2017

ANNUAL REPORT

41th

KUWAIT REAL ESTATE INVESTMENT CONSORTIUM
(K.S.C.) CLOSED

Declared Capital 10,000,000 KD

Paid – up Capital 10,000,000 KD

Commercial Registry Number 20953

Established in the State of Kuwait on Oct.26,1975

Located in Sharq – Ahmad Al Jaber street - Al Marzouq & Al-Awadi Building

P.O. Box 23411 – Safat – 13095 – State of Kuwait

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H. H. Sheikh Sabah Al-Ahmad Al- Jaber Al-Sabah

Amir of the State of Kuwait

H. H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

H. H. Sheikh Jaber Mubarak Al Hamad Al-Sabah

Prime Minister of the State of Kuwait

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Board of Directors

Abdul Karim Mohammed Al-Saeed	Chairman
Omar Abdullah Al Omairi	Deputy Chairman
Hamad Khaled Al Abdul Karim	Board Member
Abdul Ghafour Abdullah Tifouni	Board Member
Hassan Heydar Al jumah	Board Member
Fatemah Shaker Bo Kamssen	Board Member
Mounira Asaad Al Ajeel	Board Member
Ahmed Salem Al-Hajri	Chief Executive Officer

Board of Director’s Report

Gentlemen Shareholders

The Board of Directors in Kuwait Real Estate Investment Consortium has the pleasure to introduce the 41th Annual Report, including the most important economic developments at the global and local levels, as well as the results of the Annual Performance, the Consolidated Financial Statements and the Independent Auditor›s Report for the financial year ending 31 December 2017.

Despite the geopolitical tensions and the regional conditions during 2017 the global economy has recovered at faster pace with a clear improvement in the performance and growth by 3.6%, which shows the world economy is going through the period of positive cyclical rise in the growth rate for many countries in the world and manifested by the recovery of oil prices as an inevitable result of the extension of the agreement reducing production levels between the OPEC countries and some countries outside the organization. The price of Kuwaiti oil closed at US $ 63.03 (US $ 51.87-2016), an increase of 21.52% from the last year. The International Monetary Fund IMF report of 2017, that Kuwait is facing a decline in oil prices ((from the position of force) due to the large financial reserves, low debt, financial sector safety and a gradual recovery of non-oil growth over the medium term as the general balance of public finances . The report said the inflation was on the right way to reach its lowest level in years at 1.75 percent in 2017.

The Central Bank of Kuwait which is firm and continue its responsibility in the monetary political space and banking supervision to ensure monetary and financial stability, The Central Bank of Kuwait has raised the discount rate of Kuwaiti dinar to reach 2.75% (2.50% -2016).

The Kuwait Stock Exchange, the price index registered increase by 11.5% and the weighted index decreased by 5.6% and on the same direction came the Kuwait indicators performance 15 Index.

The real estate activity, the real estate transactions has maintained in 2017 at previous levels the value of real estate transactions is KD 2.5 billion (2016 -2.55 billion) the number of transactions is 5,280 deal (2016 -4,610 deal) an increase of 15% per year. The real estate sector’s performance is clearly stabilizing indicating that the real estate downturn which began in 2014 has almost come to an end.

The financial and investment business results to the esteemed company, in the light of events and economic variables KREIC achieved a net profit KD363 thousand (KD 616 thousand (loss) - adjusted 2016) the total revenue is KD 2,122 thousand (2016 - 1,759 thousand) increased by KD 363 thousand representing 21%. The net income from leasing amounted KD 1,427 thousand (2016-KD 1,419 thousand) representing 67% from the total revenues. The investment income amount to KD 182 thousand 2016 - loss KD (315) thousand and the KREIC share in the results of an associate company amount KD 60 thousand (2016 - KD 35 thousand) the management fees of the other assets amount KD 191 thousand (2016- KD 182 thousand) and other income amount to KD 263 thousand (2016–KD 222 thousand).

The expenses and other charges amount KD1,751 thousand (2016 - KD2.375 thousand) the cost of employees are KD1,271 thousand represent by 73% from the total expenses and other charges {2016 -KD1.119 thousand} the general and administrative and other expenses are KD 226 thousand {2016- KD 227 thousand} represent 13% from expenses and other charges, While the consumption are KD 283 thousand {2016-KD 287 thousand}. The loss of different evaluation for foreign exchange in 2017 reached KD 29 thousand {loss KD (742) thousand- 2016} and this is an inevitable result of floating the Egyptian pound,

In addition, the translation of financial statements in foreign currency (statement of comprehensive income) amounted to KD 59 thousand loss (KD 1,224) thousand -2016 loss).

