Consolidated financial statements and independent auditor's report

International Financial Advisors – KPSC and Subsidiaries

Kuwait

31 December 2017

Contents

GrantThornton
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Independent auditor's report

To the shareholders of
International Financial Advisors – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of International Financial Advisors – KPSC – Kuwaiti Public Shareholding Company (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 profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to the following matters:

a) Note 7 to the consolidated financial statements which indicates that the Group incurred a loss of KD9,310,285 for the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by KD29,036,864.

b) Notes 7 and 26 to the consolidated financial statements which indicate that the Parent Company is currently actively working to renegotiate loans that include certain past due instalments of its outstanding loans and signed a preliminary agreement subsequent to the reporting date to restructure loan amounting to KD42,990,792 due to a foreign bank. Negotiations with the other bank are currently in progress.

These events or conditions may indicate that a material uncertainty exists that may affect the Group's ability to continue as a going concern. Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Independent Auditor's Report to the Shareholders of International Financial Advisors - KPSC (continued)

Key Audit Matters (continued)

Revenue recognition
IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted either based on a full retrospective or modified retrospective application. At the end of the year 2015, the Group reviewed the impact of IFRS 15 on its revenue and elected to early adopt the standard using modified retrospective application from 1 January 2015. The resulting revenue is recognized as per the percentage of completion. The revenue recognized during the year ended 31 December 2017 in respect of properties under development (completion) amounted to KD26,595,333, which is considered material to the consolidated financial statements, and is based on significant judgments and assumptions such as determining the percentage of completion at a point in time and assessing how control passes to the buyer, which is significant to our audit. Accordingly, we considered this as a key audit matter.

Our audit procedures included, among others, using the report of an independent valuation expert to verify the percentage of completion of each development project as at the reporting date, and assessing the methods and assumptions used by the expert. Further, we assessed the adequacy and appropriateness of the disclosures in relation to the accounting policies adopted and the critical judgments and assumptions made.

Impairment of goodwill
The Group has goodwill with carrying value of KD38,550,102 as at 31 December 2017. The impairment test of goodwill performed by an independent valuation expert is significant to our audit because the assessment of recoverable amount of goodwill is complex and requires considerable judgements. Estimates of future cash flows are based on variables such as the growth, economic conditions such as the economic growth and expected inflation rates and yield. Accordingly, we considered this as a key audit matter.

As part of our audit procedures, we obtained the valuation report of the independent expert and tested the reasonableness of key assumptions, including profit forecasts and selection of growth rates and discount rates. We challenged assumptions and tested the integrity of supporting calculations and corroborated certain information with third party sources. We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions.

We also assessed the adequacy of the Group's disclosures regarding those assumptions, which are disclosed in Note 21 to the consolidated financial statements.

Impairment of properties under development
Under IFRS, the Group is required to carry its properties under development at the lower of cost and net realizable value. This requires management to estimate the current market selling prices of the property units and to compare them to the estimated costs of completing the units which remain unsold at year end. This assessment requires significant management judgments and assumptions, specially over the estimated future price at which a unit is likely to sell, and is prone to subjectivity since establishing the reliability of sources used to draw comparisons of market prices is critical. Further, every seller in the market is expected to have a different motive and circumstance, and similarly every unit of property in a project may not have homogenous specifications. Accordingly, we considered this as a key audit matter.

Our audit procedures included determination of the reasonableness of the estimated selling prices of the unsold property units. We inquired and observed management's estimates in the light of current market prices of properties of comparable sizes and characteristics in the area through the use of online real estate trading portals, as well as recent pattern of variations between actual selling prices and pre-sale available selling prices. We also assessed the adequacy of the disclosures in relation to the critical judgments and assumptions.

Independent Auditor's Report to the Shareholders of International Financial Advisors - KPSC (continued)

Key Audit Matters (continued)

Group audit and subsidiaries
The Group has a large number of subsidiaries. which are significant to the Group's consolidated financial statements. The geographically dispersed structure increase the complexity of the Group's control environment and our ability as a Group auditor to obtain an appropriate level of understanding of these entities including any related party transactions. Due to these factors and the significance of the subsidiaries to the Group's consolidated financial statements, this is considered as a key audit matter.

Our audit procedures included, among others, determining the nature and extent of audit procedure to be carried out for subsidiaries and selecting significant subsidiaries based on the size and/or risk profile of these subsidiaries. During our audit we considered the geographical diversity of Group's structure and have extended our involvement in local audit work performed by the component auditors. We organized meetings and held discussions with components in our audit scope. We further discussed the audit approach with significant subsidiaries auditors and also provided detailed instructions to them covering the significant areas and risks to be covered including the identification of related parties and transactions with them. We also set out the information required to be reported back to us as part of the Group reporting.

Other information included in the Group's 2017 annual report
Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Independent Auditor's Report to the Shareholders of International Financial Advisors - KPSC (continued)

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

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

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

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

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

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

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

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

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

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.

Independent Auditor's Report to the Shareholders of International Financial Advisors - KPSC (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our 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
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business or the consolidated financial position of the Parent Company, except for the matter referred to in Note 1 with respect to the vacant position of chief executive officer.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2017 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware, of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of the banking business, and its related regulations during the year ended 31 December 2017 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
29 March 2018

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue			
Interest income		356,396	228,354
Management and consultancy fees		331,832	332,880
Dividend income		224,767	294,864
Net income from hoteliers and related services	9	25,143,687	19,886,066
Net (loss)/gain from investments	10	(2,351,757)	226,026
Gain on sale of subsidiaries		-	4,610,795
Net gain from investment properties	11	445,234	3,335,363
Share of results of associates		2,229,926	3,203,176
Net gain/(loss) on sale of shares in investment in associates		2,499,443	(541,528)
Gain on sale of property, plant and equipment	24	-	1,601,206
Reversal of provisions no longer required	12	4,638,500	53,338
Net other income	13	1,375,022	2,371,688
		34,893,050	35,602,248
Expenses and other charges			
Staff costs		(6,065,376)	(5,768,195)
Other operating expenses and charges		(17,420,185)	(15,708,379)
Impairment of investment in associates	20	(1,442,811)	(30,759)
Impairment of available for sale investments	18	(1,557,693)	(1,519,085)
Impairment of goodwill	21	(1,663,767)	-
Depreciation	24	(3,398,982)	(3,640,231)
Finance costs		(14,003,066)	(12,234,270)
		(44,551,880)	(38,898,919)
Loss before taxation		(9,656,830)	(3,296,671)
Taxation on overseas subsidiaries		346,545	164,327
Loss for the year		(9,310,285)	(3,132,344)
Loss for the year attributable to :			
Owners of the Parent Company		(8,263,609)	(2,690,381)
Non-controlling interests		(1,046,676)	(441,963)
Loss for the year		(9,310,285)	(3,132,344)
Basic and diluted loss per share attributable to the owners of the Parent Company	14	(12.28) Fils	(4.00) Fils

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Loss for the year	**(9,310,285)**	(3,132,344)
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to the consolidated statement of profit loss:		
Realisation of foreign currency translation related to non-operating subsidiary (note 20 b)	**2,880,593**	-
Available for sale investments:		
- Net change in fair value arising during the year	**(1,053,042)**	(2,237,682)
- Transferred to consolidated statement of profit or loss on sale	(886,797)	-
- Transferred to consolidated statement of profit or loss on impairment	1,557,693	1,519,085
Share of other comprehensive income of associates	**2,319,177**	645,330
Exchange differences arising on translation of foreign operations	**(132,749)**	(3,655,099)
Total other comprehensive income/(loss)	**4,684,875**	(3,728,366)
Total comprehensive loss for the year	**(4,625,410)**	(6,860,710)
Total comprehensive loss for the year attributable to:		
Owners of the Parent Company	**(5,349,969)**	(5,184,941)
Non-controlling interests	**724,559**	(1,675,769)
	(4,625,410)	(6,860,710)

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2017 KD	31 Dec. 2016 KD
Assets			
Cash and bank balances		12,190,584	8,647,293
Investments at fair value through profit or loss		95,304	246,992
Receivables and other assets	16	21,172,332	17,249,063
Due from related parties		1,927,648	487,027
Trading properties	17	9,410,633	7,511,097
Available for sale investments	18	15,117,502	22,669,789
Investment properties	19	6,542,067	10,626,813
Investment in associates	20	38,832,258	41,103,181
Goodwill	21	38,550,102	40,174,557
Properties under development	22	81,785,579	70,748,732
Capital work in progress	23	46,643,792	46,560,974
Property, plant and equipment	24	104,544,237	103,529,030
Total assets		376,812,038	369,754,548
Liabilities and equity			
Liabilities			
Payables and other liabilities	25	73,530,205	62,652,236
Due to related parties		25,136,045	21,448,538
Borrowings	26	195,245,229	194,304,431
Advances received from customers	27	3,537,737	7,361,111
Total liabilities		297,449,216	285,766,316
Equity			
Share capital	28	72,000,000	72,000,000
Share premium	28	11,973,061	11,973,061
Treasury shares	29	(32,757,404)	(32,757,404)
Treasury shares reserve	29	104,935	104,935
Statutory and voluntary reserves	30	32,757,404	32,757,404
Fair value reserve		7,958,281	6,408,275
Foreign currency translation reserve		(6,294,013)	(7,657,647)
Accumulated losses		(41,641,742)	(33,378,133)
Total equity attributable to the owners of the Parent Company		44,100,522	49,450,491
Non-controlling interests	8	35,262,300	34,537,741
Total equity		79,362,822	83,988,232
Total liabilities and equity		376,812,038	369,754,548

