receivables and other debit balances (excluding advance payments to projects and prepaid expenses)	1,185,606	-	1,185,606
Bank balances	217,838	-	217,838
	1,599,532	-	1,599,532

	2017 KD	2016 KD
Sector:		
Real Estate and Commercial	776,186	1,381,694
Banks and financial institution	408,593	217,838
	1,184,779	1,599,532

27. Financial risk and capital management (Continued)

27.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

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

The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December, the carrying amounts of the Group's liabilities with maturity less than 12 months are not materially different from their contractual undiscounted value.

2017	**From 3 months to one year**	**Over one year**	**Total**
	KD	KD	KD
Liabilities			
Due to related parties	-	6,144,476	6,144,476
Ijara payables	2,054,053	-	2,054,053
Other credit balances (excluding rents received in advance)	462,674	-	462,674
	2,516,727	6,144,476	8,661,203

2016	**From 3 months to one year**	**Over one year**	**Total**
	KD	KD	KD
Liabilities			
Due to related parties	-	8,764,930	8,764,930
Other credit balances (excluding rents received in advance)	787,849	-	787,849
	787,849	8,764,930	9,552,779

27.4 Capital risk management

The Group's objective when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

27. Financial risk and capital management (Continued)

27.4 Capital risk management (Continued)

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

The Group monitors capital using a gearing ratio, which is net debt divided by total invested capital. The Group recognizes within the net debt Wakala and Ijara payables less cash and bank balances.

Capital represents total equity of the Group.

	2017	2016
	KD	KD
Ijara payables	2,054,053	-
Less: Cash and bank balances	(433,964)	(235,351)
Net debts (surplus)	1,620,089	(235,351)
Equity attributable to shareholders of the Parent Company	14,232,309	14,927,489
Total invested capital	15,852,398	14,692,138
Debt (surplus) to capital ratio	10.22%	(1.6)%

28. Fair value of financial assets and liabilities

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date In the opinion of the Group's management, the carrying values of the financial assets and liabilities as at 31 December are not significantly different from their carrying value.

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

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
	KD	KD	KD	KD
2017				
Financial assets:				
Investments available for sale	3,366	-	-	3,366
Due from related parties	-	-	187,581	187,581
Trade receivables and other debit balances (excluding advance payments to projects and prepaid expenses)	-	-	588,605	588,605
Cash and bank balances	-	-	433,964	433,964
	3,366	-	1,210,150	1,213,516
Financial liabilities:				
Due to related parties	-	-	6,144,476	6,144,476
Other credit balances (excluding rents received in advance)	-	-	462,674	462,674
	-	-	6,607,150	6,607,150

28. Fair value of financial assets and liabilities (Continued)

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
	KD	KD	KD	KD
2016				
Financial assets:				
Investments available for sale	2,467	706	-	3,173
Due from related parties	-	-	196,088	196,088
Trade receivables and other debit balances (excluding advance payments to projects and prepaid expenses)	-	-	1,185,606	1,185,606
Cash and bank balances	-	-	235,351	235,351
	2,467	706	1,617,045	1,620,218
Financial liabilities:				
Due to related parties	-	-	8,764,930	8,764,930
Other credit balances (excluding rents received in advance)	-	-	787,849	787,849
	-	-	9,552,779	9,552,779

Financial and non-financial assets measured at fair value

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (inputs relating to prices).
- Level 3: inputs are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial and non-financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2017	Level 1	Level 2	Total
	KD	KD	KD
Non-financial assets			
Investment properties	-	14,464,800	14,464,800
Financial assets			
Investments available for sale	3,366	-	3,366
Total	3,366	14,464,800	14,468,166

28. Fair value of financial assets and liabilities (Continued)

31 December 2016	Level 1	Level 2	Total
	KD	KD	KD
Non-financial assets			
Investment properties	-	15,211,800	15,211,800
Financial assets			
Investments available for sale	2,467	-	2,467
Total	2,467	15,211,800	15,214,267

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

All other financial assets and financial liabilities carried at amortised cost approximate their fair values at the consolidated financial position date.

The valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous consolidated financial statements period.

29. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation. Such reclassification did not affect previously reported loss, equity or opening balances for the preceding comparative period and accordingly a third consolidated statement of financial position is not presented.