The following table shows the part of the financial statements

(All Amounts are in Kuwaiti Dinars Thousand)

Statement	2017	2016
Net profit	353	(616)
Capital	10,000	10,000
Equity	26,713	26,351
Total assets	29,819	29,194
Account payables	3,106	2,843
Profit per share (Fils)	3.53	(6.16)
Book value per share (Fils)	267	264

From the above and the results achieved, the Board of Directors recommends no dividend distribution for 2017.

About the remuneration of the Board of Directors, under the Companies Law No (1) for the year 2016 Article (198), the net profit for the year does not meet the minimum that requires the payment of the remuneration of members for the year.

The value of the bonus allocated in 2017 is KD 160 thousand for all employees in the company including the remuneration of the CEO.

KREIC has promot and implement the Company's governance systems in order to maintain shareholders' funds and activate transparency by taking several measures to ensure optimal utilization of information in order to make the best decisions.

The Risk Unit in the company also applies risk management procedures in an orderly manner by creating conscious and aware risk management environment at all administrative levels, as well as developing mechanisms and procedures for monitoring, measuring, Monitoring, measurement, follow-up, control, remediation and correction of investment operations and reporting to the Risk Committee ang the Board of Directors.

It is worth noting that KREIC will continue to work and seek investment opportunities available to diversify sources of income and optimize the utilization of financial surpluses and disposal of non-income assets in accordance with the Executive Plan and the approved general strategy for 2018.

Finally, the Board of Directors and all the employees are introduce the sincere gratitude and appreciation to the shareholders about their precious confidence and continue support which is a form of a source of inspiration for the company and lead us to do more works and achievement.

We would also like to thank the Executive Management of the company and all the employees for their sincere efforts, hoping everyone to make more effort and hard work in order to move the company to the higher levels of work and the specialized participation efforts.

Abdulkareem Mohammad Al Saeed
Chairman

Investment Department

The activity of investment department is focused on the strong principles business capabilities

and competitive edge and looks for investment opportunities safe and profitable within and outside the State of Kuwait. The Investment department works on the continue development of existing investments according to the events and the economic trends expectations and establishing companies in collaboration with others.

The Investment department contribute to a numbers of companies, funds and investment portfolios and real estate in accordance with KREIC's activities as well as tracking the investment policy moderate trying to seize the investment opportunities and remunerative according to the data requirements of the market and. In addition the investment department is managing the Real Estate Portfolio of KREIC and first real estate fund.

Here are summarize some of the outlines which have been contributed by KREIC and operated under the investment department

Sawfar Hills Project

The property is located on an area of 109 thousand square meters in Sawfar - Sharon of real estate area - the province of Mount Lebanon - Aley on the average of 1,350 meters above sea level which gives distinctive view of the site. Sawfar Hills Project has been sorted to 72 plots, 6 for entertainment services 66 for housing.

The Arab ceramic company (REMAS)

www.ceramicaremas.com

REMAS CERAMIC

The company owns 24.39 % of Arab Ceramics company(ceramica remas) which was founded in 1975 for the production of sanitary ware goal in accordance with the scope of the investment capital of the Arab and foreign investment and free zones , ceramica remas is the second company in Arab Republic of Egypt for exporting ceramic tiles in addition it is one of the leading companies in the industry and the production of tiles faience of various kinds and all the kinds of sanitary ware for trade and establishing factories related to the purposes of the company as well as the other products branching from the industry its related or complementary to study and prepare the designs . The company register in stoke market.

Ceramic remas exports the products to the North Africa, GCC countries and some European countries due to its production and using the local and imported raw materials to suit all the tastes and levels at the local, Arab and international levels after the company obtained the International Quality Certificate Dutch Foundation of Kiowa.

The company is committed by applying the standards of safety and occupational health that are compatible with the laws and regulations issued by the competent authorities.

The shareholders in 2017 are 253 Million Egyptian Pounds, equivalent 162% of the capital 156.25 million Egyptian pounds.

KREIC’S Real Estate Portfolio

The local real estate portfolio consists a range of investment properties and commercial, characterized by high occupancy distributed in the most important areas of trade and investment in Kuwait and distinct sites, the investment department is working on operations of buying, selling and development of the portfolio.