Saleh Saleh Al-Selmi
Chairman

Talal Jassim Al-Bahar
Vice Chairman

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2017	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	6,408,275	(7,657,647)	(33,378,133)	49,450,491	34,537,741	83,988,232
Loss for the year	-	-	-	-	-	-	-	(8,263,609)	(8,263,609)	(1,046,676)	(9,310,285)
Other comprehensive income	-	-	-	-	-	1,550,006	1,363,634	-	2,913,640	1,771,235	4,684,875
Total comprehensive income/(loss) for the year	-	-	-	-	-	1,550,006	1,363,634	(8,263,609)	(5,349,969)	724,559	(4,625,410)
Balance at 31 December 2017	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	7,958,281	(6,294,013)	(41,641,742)	44,100,522	35,262,300	79,362,822
Balance at 1 January 2016	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	6,481,542	(5,236,354)	(30,687,752)	54,635,432	34,890,394	89,525,826
Sale of subsidiary	-	-	-	-	-	-	-	-	-	1,302,766	1,302,766
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	20,350	20,350
Transactions with owners	-	-	-	-	-	-	-	-	-	1,323,116	1,323,116
Loss for the year	-	-	-	-	-	-	-	(2,690,381)	(2,690,381)	(441,963)	(3,132,344)
Other comprehensive loss	-	-	-	-	-	(73,267)	(2,421,293)	-	(2,494,560)	(1,233,806)	(3,728,366)
Total comprehensive loss for the year	-	-	-	-	-	(73,267)	(2,421,293)	(2,690,381)	(5,184,941)	(1,675,769)	(6,860,710)
Balance at 31 December 2016	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	6,408,275	(7,657,647)	(33,378,133)	49,450,491	34,537,741	83,988,232

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
	KD	KD
OPERATING ACTIVITIES		
(Loss)/profit for the year	(9,310,285)	(3,132,344)
Adjustments:		
Gain on sale of available for sale investments	2,311,688	(271,819)
Gain on sale of investment properties	(164,049)	(1,708,768)
Gain on sale of subsidiaries	-	(4,610,795)
Gain on sale of property, plant and equipment	-	(1,601,206)
Change in fair value of investment properties	(281,185)	(1,626,595)
Impairment of goodwill	1,663,767	-
Impairment of available for sale investments	1,557,693	1,519,085
Impairment of investment in associates	1,442,811	30,759
Dividend income	(224,767)	(294,884)
Interest income	(356,396)	(228,354)
Finance costs	14,003,066	12,234,270
Realisation of foreign currency translation reserve	2,880,593	-
Reversal of provisions no longer required	(4,638,600)	-
Depreciation	3,398,982	3,640,231
Share of results of associates	(2,229,926)	(3,203,176)
Net loss on sale of shares in investment in associates	(5,697,318)	541,528
Foreign exchange loss on non-operating liabilities	512,594	377,782
	4,868,768	1,665,714
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	151,688	285,095
Receivables and other assets	(3,923,269)	2,757,157
Due from related parties	(436,183)	1,529,936
Trading properties	(1,899,536)	(24,651)
Payables and other liabilities	8,750,935	(8,706,302)
Due to related parties	3,687,507	(3,214,207)
Advances received from customers	(3,823,374)	(7,347,030)
Cash from/(used in) operating activities	7,376,536	(13,054,288)
Dividend income received	224,767	294,884
Interest income received	356,396	228,354
Finance costs paid	(11,876,032)	(9,549,112)
Net cash used in operating activities	(3,918,333)	(22,080,162)

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
INVESTING ACTIVITIES			
Proceeds from sale of subsidiaries		-	6,086,918
Net movement in investment in associates		2,544,109	1,995,342
Proceeds from sale of shares in investment in associates		9,909,018	311,643
Net movement in properties under development		(11,068,520)	(1,007,342)
Additions to capital work in progress		-	(139,587)
Net movement in property, plant and equipment		(2,273,654)	(1,182,824)
Proceeds from sale of property, plant and equipment		-	3,205,880
Proceeds from redemption of available for sale investments		5,928,770	229,310
Proceeds from sale of investment properties		5,356,830	2,852,889
Purchase of available for sale investments		(2,635,861)	-
Net cash from investing activities		7,760,692	12,152,229
FINANCING ACTIVITIES			
Proceeds from bank loans		23,584,763	18,955,028
Repayment of bank loans		(23,104,190)	(12,395,338)
Change in non-controlling interests		-	103,420
Net cash from financing activities		480,573	6,663,110
Increase/(decrease) in cash and cash equivalents		4,322,932	(3,264,823)
Foreign currency adjustment		(779,641)	(718,610)
Cash and cash equivalents at beginning of the year	15	8,300,847	12,284,280
Cash and cash equivalents at end of the year	15	11,844,138	8,300,847

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

International Financial Advisors – KPSC ("the Parent Company") is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is regulated by the Central Bank of Kuwait and the Capital Market Authority of Kuwait as an investment company.

The Parent Company is principally engaged in providing following activities:

1. Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the company's objectives for its account and for the account of third parties inside or outside the State of Kuwait.

2. Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait.

3. Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account.

4. Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukuks and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities.

5. Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait.

6. Provide economic advice related to investment and hold courses, issue brochures of various investment activities for individuals, local and foreign companies and institutions.

7. Prepare and provide technical, economic and assessment studies and consultations and prepare feasibility studies for various investment activities and other studies, examining the technical, financial and administrative aspects related to these activities for its account or for the account of third parties inside or outside the State of Kuwait.

8. Establish and manage the collective investment systems and local and foreign investment funds of all kinds and contribute to their establishment for the account of the company and for the account of third parties in accordance with the regulating laws, rules and conditions specified by the competent regulatory authorities; put its stakes or units to subscription so that the company's contributions to the share capital of the collective investment system or the investment fund shall not be less than the minimum limit specified by the regulatory authorities; sell or purchase stakes or units in the local or foreign collective investment systems or investment funds for its account and for the account of third parties or market same, provided the necessary approvals are obtained from the competent regulatory authorities; act as investment custodian, investment monitor and investment advisor in general for the investment funds inside or outside the State of Kuwait in accordance with the regulating laws.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities of the Parent Company (continued)

9. Invest funds for its account and for the account of third parties in the various aspects of investment inside or outside the State of Kuwait and acquire movable and immovable assets.

10. Act as the issuance manager for the securities issued by the local and foreign government and private companies, institutions and bodies and act as the subscription agent, listing advisor, investment custodian and monitor, including publications management and commitments of subscription operations management, receiving applications and covering subscription thereto.

11. Perform all advisory services that help develop and strengthen the ability of financial and monetary market in the State of Kuwait and meet its requirements within the limits of the law and the decisions or instructions issued by the competent regulatory authorities (after obtaining the necessary approvals from those authorities).

12. Mediate in financing operations, structure and manage the financing arrangements of the local and international companies, institutions, bodies and projects in the various economic sectors in accordance with the rules and conditions specified by the competent regulatory authorities.

13. Carry out all the works related to the activities for the arrangement and management of consolidation, acquisition and separation operations for the local and foreign government and private companies, institutions and bodies.

14 Lending, borrowing and issuance of financial guarantees in the scope of achieving the company's objectives.

15. Do brokerage in selling foreign currencies against commission by doing mediation between the sellers and buyers of foreign currencies including the requirements of providing the services of dealers in foreign exchange markets, such as giving advice and doing the necessary contacts by telex, telephone and other means of communication.

16. During commencement of its objectives, the company is prohibited to open current or saving accounts or accept deposits or open documentary credits or represent foreign banks for third parties.

17. Deal and trade in the foreign exchange market and precious metals market inside and outside the State of Kuwait for the company's account only, without prejudice to the prohibition established under the Ministerial Resolution promulgated for organizing CBK's supervision on investment companies.

18. Act as financial, economic and administrative advisors for the companies and institutions operating in Kuwait and Middle East countries.

19. Sell and purchase securities of the companies similar to the company's account inside or outside the State of Kuwait.

20. Manage investment for third parties and manage third parties' portfolios and do financial mediation, provided this does not include brokerage in the shares listed on Kuwait Stock Exchange.

21. Acquire movables and properties necessary to start the company's activities within the limits permitted by the Law.

22 Utilize the surplus funds available with the company by investing same in financial portfolios managed by specialized companies and authorities.

The company may have interest or participate in any way with the companies, institutions and authorities which practice similar activities or which assist it in achieving its objectives inside or outside the State of Kuwait. The company may also open branches inside or outside the State of Kuwait in such a way that does not conflict with the Companies Law and the instructions of the regulatory authorities.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities of the Parent Company (continued)

The Group comprises the Parent Company and its subsidiaries as detailed in note 8.

The address of the Parent Company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

The Parent Company has not yet appointed a chief executive officer which is a requirement of the companies law. The Parent Company intends to appoint a chief executive officer as soon as practically possible.

The Parent Company's board of directors approved these consolidated financial statements for issue on 29 March 2018 and are subject to the approval of the general assembly of the shareholders.

2 Basis of preparation

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

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

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and a "statement of profit or loss and other comprehensive income".

3 Statement of compliance

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

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses – Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

IAS 7 Statement of Cash Flows- Amendments

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

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement;

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IAS 7 Statement of Cash Flows- Amendments (continued)

- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses;
  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

The Group's liabilities arising from financing activities comprise of borrowings. There were no material non-cash transactions on those accounts and accordingly, no separate disclosure was made in these consolidated financial statements. Apart from these additional disclosures requirement the application of the amendments did not have any impact on the consolidated financial statements of the Group.

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments
The Amendments to IAS 12 make the following changes:

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

The application of the amendments did not have any significant impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B10-B16) apply to an entity's interests in a subsidiary, joint venture or an associate irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

The application of the amendments did not have any impact on the consolidated financial statements of the Group as none of the Group entities are classified as, or included in disposal group that is classified as held for sale.

4.2 IASB Standards issued but not yet effective and not early adopted

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective and not early adopted (continued)

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 4 and IFRS 9 - Amendments	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over income tax treatments	1 January 2019

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

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

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

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

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 4 and IFRS 9 - Amendments

The Amendments provide entities that issue insurance contracts with temporary accounting solutions for the practical challenges of implementing IFRS 9 before the forthcoming new Insurance Contracts Standard.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective and not early adopted (continued)

IFRS 9 Financial Instruments

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

The main areas of expected impact are as follows:

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value Through Other Comprehensive Income (FVTOCI) and Fair Value Through Profit or Loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at FVTOCI will be recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVTOCI will be recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets will continue to be recognised in profit or loss.

The Company will apply IFRS 9 retrospectively and recognize any difference between the previous carrying amount and the carrying amount as at 1 January 2018 in opening retained earnings. The Company will not restate prior periods.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the Group as follows:

Classification and measurement:

Management holds debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost.