The market value of the portfolio is KD 26% Million in 2017, the commercial real estate is 73% of the size portfolio with total value KD19 Million where these properties are located in the distinctive areas such as Salmiya , Sharq and Murgab, while the real estate investment is 27. % of the size portfolio and the total value is KD 6.9 Million and these properties are located in Hawalli and Bneid Al Gar.

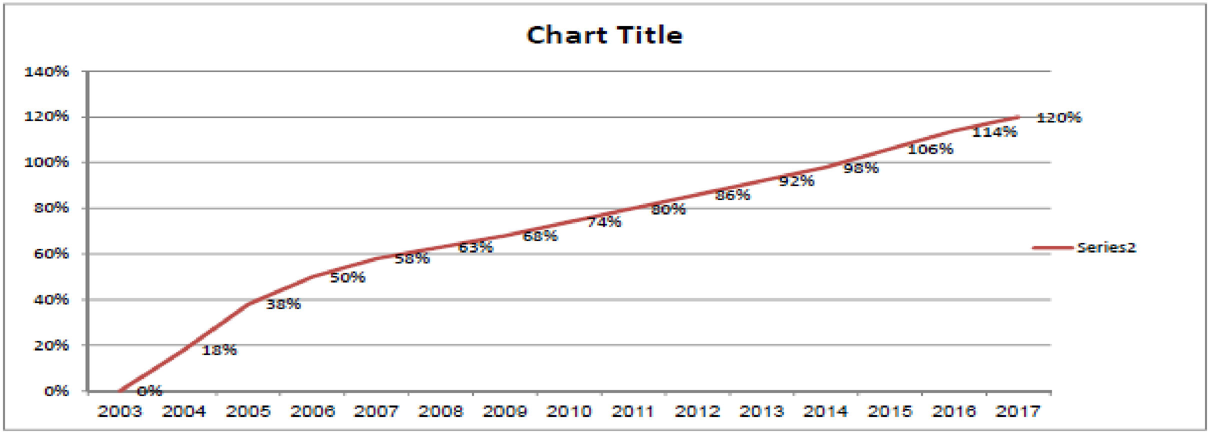
First Real Estate Fund

First Real Estate Fund was established on 17/09/2002, with a variable capital from KD (5-50) Million. The goal is to invest its money for the benefit of the participants in the trade and development of properties which constructed and land space as well as trading and leasing in order to provide an opportunity for small investors to participate in the real estate investment sector and to achieve rewarding financial returns within the State of Kuwait.

Accumulated Profit since 2002
(First Real Estate Fund)

Cash Dividend Paid
(First Real Estate Fund)

Accumulated Profit since 2002 till 2017 (Thousnds)



Property Management Department Activity

The works of property management department is managing and maintenance the Real Estate portfolios both owned or managed by the company, in addition to real estate evaluation and management of engineering projects and real estate auctions.

Real Estate Portfolio Division

The company owns a real estate portfolio with a variety of commercial complexes and investment buildings distinctive and diverse by geographical distribution, the company are currently managing group of real estate portfolios for the benefit of Kuwait Investment Authority and the settlement and managing office for government purchased debts in addition to the managing and operating the properties of First Real Estate Fund.

Engineering Projects Management

The Engineering Project management is the most important activity; the property management department is managing several engineering projects. The most prominent one is for Kuwait Ministry of Foreign Affairs. The department is currently followed up by the development of projects and renovation for the Safir Airport Hotel - Safir International Hotel.

Real Estate Appraisal

Based on Ministerial Decision No 182 and No 417 for 2010, KREIC was registered in the real estate appraisers accredited to the Ministry of Commerce and Industry under No. 20. KREIC evaluates all the types of real estate. It is one of the leading companies in the real estate evaluation due to its credibility, professionalism, pursuing the scientific and technical evaluation and also the ability to attract a number of Kuwait banks and government agencies in addition to the number of investment and real estate companies and individuals.

Kuwait Real Estate Investment Consortium - KSCC
And its subsidiary
State of Kuwait

Consolidated Financial Statements
And Independent Auditor's Report

31 December 2017

Report on the Consolidated Financial Statements

Report on the audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

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

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

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

Independent auditor's report (continued)

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

- 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 those 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.

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.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with 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, and its 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 Group.