As a result of new classifications, equity investments amounting to KD15,117,502 will be reclassified from Available for Sale to FVTOCI.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective and not early adopted (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement: (continued)
Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Impairment:
IFRS 9 requires the Group to record expected credit losses on all of its debt securities, instalment credit loans and trade receivables, due from related parties either on a 12-month or lifetime basis. Instalment credit debtors are subject to the minimum provisioning requirements of the Central Bank of Kuwait. Management believes that the impairment allowance for the instalment credit debtors under the CBK requirements exceed the requirements of IFRS 9.

The Group expects to apply simplified approach to impairment for accounts receivable and other assets and due from related parties as required or permitted under the standard.

However, the Group doesn't expect to recognise any material impairment losses on its accounts receivable and due from related parties.

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

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective and not early adopted (continued)

IFRS 17 Insurance Contracts
IFRS 17 will replace IFRS 4 Insurance contracts and The Standard introduces insurance contract measurement principles requiring:

- current, explicit and unbiased estimates of future cash flows
- discount rates that reflect the characteristics of the contracts' cash flows
- explicit adjustment for non-financial risk.

Day one profits should be deferred as a contractual service margin and allocated systematically to profit or loss as entities provide coverage and are released from risk. Revenue is no longer equal to written premiums but to the change in the contract liability covered by consideration.

A separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating contracts. Increased disclosure requirements apply.

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts provided certain criteria is met.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements [or alternatively impact should be specified or a statement saying it cannot be quantified at present.

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

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective and not early adopted (continued)

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

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRIC 23 Uncertainty over income tax treatments
The Interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specified item of income in a tax return is an uncertain treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

4.3 IASB Standards issued but not yet effective and early adopted

IFRS 15 Revenue from Contracts with Customers
IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance which is currently found across several standards and interpretations with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group reviewed the impact of IFRS 15 on its revenue from operations and during a previous year elected to early adopt it with effect from 1 January 2015 as the Group considers it better reflects the real estate business performance of the Group. The Group opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly, the standard was applied to the year ended 31 December 2015 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2016 in the form of an adjustment to the opening balance of retained earnings as at that date.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.3 IASB Standards issued but not yet effective and early adopted (continued)

IFRS 15 Revenue from Contracts with Customers (continued)
Adjustments to the opening statement of financial position as at 1 January 2015 is detailed below:

	31 Dec. 2014 KD	Adjustments/ reclassification KD	1 Jan. 2015 KD
Assets			
Properties under development	158,251,603	(96,583,628)	61,667,975
Trading properties	4,023,921	4,080,984	8,104,905
Receivables and other assets	19,304,942	96,690	19,401,632
Liabilities			
Advances received from customers	132,256,127	(104,769,468)	27,486,659
Payables and other liabilities	63,205,915	2,708,569	65,914,484
Equity			
Accumulated losses attributable to the owners of the Parent Company	(65,513,413)	5,537,526	(59,975,887)
Non-controlling interests	24,033,307	4,117,415	28,150,722

The table below represents impact on revenue, cost of revenue and expenses for the year ended 2016 had the earlier policy for revenue recognition been continued during the year 2015:

	As per IFRS 15 KD	As per the old policy KD	Impact due to change KD
For the year ended 31 December 2015			
Net income from hoteliers and related services	23,092,819	17,123,543	5,969,276
Other operating expenses	(15,365,920)	(15,246,941)	(118,979)
Net impact	7,726,899	1,876,602	5,850,297

Refer note 5.6.1 for description of accounting policy for revenue recognition under IFRS 15.

5 Summary of significant accounting policies

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

5.1 Basis of consolidation

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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

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

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

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

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

5.2 Business combinations, joint venture and joint operations

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

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

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquire's financial statements prior to the acquisition.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

5.4 Investment in associates, joint ventures and joint operations

5.4.1 Investment in associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Joint venture is an arrangement that the Group controls jointly with one or more other investor, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate and joint venture is not recognised separately and is included in the amount recognised as investment in associates and joint ventures.

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

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate and joint ventures is shown on the face of the consolidate statements of profit or loss. This is the profit attributable to equity holders of the associate and joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate and joint venture.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate and joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint ventures is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint ventures and its carrying value and recognises the amount under a separate heading in the consolidated statement of profit or loss.

Upon loss of significant influence and joint control over the associate and joint ventures, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate and joint venture upon loss of significant influence and joint control and the fair value of the retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates and joint ventures (continued)

5.4.2 Investment in joint operations

A joint operator recognises in relation to its interest in a join operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the same of its share of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly

A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant IFRSs.

The acquirer of an interest in a joint operation in which the activity constitutes a business as defined in business combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. These requirements apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interest are not re-measured).

5.5 Segment reporting

The Group has four operating segments: the assets management, treasury and investments, real estate and other. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transactions are carried out at arm's length prices.

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

5.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made.

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

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

5.6.1 Revenue from contracts with customers

IFRS 15 'Revenue from Contracts with Customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model, explained below, which will apply to revenue arising from contracts with customers.

Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue recognition (continued)

5.6.1 Revenue from contracts with customers (continued)

Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract which has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as is the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance obligations completed to date.

The Group allocates the transaction price to the performance obligations in a contract, based on the input method, which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable can be measured reliably.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue recognition (continued)

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

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

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

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

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

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

5.6.6 Income from hotel operations and other related services
Income from hotel includes hotel services revenue, food and beverage and room revenue.

Income from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services on the performance of services.

5.6.7 Income from sale of properties
Revenue on sale of condominiums is recognised when risk and reward related to property has been transferred to customer. Risk and reward are transferred when legal notice is served to customer to take the possession of the property or on actual hand over to the customer. Income from sale of properties is shown net of all direct expenses in the consolidated statement of profit or loss.

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

5.8 Cost of sale of properties
Cost of sale of properties includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of sale of condominiums is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

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

5.10 Taxation

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

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

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

For the years ended 31 December 2017 and 31 December 2016, the Parent Company has no liabilities towards KFAS due to accumulated losses. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior year is permitted.

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

5.11 Property, plant and equipment
Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees for qualifying assets, and the borrowing costs incurred in accordance with the Group's accounting policies.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under development over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Property, plant and equipment (continued)
Plant and equipment, furniture and fixtures, motor vehicles and yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss.

5.12 Investment properties
Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within "change in fair value of investment properties" and "gain/loss on sale of investment properties"

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

5.13 Property under development
Property under development represents properties under development/construction for trade, which are stated lower of cost and net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to property under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any, are transferred to trading properties. Properties under development is disclosed net of transfer to cost of properties sold under IFRS 15.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14 Capital work-in-progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed according to circumstances to make sure that there is no impairment loss in value or that the carrying value may not be recoverable. If any such indication exists and when the carrying value is declined, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalized as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised.

5.15 Trading properties

Trading properties include purchase and development costs of completed unsold real estate properties. Development costs include planning, maintenance and service costs. Trading properties are recorded at the lower of cost and net realisable value. Cost are those expense incurred in brining each property to its present condition. Net realisable value is based on estimated selling price less any further cost expected to be incurred on disposal.

5.16 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments

5.17.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
  - (a) the Group has transferred substantially all the risks and rewards of the asset or
  - (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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

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

5.17.2 Classification and subsequent measurement of financial assets

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

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

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

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

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.2 Classification and subsequent measurement of financial assets (continued)

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

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

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

The Group categorises loans and receivables into following categories:

- *Loans and advances*

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

- *Trade receivables*

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

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less due to bank.

- ***Financial assets at FVTPL***

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

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

- ***AFS financial assets***

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.2 Classification and subsequent measurement of financial assets (continued)

- ***AFS financial assets (continued)***

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

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

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

5.17.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, payables and other liabilities, advances received from customers and due to related parties.

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

- *Payables and other liabilities*

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

- *Borrowings*

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

- *Advances received from customers*

Advances received from customers represent money received from customers towards instalments for properties they have contracted to purchase in accordance with the terms of the sale agreements.

- *Due to related parties*

Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.18 Amortised cost of financial instruments

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

5.19 Trade and settlement date accounting

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

5.20 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.

5.21 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

5.22 Advances received from customers

Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements as well as for the membership at beach club. Advances received from customers are stated net of revenue recognised during the period under IFRS15.

5.23 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognized in consolidated statement of profit or loss in the period in which they become receivable.

5.24 Equity, reserves and dividend payments

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.24 Equity, reserves and dividend payments (continued)

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's articles of association.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.
Fair value reserve – comprises gains and losses relating to available for sale financial assets.

Accumulated losses include all current and prior period profits and losses. All transactions with owners of the Parent Company are recorded separately within equity.

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

5.25 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the " gain of the sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.26 Provisions, contingent assets and contingent liabilities

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.27 Foreign currency translation

5.27.1 Foreign currency transactions

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

5.27.2 Foreign operations

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

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

5.28 End of service indemnity

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

In addition to the end of service indemnity, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries.

5.29 Fiduciary assets

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

5.30 Related party transactions

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

6 Significant management judgements and estimation uncertainty

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

6.1.2 Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances, the Group recognises revenue over time. Where this is not the case, revenue is recognised at a point in time.

6.1.3 Classification of real estate

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

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

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

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

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

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

6.2.1 Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6.2.2 Impairment of associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

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

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

6.2.5 Impairment of loans to customers
An estimate of the collectible amount of loans to customers is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.6 Estimation of impairment of property, plant and equipment and capital work-in progress and their useful lives

The Group's management tests annually whether property plant and equipment and capital work-in progress have suffered impairment in accordance with the accounting policies stated within note 5 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives of property plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

6.2.7 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

6.2.8 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. (see note 38).

6.2.9 Percentage of completion

The Group recognises accrual for capital work in progress and properties under development based on the percentage of completion method. The percentage of work completion is determined by the independent lead consultant of the respective projects.

The percentage of completion method is applied on a cumulative basis in each accounting year to the current estimates of accrual for capital work in progress and property under development. Any change in estimate for determination of accruals for capital work in progress and property under development is recognised in current consolidated statement of financial position.

6.2.10 Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

6.2.11 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair value as at 31 December 2017 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.12 Impairment of development properties

The Group reviews the realisable values of development properties to assess if there is an indication of impairment. In determining whether the impairment losses should be recognised in the consolidated statement of profit or loss, management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the selling proceeds are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties recognised within properties under development in the consolidated statement of financial position to net realisable value.

7 Fundamental accounting concept

As at 31 December 2017, the Group's current liabilities exceeded its current assets by KD29,036,864. However, management confirms that this situation is temporary as it is working on restructuring the Group's asset based investments and re-negotiating the loan instalments payments terms and dates.

Management of the Parent Company and its subsidiary, IFA Hotels and Resorts, is currently negotiating with its lenders to restructure all its debts as appropriate with its current and future requirements to complete the existing projects and provide the necessary liquidity to finance its activities and achieve the best return on its assets either by sale or operations. Out of the total borrowings amounting to KD195,245,229 as of the reporting date, the Parent Company's direct aggregate borrowings amounts to KD75,545,792. The remaining borrowing balance of KD119,699,437 obtained by the Group's subsidiary "IFA Hotels and Resorts - KPSC" is regular.

As stated in note 26, instalments of KD24,352,665 (including interest) are past due on borrowings granted to the Parent Company by certain banks. However, management of the Parent Company successfully signed a preliminary agreement, subsequent to the reporting date, to settle part of the total outstanding loan of KD42,990,792 due to a foreign bank and to reschedule the remaining balance. The Parent Company is also currently negotiating with a local bank to restructure the total loan amounting to KD8,555,000. Accordingly, due to the active negotiations currently in progress with these banks, management of the Parent Company believes the provisions of the loan agreements will not be applied to the entire outstanding borrowings as a result of non-payment of such instalments, and therefore, this matter will not be a reason, in any way, for the Group's inability to continue as a going concern.

Furthermore, management of the Group believes that as the Group's assets approximately represent twice the outstanding borrowings balance of the Group, it is adequate to repay these borrowings in full and maintain shareholders' equity, noting that the carrying value of the assets is less than the estimated market value on that date. Accordingly, these consolidated financial statements have been prepared under a going concern basis.

Notes to the consolidated financial statements (continued)

8 Subsidiary companies

Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of Incorporation	Ownership percentage		Principal activity
		31 Dec. 2017 %	31 Dec. 2016 %	
IFA Hotels and Resorts Co.– KPSC	Kuwait	**57.357**	57.357	Hotel operations
First Takaful Insurance Company – KPSC	Kuwait	**90.98**	90.98	Insurance
Seven Seas Resorts Co. – KSCC	Kuwait	**63.566**	63.566	Hotel operations
Gulf Real Estate Co. – WLL	Kuwait	**46.318**	46.318	Real estate
IFA Aviation Co. – KSCC	Kuwait	**74.8**	74.8	Aviation
Radeem Real Estate Co. – SAL	Lebanon	**99.9**	99.9	Real estate
Dana Real Estate Co. – SAL	Lebanon	**96.67**	96.67	Real estate
Suhail Telecommunication Services Company-KSCC	Kuwait	**99**	99	Telecommunication

The Group has pledged 95% (31 December 2016: 92%) of the Group's investment in IFA Hotels and Resorts against Group's borrowings (note 26).

a) Sale of subsidiaries:

During the previous year, the Group disposed 100% of its shareholding in The Palm Residence FZE and Al Shalal Beach Club FZE (UAE sub-subsidiaries) to a related party for a total consideration of KD6,086,918 (equivalent to AED 74,000,000) resulting into a gain of KD4,466,125 (equivalent to AED 54,303,034).

During the previous year, the Group disposed 51% of its shareholding in IFA Hotels and Resorts Holding SAL to a related party for a total consideration of KD3,430,840 resulting in a gain of KD144,670.

b) Subsidiaries with material non-controlling interests

The Group includes one subsidiary with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		(Loss)/profit allocated to NCI		Accumulated NCI	
	31 Dec. 2017 %	31 Dec. 2016 %	**31 Dec. 2017 KD**	31 Dec. 2016 KD	**31 Dec. 2017 KD**	31 Dec. 2016 KD
IFA Hotels and Resorts Co. – KPSC ('IFAHR')	**42.643%**	42.643%	**(1,035,860)**	(549,196)	**32,569,587**	31,869,538
Individually immaterial subsidiaries with non-controlling interests			**(10,816)**	107,233	**2,692,713**	2,668,203
			(1,046,676)	(441,963)	**35,262,300**	34,537,741

Notes to the consolidated financial statements (continued)

8 Subsidiary companies (continued)

b) Subsidiaries with material non-controlling interests (continued)

No dividends were paid to the NCI during the years 2017 and 2016.

The financial year end of IFA Hotels and Resorts Company-KPSC (a subsidiary) is 31 December 2017. For the purpose of consolidation of this subsidiary in these consolidated financial statements, the interim condensed consolidated financial information for the period ended 30 September 2017 have been used after appropriate adjustments are made for the effects of any significant transactions or events that occur between that date and the reporting date of the consolidated financial statements as of 31 December 2017.

Summarised financial information for IFA Hotels & Resorts Company - KPSC, before intra Group eliminations, is set out below:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Non-current assets	163,229,253	173,928,258
Current assets	123,184,039	101,872,588
Total assets	**286,413,292**	275,800,846
Non-current liabilities	104,417,517	94,640,325
Current liabilities	112,486,623	113,445,428
Total liabilities	**216,904,140**	208,085,753
Equity attributable to the owners of the Parent Company	36,939,565	35,845,555
Non-controlling interests	32,569,587	31,869,538
Total equity	**69,509,152**	67,715,093
Revenue	**33,734,270**	31,190,905
Loss for the year attributable to the owners of the Parent Company	(1,393,132)	(231,460)
Loss for the year attributable to NCI	(1,035,860)	(549,196)
Loss for the year	**(2,428,992)**	(780,656)
Total other comprehensive income	3,671,792	10,864
Total comprehensive income/(loss) for the year	**1,242,800**	(769,792)
Total comprehensive income/(loss) for the year attributable to the owners of the Parent Company	716,913	(186,061)
Total comprehensive income/(loss) for the year attributable to NCI	525,887	(583,731)
Total comprehensive income/(loss) for the year	**1,242,800**	(769,792)
Net cash from/(used in) operating activities	1,358,638	(11,406,456)
Net cash from investing activities	960,957	6,897,105
Net cash (used in)/from financing activities	(2,067,097)	112,871
Net cash inflow/(outflow)	**252,498**	(4,396,480)

Notes to the consolidated financial statements (continued)

9 Net income from hoteliers and related services

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Income:		
Income from projects under development	26,595,333	8,539,844
Hotel operations	25,669,649	26,482,354
Beach club operations	2,341	1,626,242
Management fees	1,085,121	522,267
Residential service income	3,103,903	2,961,909
Rental income	945,499	1,046,215
	57,401,846	41,178,831
Direct costs	(32,258,159)	(21,292,765)
	25,143,687	19,886,066

Income from hotel operations and other related services is shown net of all direct expenses in the consolidated statement of profit or loss.

10 Net (loss)/gain from investments

Net (loss)/gain from investments, analysed by category is as follows:

	Year ended 31 Dec. 2017			Year ended 31 Dec. 2016		
	Investments at fair value through profit or loss KD	Available for sale investments KD	Total KD	Investments at fair value through profit or loss KD	Available for sale investments KD	Total KD
(Loss)/gain on sale	(3,807)	(2,311,686)	(2,315,493)	(11,622)	271,819	260,197
Change in fair value	(36,264)	-	(36,264)	(34,171)	-	(34,171)
	(40,071)	(2,311,686)	(2,351,757)	(45,793)	271,819	226,026

11 Net gain from investment properties

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Gain on sale of investment properties	164,049	1,708,768
Change in fair value	281,185	1,626,595
	445,234	3,335,363

During the year the Group sold certain investment properties for a total consideration of KD5,356,830 (2016: KD2,652,890) resulting into a gain of KD164,049 (2016: KD1,708,768).

Notes to the consolidated financial statements (continued)

12 Reversal of provisions no longer required

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Reversal of impairment for property, plant and equipment (a)	2,140,535	-
Reversal of impairment for investment in associates (b)	1,493,527	-
Reversal of provision for amounts due from related parties (c)	1,004,438	-
Reversal of provision for loans to customers	-	53,338
	4,638,500	53,338

a) During the year, the Group reversed an amount of KD2,140,535 related to previously recognized impairment loss against a Hotel property based on recoverability assessment performed by management.

b) During the year, the Group reversed portion of previously recognized impairment loss amounting to KD1,493,527 against shareholders' loan based on recoverability assessment performed by management.

c) During the year, a review of the provisions for doubtful debts was conducted by the Provisioning Committee, formed by the Parent Company Board of Directors, to ensure that all existing provisioning have been made in accordance with the provisioning requirements of the Central Bank of Kuwait regarding general and specific provisioning on loans receivables and also other provisions imposed by the Central Bank on the amounts due from related parties.

The Committee concluded that a reversal of provision amounting to KD1,004,438 against related party balances should be made as the outstanding balances decreased from KD7,431,750 as of 2013 to KD2,409,560 as at 31 December 2017. The Board of Directors of the Parent Company approved the reversal and it has been recognised in the consolidated statement of profit or loss during the current year.