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

Consolidated statement of financial position

As at 31 December 2017

	Notes	2017 KD 000's	2016 (Restated) KD 000's
Assets			
Currents assets			
Cash and cash equivalents	5	6,076	5,247
Investments at fair value through statement of income	6	4,358	4,409
Receivables and other debit balances	7	194	145
Due from related parties	8	159	151
		10,787	9,952
Non-current assets			
Available for sale investments	9	860	883
Lands and property under development	10	1,994	2,020
Investments in associates	11	1,095	980
Investment properties	12	15,073	15,346
Property and equipment		10	13
		19,032	19,242
Total assets		29,819	29,194
Liabilities and equity			
Current liabilities			
Payables and other credit balances	13	1,107	1,096
Non-current liabilities			
Provision for employees end of services benefits	14	1,989	1,747
Total Liabilities		3,096	2,843
Equity			
Share capital	15	10,000	10,000
Statutory reserve	16	3,853	3,816
Voluntary reserve	17	3,853	3,816
Foreign currency translation reserve		(2,222)	(2,281)
Change of fair value reserve		131	181
Group's share of associate's reserves		(51)	(51)
Retained earnings		11,159	10,870
Total equity		26,723	26,351
Total liabilities and equity		29,819	29,194

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Abdul Karim M. Al- Saeed
Chairman

Ahmad Salem Al-Hajri
Acting General Manager

Consolidated statement of income

For the year ended 31 December 2017

	Notes	2017 KD 000's	2016 (Restated) KD 000's
Income			
Management fees	18	191	182
Net lease income	19	1,427	1,419
Investment profits / (losses)	20	182	(315)
Group's share of associates' business results	11	60	35
(Charge) / write back of provisions no longer required	13	(1)	216
Other income	21	263	222
		2,122	1,759
Expenses and other charges			
Administrative and general expenses	22	226	227
Staff costs	23	1,271	1,119
Depreciation		283	287
Foreign exchange valuation differences		(29)	742
		1,751	2,375
Net profit before deductions		371	(616)
Contribution to Kuwait Foundation for the Advancement of Sciences		(3)	-
Zakat		(5)	-
Board of directors' remuneration		-	-
Net profit for the year		363	(616)
Basic earnings/(loss) per share (fils)	24	3.63	(6.16)

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of income and other comprehensive income

For the year ended 31 December 2017

	2017	2016 (Restated)
	KD 000's	KD 000's
Net profit / (loss) for the year	363	(616)
Other comprehensive income/(expense)		
Change in fair value of available for sale investments	(50)	(65)
Translation of foreign currency financial statements	59	(1,224)
Total comprehensive expense for the year	9	(1,289)
Total comprehensive income/(loss) for the year	372	(1,905)

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share capital	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change of fair value reserve	Group's share of associate's reserves	Retained earnings	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Balance at 1 January 2016	10,000	3,816	3,816	(1,057)	246	(51)	11,986	28,756
Net profit for the year	-	-	-	-	-	-	(616)	(616)
Other comprehensive loss items	-	-	-	(1,224)	(65)	-	-	(1,289)
Cash dividends (Note 25)	-	-	-	-	-	-	(500)	(500)
Balance as at 31 December 2016 (restated)	10,000	3,816	3,816	(2,281)	181	(51)	10,870	26,351
Balance at 1 January 2017	10,000	3,816	3,816	(2,281)	181	(51)	10,870	26,351
Net profit for the year	-	-	-	-	-	-	363	363
Comprehensive income items	-	-	-	59	(50)	-	-	9
Transfer to reserves	-	37	37	-	-	-	(74)	-
Balance as at 31 December 2017	10,000	3,853	3,853	(2,222)	131	(51)	11,159	26,723

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Statement of cash flows
For the year ended 31 December 2017