13 Net other income

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Gain on transfer of preference shares (a)	-	3,169,603
Net gain on bargain purchase (b)	965,037	-
Foreign currency exchange loss	(671,361)	(36,577)
Net income from ticket sales and related services	282,334	191,850
Other miscellaneous income/(expense)	799,012	(952,988)
	1,375,022	2,371,888

Notes to the consolidated financial statements (continued)

13 Net other income (continued)

a) During the previous year, the Group negotiated certain amendments to its agreement with a Hotel Operator. As a result of the said amendments, all of the preferred shares were transferred to the Group at nil consideration and accordingly, a gain of KD3,169,603 was recognized.

b) During a previous year, a joint operation (50%) "Tongaat Hulett/IFA Resorts Developments (TIFAZ)" was held through a sub-subsidiary located in South Africa. The South African sub-subsidiary acquired the holding company which owns the remaining 50% of the joint operation. Consequently, the Group effectively owns 100% of the joint operation. This transaction resulted in net gain on bargain purchase amounting to KD965,037. Details of the assets and liabilities acquired (50%) are as follows:

	KD
Fair value of identifiable assets and liabilities acquired	4,261,734
Less: Fair value of consideration	(3,296,697)
Net gain on bargain purchase	965,037

14 Basic and diluted loss per share attributable to the owners of the Parent Company

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

	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
Loss for the year attributable to the owners of the Parent Company (KD)	(8,263,609)	(2,690,381)
Weighted average number of shares outstanding during the year	672,889,436	672,889,436
Basic and diluted loss per share attributable to the owners of the Parent Company	(12.28) Fils	(4.00) Fils

15 Cash and cash equivalents

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Cash and bank balances	12,190,584	8,647,293
Less: Restricted balance	(346,446)	(346,446)
Cash and cash equivalents as per consolidated statement of cash flows	11,844,138	8,300,847

Notes to the consolidated financial statements (continued)

16 Receivables and other assets

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial assets		
Accounts receivable	9,212,761	5,829,098
Advances	120,920	126,277
Kuwait Clearing Company receivable	6,424	52,281
Staff receivables	1,200,244	1,140,374
Others	5,469,495	4,269,931
Non-financial assets		
Prepaid expenses	2,059,861	1,651,374
Advances to contractors	627,873	1,883,193
Other miscellaneous receivables	2,474,749	2,296,535
	21,172,332	17,249,063

17 Trading properties

	31 Dec. 2017 KD	31 Dec. 2016 KD
Residential apartments in Dubai (UAE)	4,191,519	4,268,982
Properties in South Africa	5,219,114	3,242,115
	9,410,633	7,511,097

The trading properties in Dubai represent unsold residential units. Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprise of land at cost and development expenditure related to unsold properties.

The Group acquired additional trading properties with a value of KD2,712,778 as a result of the acquisition of the joint operation (note 13b).

In the opinion of management there has been no impairment in the carrying value of the trading properties as of 31 December 2017.

Trading properties in South Africa have been pledged as security against borrowing facilities of the Group (note 26).

18 Available for sale investments

	31 Dec. 2017 KD	31 Dec. 2016 KD
Local quoted securities	40,151	171,499
Foreign quoted securities	14,082	44,617
Local unquoted securities	6,342,692	8,963,414
Foreign unquoted securities	8,693,742	12,760,043
Managed funds	26,835	730,216
	15,117,502	22,669,789

Notes to the consolidated financial statements (continued)

18 Available for sale investments (continued)

Foreign and local unquoted investments amounting to KD764,220 (31 December 2016: KD790,826) are carried at cost less impairment, if any, since their fair values cannot be reliably determined. Management is not aware of any circumstances that would indicate impairment in value of these investments.

During the year, the Group recognised an impairment loss of KD1,557,693 (31 December 2016: KD1,519,085) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

Available for sale investments amounting to KD5,822,770 (31 December 2016: KD6,460,007) are pledged as security against borrowing facilities of the Group (note 26).

19 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Carrying value at the beginning of the year	10,826,813	10,341,992
Change in fair value arising during the year – below (a)	281,185	1,626,595
Disposals during the year	(5,192,781)	(944,122)
Foreign currency adjustment	626,850	(197,652)
Ending balance	6,542,067	10,826,813

The details of fair valuation of investment properties are disclosed in note 36.3.

Investment properties amounting to KD4,525,838 (31 December 2016: KD7,438,139) are pledged as security against borrowing facilities of the Group (note 26).

20 Investment in associates

The details of the associates are as follows:

Company name	Principal Activities	Place of Incorporation	31 Dec. 2017 %	31 Dec. 2016 %
Arzan Financial Group For Financing and Investment – KPSC(Quoted)	Financing	Kuwait	16.87	17.53
Neova Sigorta Insurance Company ("Neova")*	Insurance	Turkey	35	35
Yotel Investment Limited – UK*	Investment	UK	-	40.36
Legend & IFA Developments (Pty) Ltd *	Property development	South Africa	50	50
IFA Investments (Switzerland) SA (b)	Investments	Switzerland	-	25
Zamzam Religious Tourism Co. – KSCC	Hajj & Umrah	Kuwait	20	20
Abwab Capital Limited	Investments	UAE	9.19	45.96
Weqaya Takaful Insurance and Reinsurance Company-SSC (Quoted)*	Insurance	Saudi Arabia	20	20

* Associates held through Group's subsidiaries.

During the year, IFA Investments (Switzerland) SA was liquidated resulting in a loss of KD603.

Notes to the consolidated financial statements (continued)

20 Investment in associates (continued)

The movement of the investment in associates is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Carrying value at the beginning of the year	41,103,181	42,645,744
Additions	20,536	275,952
Disposals (a and b)	(6,814,579)	(3,010,266)
Share of results of associates	2,229,926	3,203,176
Dilution gain	38,234	-
Impairment (c)	(1,442,811)	(30,759)
Reversal of impairment (note 12b)	1,493,527	-
Share of other comprehensive income	2,319,177	645,330
Foreign exchange translation adjustment	(114,933)	(2,625,996)
	38,832,258	41,103,181

a) During the year, the Group sold part of its shares in Arzan for a total consideration of KD185,613 realising a net loss of KD611,998.

b) During September 2017, the Group disposed 78% of its 39.6% holding in Yotel Investments Ltd to related parties for total aggregate considerations of KD9,365,318 resulting in a gain of KD4,974,088. The sales considerations were settled by way of setting it off against the balances due to the same related parties as of the transaction date. Consequent to the disposal the management concluded that the Group lost its significant influence over Yotel Investments Ltd.

Further during December 2017, the Group entered into another agreement to dispose the remaining shares of Yotel Investment Ltd, for a total consideration of KD2,255,466 realizing a gain of KD1,076,165.

As a results, the Group fully disposed its interest in Yotel Investment Ltd as of 31 December 2017 and accordingly, the operation of IFA Yotel Investment FZE (the wholly owned subsidiary company created with the objective of holding the equity interest of Yotel Investment Ltd) ceased and IFA Yotel Investment FZE does not have any other assets and liabilities as of that date, except for the inter group payables.

Consequently, the currency exchange losses accumulated on translation of the above foreign subsidiary in other comprehensive income totalling to KD2,880,593 was reclassified to consolidated statement of profit or loss during the year as part of the realized gain on sale of the associate. The net gain on sale of the associate amounted to KD3,169,660.

c) The Group recognised an impairment loss of KD1,442,811 against the embedded goodwill included in its investment in Neova Sigorta Insurance Company based on impairment assessment prepared by management of the subsidiary.

Notes to the consolidated financial statements (continued)

20 Investment in associates (continued)

d) The Group's subsidiary has discontinued to recognise its share of further losses of the associate (Weqaya Takaful Insurance and Reinsurance Company) with carrying value of KD1 from 1 April 2014 in accordance with IAS-28. The Group's share of unrecognised losses of the associate and its fair value as at 31 December 2017 cannot be determined because the investee company's shares have been suspended from trading since 3 June 2014. If the investee company subsequently reports profit, the Group will resume recognising its share of these profits only after its share of profits equal the share of losses not recognised.

e) Investment in associates amounting to KD1,803,732 (31 December 2016: KD2,089,081) is pledged as security against Group's borrowings (note 26).

Summarised financial information of Group's material associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates and not the Group's share of these amounts adjusted for differences in accounting policies between the Group and its associates.

a) Arzan Financial Group for Financing and Investment - KPSC (Quoted):

	31 Dec. 2017 KD	31 Dec. 2016 KD
Non-current assets	168,963,803	156,767,365
Current assets	33,408,040	35,249,946
Total assets	**202,371,843**	**192,017,311**
Non-current liabilities	(59,987,454)	(64,810,483)
Current liabilities	(19,016,691)	(18,166,555)
Total liabilities	**(79,004,145)**	**(82,977,038)**
Net assets attributable to the owner of the Parent Company	**123,367,698**	**109,040,273**

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue	8,316,666	8,020,910
Profit for the year	3,203,072	3,615,991
Other comprehensive income/(loss) for the year	9,833,396	(5,296,082)
Total comprehensive income/(loss) for the year	13,036,468	(1,680,091)

Notes to the consolidated financial statements (continued)

20 Investment in associates (continued)

a) Arzan Financial Group for Financing and Investment - KPSC (Quoted): (continued)

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Group's ownership interest (%)	16.87%	17.53%
Net assets of the associate	123,367,698	109,040,273
Group's share of net assets	20,806,149	19,117,242
Carrying amount	20,806,149	19,117,242
Market price	3,998,352	4,504,435

No dividends were received from Arzan during the years 2017 and 2016.

Management believes that the current market price per share of its investment in Arzan is not indicative of its fair value. Management has also obtained valuation of the investment and concluded that there is no impairment of its equity investment in Arzan.

b) Neova Sigorta Insurance Company (Unquoted):

	31 Dec. 2017 KD	31 Dec. 2016 KD
Non-current assets	2,066,688	1,052,915
Current assets	122,946,360	100,672,249
Total assets	125,013,048	101,725,164
Non-current liabilities	(1,981,561)	(2,356,728)
Current liabilities	(101,646,001)	(84,077,308)
Total liabilities	(103,627,562)	(86,434,036)
Net assets	21,385,486	15,291,128

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue	65,662,256	66,399,226
Profit for the year	7,550,887	9,683,819
Other comprehensive loss	-	29,930
Total comprehensive income for the year	7,550,887	9,713,749

Notes to the consolidated financial statements (continued)

20 Investment in associates (continued)

b) Neova Sigorta Insurance Company (Unquoted): (continued)

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Group's ownership interest	35%	35 %
Net assets of the associate	21,385,486	15,291,128
Group's share of net assets	7,484,921	5,351,895
Goodwill	5,848,554	7,291,365
Carrying amount	13,333,475	12,643,260

Management of the Group assessed the fair value of the embedded goodwill included in its investment in Neova Sigorta Insurance Company based on a conservative approach. Accordingly, the Group recognised an impairment loss of KD1,442,811 against this goodwill in the consolidated statement of profit or loss for the current year.

c) Legend & IFA Developmennt (Pty) Ltd (Unquoted):

	31 Dec. 2017 KD	31 Dec. 2016 KD
Non-current assets	13,367,686	15,381,835
Current assets	704,712	432,952
Total assets	14,072,398	15,814,787
Non-current liabilities	(1,673,471)	(1,880,703)
Current liabilities	(916,832)	(16,449,538)
Total liabilities	(2,590,303)	(18,330,241)
Net assets	11,482,095	(2,515,454)

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue	1,602,522	1,029,088
Loss for the year	(83,518)	(421,940)
Other comprehensive loss for the year	-	(18,695)
Total comprehensive loss for the year	(83,518)	(440,635)

Notes to the consolidated financial statements (continued)

20 Investment in associates (continued)

c) Legend & IFA Developmennt (Pty) Ltd (Unquoted): (continued)

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Group's ownership interest	50%	50%
Net assets of the associate	11,482,095	(2,515,454)
Groups' share of net assets	5,741,047	(1,257,727)
Other adjustments	(5,741,047)	1,257,727
Partners' loan	4,654,679	3,042,910
Carrying amount	4,654,679	3,042,910

Below is the aggregate information for the individually immaterial associates.

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Group's share of the (losses)/profits	(15,115)	89,878
Group's share of total comprehensive (losses)/income	(15,115)	89,878
Aggregate carrying amount of Group's interest in these associates	37,955	97,114

21 Goodwill

	31 Dec. 2017 KD	31 Dec. 2016 KD
Carrying value at the beginning of the year	40,174,557	40,224,898
Arising from disposal of subsidiary	-	(516)
Impairment	(1,663,767)	-
Foreign exchange translation adjustments	39,311	(49,825)
Carrying value at the end of the year	38,550,101	40,174,557

Notes to the consolidated financial statements (continued)

21 Goodwill (continued)

The goodwill consists of the following:

	31 Dec. 2017 KD	31 Dec. 2016 KD
IFA Hotels and Resorts Company-KPSC	38,550,101	38,527,988
Dana Real Estate Company	-	1,646,569
	38,550,101	40,174,557

During the year, the Group impaired goodwill of Dana Real Estate Company in full.

IFA Hotels and Resorts Company-KPSC
Goodwill acquired through business combination with indefinite life has been allocated to the entire subsidiary, IFA Hotels and Resorts Company-KPSC (cash generating unit), for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for the value in use calculations
The calculation of value in use is most sensitive to the following assumptions:
• Gross margins,
• Discount rates and
• Growth rate to extrapolate cash flows beyond forecast period

Gross margins are based on average values achieved in the last three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates reflect the current market assessment of the risks specific to cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the subsidiary.

Projected growth rates and local inflation rate assumptions are based on published research.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

22 Properties under development

The movement in properties under development is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Carrying value at the beginning of the year	70,748,732	80,506,538
Additions during the year	32,574,195	9,726,052
Cost incurred during the year	(21,505,675)	(9,117,541)
Arising from disposal of subsidiary	-	(10,765,148)
Transferred to receivables and other assets	-	(91,316)
Foreign exchange translation adjustments	(31,673)	490,147
	81,785,579	70,748,732

Notes to the consolidated financial statements (continued)

22 Properties under development (continued)

In the opinion of management, there is no impairment in the carrying values of the properties under development as at 31 December 2017 (31 December 2016: KD Nil.).

The above balance consists of the following:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Cost of land:		
- UAE (Balqis Residence & C14 property)	26,982,119	34,364,873
- Zimbali Prescint Real Estate	257,052	255,631
	27,239,171	34,620,504
Construction and piling works	43,968,449	15,735,544
Other costs related to construction	10,577,959	20,392,684
Total costs	81,785,579	70,748,732

Properties under development amounting to KD34,033,854 (31 December 2016: KD34,620,504) are pledged as security against borrowing facilities of the Group (note 26).

23 Capital work in progress

These represent hotel and other capital projects under construction in UAE.

Capital work in progress consists of the following:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Land cost-crescent Palm Jumeirah	46,356,288	46,360,845
Construction and pilling works	287,504	200,129
	46,643,792	46,560,974

The movement in capital work in progress is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Carrying value at the beginning of the year	46,560,974	46,700,561
Additions during the year	-	13,945
Foreign currency translation adjustments	82,818	(153,532)
	46,643,792	46,560,974

In the opinion of the management, there has been no impairment in the carrying values of the land as at 31 December 2017 (31 December 2016: KD Nil.).

Notes to the consolidated financial statements (continued)

24 Property, plant and equipment

31 December 2017	Freehold Land KD	Buildings on freehold land KD	Building on leasehold Land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Total KD
Cost							
At 1 January 2017	7,522,882	99,928,818	3,446,729	6,046,105	8,587,988	200,620	125,733,142
Additions	6,566	1,139,954	-	227,905	809,528	-	2,183,953
Disposals	(56,149)	-	-	(428,979)	(636,471)	(19,904)	(1,140,503)
Write-off	-	-	-	(2,320)	(30,431)	-	(32,751)
Reversal of provision for impairment (note 12 a)	-	2,140,535	-	-	-	-	2,140,535
Foreign currency translation adjustment	7,853	(32,059)	(126,019)	490	54,817	385	(94,533)
At 31 December 2017	7,482,152	103,177,248	3,320,710	5,843,201	8,785,431	181,101	128,789,843
Accumulated depreciation							
At 1 January 2017	-	11,336,526	705,450	4,975,598	5,043,075	143,463	22,204,112
Charge for the year	-	2,132,020	-	447,113	809,417	10,432	3,398,982
Relating to disposals	-	-	-	(173,610)	(373,505)	(12,520)	(559,635)
Write-off	-	-	-	(2,320)	(30,431)	-	(32,751)
Foreign currency translation adjustment	-	(688,880)	(79,890)	(2,242)	5,823	87	(765,102)
At 31 December 2017	-	12,779,666	625,560	5,244,539	5,454,379	141,462	24,245,606
Net carrying amount							
At 31 December 2017	7,482,152	90,397,582	2,695,150	598,662	3,331,052	39,639	104,544,237

Notes to the consolidated financial statements (continued)

24 Property, plant and equipment (continued)

31 December 2016	Freehold Land KD	Buildings on freehold land KD	Building on leasehold Land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Total KD
Cost							
At 1 January 2016	7,517,662	104,087,451	3,468,707	6,003,648	8,446,706	236,918	129,759,092
Additions	-	25,445	-	485,914	648,169	23,295	1,182,823
Disposals	-	(1,795,167)	-	-	(149,613)	-	(1,944,780)
Transfer	-	(20,048)	-	-	20,048	-	-
Arising from disposal of subsidiary	-	(2,449,293)	-	(433,141)	(418,539)	(56,785)	(3,357,758)
Foreign currency translation adjustment	5,220	80,430	(19,978)	(10,316)	41,217	(2,808)	93,765
At 31 December 2016	7,522,882	99,928,818	3,448,729	6,046,105	8,587,988	200,620	125,733,142
Accumulated depreciation							
At 1 January 2016	-	10,317,917	708,780	4,594,786	4,508,143	176,717	20,306,343
Charge for the year	-	2,005,199	-	771,614	840,886	22,532	3,640,231
Relating to disposals	-	(188,861)	-	-	(147,103)	-	(335,964)
Relating to transfer	-	(93,013)	-	-	93,013	-	-
Arising from disposal of subsidiary	-	(779,703)	-	(378,867)	(288,322)	(53,902)	(1,500,794)
Foreign currency translation adjustment	-	74,987	(3,330)	(11,935)	36,458	(1,884)	94,296
At 31 December 2016	-	11,336,526	705,450	4,975,598	5,043,075	143,463	22,204,112
Net carrying amount							
At 31 December 2016	7,522,882	88,592,292	2,741,279	1,070,507	3,544,913	57,157	103,529,030

During the previous year, the Group sold offices and parking bays in Trunk Residence FZE (UAE – Sub – Subsidiary) having a net book value of KD1,604,674 (equivalent to AED19,531,467) for total consideration of KD3,205,880 (equivalent to AED39,001,000) resulting in a gain on sale of KD1,601,206 (equivalent to AED19,469,533).

Notes to the consolidated financial statements (continued)

24 Property, plant and equipment (continued)

Land and building with a carrying value of KD7,118,387 (31 December 2016: KD6,878,244) located in South Africa have been pledged as security for term loan facility obtained by subsidiary's of Group located in South Africa. Further building with carrying value of KD80,568,576 (2016: KD81,173,817) located in UAE has been pledged as security for loan facility obtained by subsidiary's of Group located in UAE (see note 26).

25 Payables and other liabilities

	31 Dec. 2017 KD	31 Dec. 2016 KD
Accounts payable	20,017,296	14,613,430
Accrued expenses	11,494,289	8,599,047
Dividends payable	565,642	568,781
Kuwait Foundation for the Advancement of Sciences	2,494,225	2,476,455
National Labour Support Tax	7,881,758	7,760,674
Zakat provision	744,148	695,716
Provision for employees' end of service benefits and leave	2,366,188	2,806,088
Deferred income	2,427,120	2,215,512
Accrued retention payable	5,646,369	4,787,460
Accrued construction costs	38,277	35,836
Refundable deposits on cancellation and resale of units	3,725,930	1,538,477
Land transfer fee payable	228,636	330,465
Provision for loans receivable	1,556,000	1,556,000
Amount due to policyholders	3,334,117	3,871,789
Other payables	11,010,213	10,796,506
	73,530,205	62,652,236

Other payable includes post-dated cheques amounting to KD1,881,239 (31 December 2016: KD1,157,173) issued against settlement of legal cases filed by unit holders in Balqis Residence FZE (UAE – sub – Subsidiary). Out of these, post-dated cheques amounting to KD1,799,466 (31 December 2016: KD1,123,670) have been issued in respect of refunds of deposits received from customers and their maturities are as per a court order.