	Notes	2017 KD 000's	2016 (Restated) KD 000's
Operating activities			
Net profit/(loss) for the year		363	(616)
Adjustment for:			
Investments (profits) / losses	20	(182)	315
Interest payable	21	(147)	(123)
Group's share of associates' business results		(60)	(35)
Depreciation		283	287
Charge/ (write back) of provision of claims		1	(214)
Charge / (write back) of doubtful debts		2	(2)
Provision for end of service indemnity		242	152
Profit / (loss) of operations before the change in operating assets and liabilities		502	(236)
Investments at fair value through statement of income		(42)	(270)
Receivables and other debit balances		(48)	83
Due from related parties		(8)	54
Payables and other credit balances		10	(152)
Cash flows from operations		414	(521)
End of service benefits paid		-	(34)
Net cash generated from / (used in) operating activities		414	(555)
Investing activities			
Available for sale investments		(31)	-
Dividends received from the associate		51	25
Paid for purchase of investment properties		-	(21)
Lands and property under development		26	(32)
Paid for purchase of property and equipment		(7)	(7)
Interest received		144	139
Dividends received from investments	20	232	285
Net cash generated from investing activities		415	389
Financing activities			
Cash dividends		-	(500)
Net cash used in financing activities		-	(500)
Net increase (decrease) in cash and cash equivalents		829	(666)
Cash and cash equivalents at beginning of the year		5,247	5,913
Cash and cash equivalents at the end of the year	5	6,076	5,247

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

1. Overview

Kuwait Real Estate Investment Consortium K.S.C. "KREIC" (Closed) (the "Parent Company") was incorporated on 26 October 1975. It is a subsidiary of Kuwait Investment Authority. Several amendments were made to the memorandum of incorporation and articles of association of the Parent Company. Latest amendment was made under a memo issued by the Shareholding Companies Department No. 942 dated 4 March 2015 in accordance with resolution of the extraordinary general assembly held on 20 August 2014. It was registered in the commercial register on 4 March 2015. KREIC works in filed of real estate transactions, investments in shares and activities of managing real estate and investment portfolios inside and outside the State of Kuwait.

On 11 June 2017, the Parent Company was granted a license certificate by Capital Markets Authority "CMA" to practice securities activity as per law No. (7) of 2010 on establishment of CMA and the regulation of activity of securities and its executive regulations, as amended.

The Parent Company's objectives are as follows:

- Coordinating efforts of Kuwaiti real estate companies.
- Undertaking various business and real estate activities with the target to generate profit including selling, purchase, rental and lease of land and buildings, establishing buildings and preparing the studies of private and public real estate projects and executing them whether directly by the Company or by third party.
- Carry out various construction types and related works whether for its account or for the account of others as well as importing and trading in all materials related to real estate or necessary thereto.
- Establishing and managing hotels, clubs, restaurants, coffee shops, motels, chalets and all tourism, sports and entertainment facilities.
- Investment in shares of projects and companies which are similar to the purposes of the Parent Company and management of such companies and direct them for the interest of the Company.
- Building houses whether for individuals or official or private bodies in return for obtaining their value from them either in cash or in installments.
- Management of third party properties.
- Establishing companies with similar objectives in various countries and participating therein as per provisions of laws effective in such countries, to achieve objectives of this company and for as a documentation of Arab and international cooperation. The Parent Company may have an interest in or participate with entities carrying out similar activities or those parties who will assist it in achieving its objectives. The Company may also purchase such entities or affiliate them.
- Utilizing the financial surpluses of the Parent Company by investing them in financial and real estate portfolios by specialized companies and entities.
- Establishing and managing real estate funds.
- Arranging and managing real estate auctions as per the Ministry regulations.
- Valuation of third parties properties as per applicable regulations at Ministry of Commerce and Industry.

The consolidated financial statements include the financial statements of the Parent Company and its wholly owned subsidiary (Lebanese Real Estate Investment Consortium S.A.L.) together referred to as "the Group" Note (3.4).

The Parent Company's headquarters is at: Sharq, Ahmed Al Jaber Street, P.O. Box 23411, Safat

13095, Kuwait.

The Parent Company is 99.127% owned by Kuwait Investment Authority.

The consolidated financial statements of Kuwait Real Estate Investment Consortium K.S.C. (Closed) and its subsidiary for the year ended 31 December 2017 were authorized for issue by the Parent Company's board of directors on 11 April 2018 and it is subject to approval of the shareholders' annual general assembly. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the shareholders' annual general assembly.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRSs")

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

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

Amendments to IAS 7: Disclosure Initiative

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

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

Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses

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

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

Annual Improvements to IFRSs 2014 – 2016 Cycle:

Amendments to IFRS 12 - "Disclosure of Interests in Other Entities"
IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

b) Standards and interpretations issued but not effective

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

Amendments to IFRS 2: Classification and measurement of share-based payment transactions.
This standard will be effective for annual periods beginning on or after 1 January 2018. These amendments address three main aspects as follows:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

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

IFRS 9 Financial Instruments

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

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

IFRS 15 – Revenue from contract with customers

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

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

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

IFRS 16: Leases

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

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

IFRS 17: Insurance Contracts

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

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

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

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

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

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

The amendments clarify that:

a) An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

b) If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

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

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

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

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Kuwait Companies Law of No. 1 of 2016 and its executive regulations.