Notes to the consolidated financial statements (continued)

26 Borrowings

The details of loan balances and bank facilities of the Group are as follows:

	Currency	Period due From	Period due To	Effective Interest rates	Purpose	Assets pledged	31 Dec. 2017	31 Dec. 2016
1	USD	28-12-2005	28-12-2019	3.82%	Financing the Group's investments	Shares of Parent Company and IFA H& R	35,746,040	36,759,000
2	EUR	15-06-2007	28-12-2019	2.5%	Financing the Group's investments	Shares of IFA H& R and AFS investments	7,244,752	6,443,852
3	KD	26-06-2011	31-12- 2023	4.50%	Debt repayment	Local portfolio with 120% coverage	24,000,000	24,000,000
4	KD	01-01-2010	31-12-2019	4.25%	Local equity financing	Local portfolio with 175% coverage	8,555,000	8,555,000
5	AED	01-05-2007	31-03-2020	6.3% - 15.3%	Projects financing	Properties located in Palm Jumeirah, U.A.E and restricted deposited in a foreign bank account	106,989,160	101,080,876
6	Rand	23-05-2007	21-05-2017	2.25% - 10.5%	Financing the Group's investments	Mortgage of certain properties, plant and equipment and certain trading properties in South African subsidiaries	10,215,165	13,714,020
7	EUR	15-09-2011	15-03-2024	6.5%	Acquisition of properties	Investment properties owned by the subsidiary	2,495,112	3,751,683
							195,245,229	194,304,431

The Group was unable to settle certain instalments of KD24,352,665 (including interest) due in accordance with contractual terms and conditions to certain foreign and local banks. Accordingly, loans amounting to KD42,990,792 and 8,555,000 related to foreign and local banks respectively became due.

Management of the Parent Company is currently negotiating with those banks to restructure these loans.

Subsequent to the reporting date, the Parent Company signed a preliminary agreement to restructure the loans due to the foreign bank (note 7).

Notes to the consolidated financial statements (continued)

26 Borrowings (continued)

The borrowings are pledged against Group's assets are as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Restricted balances (Note 15)	346,446	346,446
Investments at fair value through profit or loss	20,832	140,659
Trading properties (note 17)	5,219,114	3,242,115
Available for sale investments (note 18)	5,822,770	6,460,007
Investment in associate (note 20)	1,803,732	2,089,081
Investment properties (note 19)	4,525,838	7,438,139
Properties under development (note 22)	34,033,854	34,620,504
Property, plant and equipment (note 24)	87,686,963	88,052,061
Investment in a subsidiary (note 8)	57,761,225	58,402,509
Total assets pledged	197,220,774	200,791,521

27 Advances received from customers

These balances represent amounts collected in advance from customers of a subsidiary company on the sale of residential flats currently under construction by the subsidiary.

	31 Dec. 2017 KD	31 Dec. 2016 KD
Balance at the beginning of the year	7,361,111	22,224,779
Advances received during the year	18,132,839	8,047,818
Revenue recognised during the year	(19,517,036)	(15,850,250)
Deposit transferred to other payables	-	(3,469,746)
Deposit refunded upon cancelation	(2,504,860)	(1,922,393)
Arising from disposal of subsidiary	-	(658,064)
Foreign currency translation adjustment	65,663	(1,011,033)
Balance at end of the year	3,537,737	7,361,111

28 Share capital

The authorised, issued and paid up share capital of the Parent Company comprised of 720,000,000 shares of 100 Fils each, all fully paid (31 December 2016: 720,000,000 shares of 100 Fils each).

Share premium is not available for distribution, unless otherwise stipulated by local laws.

Notes to the consolidated financial statements (continued)

29 Treasury shares

31 Dec. 2017				31 Dec. 2016			
Number of shares	%	Cost KD	Market Value KD	Number of shares	%	Cost KD	Market Value KD
47,110,564	6.54	32,757,404	1,361,495	47,110,564	6.54	32,757,404	1,460,427

30 Reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to statutory reserve. No transfer is required in a year when losses are made or where cumulative losses exist. The Parent Company may resolve to discontinue such annual transfer when the reserve equals or exceeds 50% of the paid-up share capital.

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

Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's Board of Directors. There are no restrictions on distribution of voluntary reserve. No transfer is required in a year when losses are made or when cumulative losses exist.

31 Fiduciary accounts

The Group manages financial portfolios on behalf of others, mutual funds, and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management control as at 31 December 2017 amounted to KD29,088,883 (31 December 2016: KD35,831,487). The Group earned management fees of KD60,785 (31 December 2016: KD76,844) from these activities.

32 Annual general assembly

The board of directors of the Parent Company propose not to distribute any dividend for the year ended 31 December 2017. This proposal is subject to the approval of the Parent Company's shareholders at the Annual General Assembly.

The Annual General Assembly of the Shareholders held on 31 July 2017 approved the consolidated financial statements of the Group for the year ended 31 December 2016 and approved the directors' proposal not to distribute any dividend for the year ended 31 December 2016.

Notes to the consolidated financial statements (continued)

33 Capital Commitments

Capital expenditure commitments
At 31 December 2017, the Group has capital commitments with respect to financing the construction of real estate projects located in Dubai – UAE, Beirut –Lebanon, and South Africa. The Group's share of funds necessary to finance these projects is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Estimated and contracted commitment due on account of revenue projects	20,153,148	36,615,403
Postdated cheques issued	1,799,466	1,123,670

The Group expects to finance the future expenditure commitments from the following sources:

a) sale of investment properties;
b) advances from customers;
c) increase of share capital;
d) payments provided by the shareholders, related entities, joint ventures; and
e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

Notes to the consolidated financial statements (continued)

34 Segmental Information

The Group's activities are concentrated in four main segments: asset management, treasury and investments, real estate and others. The segments' results are reported to the higher management in the Group. In addition, the segments revenue, assets are reported based on the geographic locations which the Group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Asset Management		Treasury and Investments		Real Estate		Others		Total	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Segment income	331,832	332,880	2,958,776	8,021,707	25,588,921	26,182,895	6,013,621	1,064,766	34,893,050	35,602,248
Segment (loss)/profit for the year	(3,067,150)	(3,307,349)	(15,708,563)	(5,762,406)	25,588,921	26,182,895	(16,472,038)	(20,409,811)	(9,658,830)	(3,296,671)
Unallocated expenses (NLST ,Zakat and taxations)									348,545	164,327
Loss for the year									(9,310,285)	(3,132,344)
Depreciation									3,398,982	3,640,231
Impairment on various assets									4,664,271	1,549,844
Finance costs									14,003,066	12,234,270
Statement of financial position										
Total segmental assets	104,544,236	103,529,030	104,785,794	112,841,811	144,382,070	135,647,616	-	-	353,712,100	352,018,457
Total segmental liabilities	-	-	(195,245,229)	(194,304,431)	(3,537,737)	(7,588,811)	-	-	(198,782,966)	(201,893,242)
Net segmental assets	104,544,236	103,529,030	(90,459,435)	(81,462,620)	140,844,333	128,058,805	-	-	154,929,134	150,125,215
Unallocated assets									23,099,938	17,736,091
Unallocated liabilities									(98,666,250)	(83,873,074)
Net Assets									79,362,822	83,988,232

Geographical information:-

	Assets		Revenue	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Kuwait	92,816,085	93,064,802	771,997	4,309,275
UAE and Asia	233,549,171	228,181,813	22,975,087	24,424,538
Africa	33,656,851	29,073,580	6,117,032	4,070,392
Others	16,789,931	19,434,353	5,028,934	2,798,043
	376,812,038	369,754,548	34,893,050	35,602,248

Notes to the consolidated financial statements (continued)

35 Related parties transactions and balances

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

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Balances included in the consolidated statement of financial position:		
Amounts due from related parties *	1,927,648	487,027
Amounts due to related parties – associate	383,636	-
Amounts due to related parties – others	24,752,409	21,448,538
Transactions included in the consolidated statement of profit or loss:		
Finance costs	334,196	342,647
Dividend income	221,215	240,695
Gain on sale of available for sale investments	45,664	-
Gain on sale of subsidiaries (note 8)	-	4,610,795
Reversal of provisions no longer required (note 12 c)	1,004,438	-
Gain on sale of shares in associates (net of translation)	2,703,327	915,589
Key management compensation of the Group:		
Short-term benefits	534,164	987,754

* Due from related parties are stated net of a provision of KD481,912 (2016: KD1,486,350).

Due from related parties are non-interest bearing and have no specific repayment terms.

Due to related parties include balance amounting to KD8,047,727 (31 December 2016: KD7,720,393) and carries interest ranging from 2.5% to 4.5% (31 December 2016: 2.5% to 4.5%) per annum and has no specific repayment date. The remaining balances of KD17,088,318 (31 December 2016: KD13,728,145) are non-interest bearing and have no specific repayment terms.

36 Fair value measurement

36.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Notes to the consolidated financial statements (continued)

36 Fair value measurement (continued)

36.1 Fair value hierarchy (continued)

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

36.2 Fair value measurement of financial instruments

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Cash and cash equivalents	12,190,584	8,647,293
- Receivables and other assets	16,009,844	11,417,981
- Due from related parties	1,927,648	487,027
Investments at fair value through profit or loss:		
-At fair value	95,304	246,992
Available for sale investments:		
-At fair value	14,353,282	21,878,963
-At cost	764,220	790,826
	45,340,882	43,469,062
Financial liabilities:		
Financial liabilities at amortised cost:		
-Payables and other liabilities	73,530,205	62,652,236
-Due to related parties	25,136,045	21,448,538
-Borrowings	195,245,229	194,304,431
	293,911,479	278,405,205

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values. Certain available for sale investment is carried at cost for reason specified in note 18.

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

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

Notes to the consolidated financial statements (continued)

36 Fair value measurement (continued)

36.2 Fair value measurement of financial instruments

31 December 2017

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local quoted securities	41,808	-	-	41,808
Local unquoted securities	-	-	53,496	53,496
Available for sale investments				
Local quoted securities	40,151	-	-	40,151
Foreign quoted securities	14,082	-	-	14,082
Managed funds	-	26,835	-	26,835
Unquoted securities	-	-	14,272,214	14,272,214
	96,041	26,835	14,325,710	14,448,586

31 December 2016

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local quoted securities	213,430	-	-	213,430
Local unquoted securities	-	-	31,597	31,597
Foreign quoted securities	1,965	-	-	1,965
Available for sale investments				
Local quoted securities	171,499	-	-	171,499
Foreign quoted securities	44,617	-	-	44,617
Managed funds	-	730,216	-	730,216
Unquoted securities	-	-	20,932,631	20,932,631
	431,511	730,216	20,964,228	22,125,955

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

Measurement at fair value

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

a) Quoted securities

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

b) Unquoted securities

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

c) Investment in managed funds

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

Notes to the consolidated financial statements (continued)

36 Fair value measurement (continued)

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

Financial assets	Fair value as at 31 Dec. **2017** KD	Fair value as at 31 Dec. 2016 KD	Fair value **Hierarchy**	Valuation technique(s) **and key input (s)**	Significant **unobservable Input (s)**	Relationship of unobservable inputs to **fair value**
Investment at fair value through Profit or loss:						
Local quoted securities	**41,808**	213,430	1	Quoted bid prices	N/A	N/A
Local unquoted securities	**53,496**	31,597	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Foreign quoted securities	-	1,965	1	Quoted bid prices	N/A	N/A
Available for sale investments						
Quoted securities	**40,151**	171,499	1	Quoted bid prices	N/A	N/A
Foreign quoted securities	**14,082**	44,617	1	Quoted bid prices	N/A	N/A
Managed funds	**26,835**	730,216	2	NAV Basis	N/A	N/A
Unquoted securities	**14,272,214**	20,932,631	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value

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

Notes to the consolidated financial statements (continued)

36 Fair value measurement (continued)

Level 3 fair value measurements

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

	Investments at fair value through profit or loss	
	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	31,597	71,272
Additions	50,000	-
Gains or losses recognised in:		
- Consolidated statement of profit or loss	(28,101)	(39,675)
Closing balance	53,496	31,597

	Available for sale investments	
	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	20,932,631	22,986,781
Transferred to level 3, previously carried at cost	-	572,739
Additions	2,634,634	
Disposals	(8,087,262)	(1,131,559)
Impairment	(1,557,693)	
Gains or losses recognised in:		
- Other comprehensive income/(loss)	349,904	(1,495,330)
Closing balance	14,272,214	20,932,631

36.3 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2017				
Investment properties				
Land in Jordan	-	-	417,983	417,983
Land in UAE	-	-	517,038	517,038
Apartments in Dubai – UAE	-	-	127,126	127,126
Buildings in Lebanon	-	-	954,081	954,081
Apartments in Portugal	-	-	4,525,839	4,525,839
	-	-	6,542,067	6,542,067
31 December 2016				
Investment properties				
Land in Jordan	-	-	396,263	396,263
Land in UAE	-	-	542,102	542,102
Apartments in Dubai – UAE	-	-	135,534	135,534
Buildings in Lebanon	-	-	2,314,775	2,314,775
Apartments in Portugal	-	-	7,438,139	7,438,139
	-	-	10,826,813	10,826,813

Notes to the consolidated financial statements (continued)

36 Fair value measurement (continued)

36.3 Fair value measurement of non-financial assets (continued)

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. For the valuation purpose, the Group has elected to use the lower value of the two valuations in accordance with local regularities.

The fair value of investment properties was determined using the market comparison approach. The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances, current use and construction costs.

The non-financial assets within this level can be reconciled from beginning to ending balances as follows:

	Investment properties Total	
	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	10,826,813	8,743,810
Transferred to level 3 previously carried at cost	-	1,598,181
Disposal	(5,192,781)	(944,121)
Gains or losses recognised in consolidated statement of profit or loss:		
- Change in fair value of investment properties	281,185	1,626,595
- Foreign currency translation differences	626,850	(197,652)
Closing balance	6,542,067	10,826,813
Total amount included in the consolidated statement of profit or loss for unrealised loss on level 3 assets	281,185	1,626,595

37 Risk management objectives and policies

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

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

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk

a) Foreign currency risk management

The Group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to UAE Dirham, Euro, South Africa Rand, Sterling Pound and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
UAE Dirhams	**(119,889,345)**	(118,394,446)
Euro	**(9,578,644)**	(11,153,772)
South African Rand	**(15,044,577)**	(13,833,615)
Sterling Pound	**(416,652)**	(234,445)
US Dollar	**(40,565,862)**	(39,066,216)

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

	31 Dec. 2017		31 Dec. 2016	
	Change in variables %	Loss for the year KD	Change in variables %	Profit for the year KD
UAE Dirham	**±0.61**	**±731,325**	±0.73	±870,047
Euro	**±4.70**	**±450,196**	±2.73	±264,505
South African Rand	**±6.00**	**±902,675**	±13.72	±1,898,657
Sterling Pound	**±3.20**	**±13,333**	±16.48	±38,626
US Dollar	**±0.61**	**±247,451**	±0.73	±286,247

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

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

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

b) Interest rate risk

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

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

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

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (31 December 2016: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments held at each date of the consolidated statement of financial position. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2017		31 Dec. 2016	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Loss for the year	1,952,452	(1,952,452)	1,943,044	(1,943,044)

c) Equity price risk

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

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

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the (loss)/profit for the year and equity for the year ended 31 December would have been as follows:

	(Loss)/profit for the year		Equity	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Investments at fair value through profit or loss	±4,181	±21,540	-	-
Available for sale investments	-	-	± 5,423	±21,612

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

c) Equity price risk (continued)

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

37.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Cash and cash equivalents	12,190,584	8,647,293
Investments at fair value through profit or loss	95,304	246,992
Receivables and other assets	16,009,844	11,417,961
Due from related parties	1,927,648	487,027
Available for sale investments	15,117,502	22,669,789
	45,340,882	**43,469,062**

Except for receivables and other assets referred to in note 16, and available for sale investments referred to in note 18, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances are considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 37.3.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.3 Concentration of assets

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

	GCC KD	Asia KD	Africa KD	Europe KD	USA KD	Total KD
At 31 December 2017						
Assets						
Cash and cash equivalents	6,951,014	3,356	145,699	5,090,515	-	12,190,584
Investments at fair value through profit or loss	95,304	-	-	-	-	95,304
Receivables and other assets	12,721,561	14,919	2,561,279	712,085	-	16,009,844
Due from related parties	944,514	922	982,212	-	-	1,927,648
Available for sale investments	6,407,470	40,297	6,680	1,135,365	7,527,690	15,117,502
Total assets	27,119,863	59,494	3,695,870	6,937,965	7,527,690	45,340,882
At 31 December 2016						
Assets						
Cash and cash equivalents	8,216,895	20,609	313,550	94,759	1,480	8,647,293
Investments at fair value through profit or loss	245,028	-	-	1,964	-	246,992
Receivables and other assets	6,317,014	18,756	3,093,473	530,463	1,458,255	11,417,961
Due from related parties	288,899	-	-	198,128	-	487,027
Available for sale investments	8,817,910	41,989	1,468,525	1,400,201	10,941,164	22,669,789
Total assets	23,885,746	81,354	4,875,548	2,225,515	12,400,899	43,469,062

37.4 Liquidity risk management

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

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

The table below analyses the Group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

	Up to 1 year KD	From1 to 5 years KD	Total KD
31 December 2017			
Financial liabilities			
Payables and other liabilities	58,197,445	15,332,760	73,530,205
Due to related parties	25,136,045	-	25,136,045
Borrowings	72,285,454	122,959,775	195,245,229
Advances received from customers	-	3,537,737	3,537,737
	155,618,944	141,830,272	297,449,216

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.4 Liquidity risk management (continued)

31 December 2016	Up to 1 year KD	From1 to 5 years KD	Total KD
Financial liabilities			
Payables and other liabilities	49,059,486	13,592,750	62,652,236
Due to related parties	21,448,538	-	21,448,538
Borrowings	49,966,634	144,337,797	194,304,431
Advances received from customers	-	7,361,111	7,361,111
	120,474,658	165,291,658	285,766,316

Maturity profile of assets and liabilities at 31 December 2017:

31 December 2017	Within 1 year KD	Over 1 year KD	Total KD
Assets			
Cash and cash equivalents	12,190,584	-	12,190,584
Investments at fair value through profit or loss	95,304	-	95,304
Receivables and other assets	21,172,332	-	21,172,332
Due from related parties	1,927,648	-	1,927,648
Trading properties	9,410,633	-	9,410,633
Available for sale investments	-	15,117,502	15,117,502
Investment properties	-	6,542,067	6,542,067
Investment in associates	-	38,832,258	38,832,258
Goodwill	-	38,550,102	38,550,102
Properties under development	81,785,579	-	81,785,579
Capital work in progress	-	46,643,792	46,643,792
Property, plant and equipment	-	104,544,237	104,544,237
	126,582,080	250,229,958	376,812,038
Liabilities			
Payables and other liabilities	58,197,445	15,332,760	73,530,205
Due to related parties	25,136,045	-	25,136,045
Borrowings	72,285,454	122,959,775	195,245,229
Advances received from customers	-	3,537,737	3,537,737
	155,618,944	141,830,272	297,449,216

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2016:

	Within 1 year KD	Over 1 year KD	Total KD
31 December 2016			
Assets			
Cash and cash equivalents	8,647,293	-	8,647,293
Investments at fair value through profit or loss	246,992	-	246,992
Receivables and other assets	17,249,063	-	17,249,063
Due from related parties	487,027	-	487,027
Trading properties	7,511,097	-	7,511,097
Available for sale investments	-	22,669,789	22,669,789
Investment properties	-	10,826,813	10,826,813
Investment in associates	-	41,103,181	41,103,181
Goodwill	-	40,174,557	40,174,557
Properties under development	70,748,732	-	70,748,732
Capital work in progress	-	46,560,974	46,560,974
Property, plant and equipment	-	103,529,030	103,529,030
	104,890,204	264,864,344	369,754,548
Liabilities			
Payables and other liabilities	55,646,833	7,005,403	62,652,236
Due to related parties	21,448,538	-	21,448,538
Borrowings	49,966,634	144,337,797	194,304,431
Advances received from customers	7,361,111	-	7,361,111
	134,423,116	151,343,200	285,766,316

38 Operational risk

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

39 Capital management objectives

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

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

Notes to the consolidated financial statements (continued)

39 Capital management objectives (continued)

The capital structure of the Group consists of the following:

Gearing ratio

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Debt (a)	195,245,229	194,304,431
Cash and cash equivalents (note 15)	(11,844,138)	(8,300,847)
Net debt	183,401,091	186,003,584
Equity (b)	79,362,822	83,988,232
Net debt to equity ratio	**231%**	**221%**

a. Debt is defined as long and short term borrowings.

b. Equity includes all capital and reserves of the Group.