3.2 Basis of Preparation

Fair value represents the price that would be received to sell an asset or will be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value, the Group takes into consideration characteristics of an asset or a liability if the market participants took such characteristics into consideration when pricing the asset or liability at the measurement date. Asset's characteristics include status of the asset, its place and limitations imposed on its sale or usage. Accounting policy No. (3.9) includes fair value measurement and considerations depended upon in the measurement process. Note No. (27) includes fair value measurements as per documents 1 to 3 and its explanation.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain significant accounting estimates. It also requires group management to exercise judgment in applying the Group's accounting policies. The areas of significant judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 4.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Classification of assets and liabilities to current and non-current

The Group presents the assets and liabilities in the statement of financial position based on their classification to current and non-current. The asset shall be current if:

a) Expected to be recognized, intended to be sold, or depreciated within the normal operational cycle.
b) Held primarily for the purpose of trading.
c) Expected to be recognized within twelve months following the reporting date, or
d) Cash and cash equivalent, unless its trading or usage is limited to settle an obligation for at least twelve months following the reporting date.

Except for the assets that are classified according to the above bases, all other assets shall be classified within the non-current assets.

The liability shall be deemed as current if it is:

e) It is expected to be settled in the normal operating cycle;
f) Held primarily for the purpose of trading.
g) Expected to be settled within twelve months following the reporting date, or
h) There is no conditional right for postponing settlement of the liability for a period of at least twelve months after the reporting date.

Except for the liabilities that are classified according to the above bases, all other liabilities shall be classified within the non-current liabilities

3.4 Basis of consolidation

The consolidated financial statements comprise financial statements of the Parent company and its subsidiary drawn up to 31 December 2017 (see below). The subsidiary has a reporting date of 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits or losses and unrealized profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Profits or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to the statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

Details of the subsidiary are as follows:

Name of subsidiary	Legal entity	Activity	Country of incorporation	Percentage of holding 2017	Percentage of holding 2016
Lebanese Real Estate Investment Consortium	.S.A.L	Real estate	Lebanon	100%	100%

The subsidiary's total assets amounted to KD 2,217 thousand as at 31 December 2017 (31 December 2016: KD 2,182 thousand) and its net losses amounted to KD 9 thousandfor the year ended 31 December 2017 (31 December 2016: KD 14 thousand).

It was depended upon audited financial statements of the subsidiary for the financial year ended 31 December 2017 when preparing the consolidated financial statements of the Group.

3.5 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy (see borrowing costs policy). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

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 sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

3.6 Investment properties

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

Subsequent to the initial recognition, investment properties are measured at cost less depreciation and any impairment, if any.

Undeveloped land is carried at cost less impairment, if any.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income and other comprehensive income in the period in which the property is derecognised.

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 plant and equipment up to the date of change in use.

3.7 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, financial assets available for sale. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at fair value through profit or loss.
- Trade and other receivables
- Investments held to maturity.
- Available for sale financial assets (AFS)

Available for sale investments

Available for saleinvestments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income in finance costs. Profit earned whilst holding AFS financial assets is reported as profit in the consolidated statement of profit or loss using the EPR method.

The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EPR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EPR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective profit rate method, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of income when there is objective evidence the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective profit rate computed at initial recognition.

Cash and cash equivalents

Cash on hand, current and call account balances with banks are classified as cash and cash equivalents in the statement of cash flows, net of bank overdrafts (if any).

Effective profit rate method

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

Financial assets at fair value through statement of income

Financial assets at fair value through statement of income include financial assets held for trading and financial assets designated upon initial recognition at fair value through statement of income. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near future. The Group did no classify any financial assets at fair value through statement of income. Financial assets are carried at fair value through profit or loss in the consolidated statement of financial position at fair value, and net changes in fair value are recognized in the consolidated statement of income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 theasset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective profit rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of income. Profit (recorded as finance income in the consolidated statement of income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

Available for sale financial assets
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant impairment" is evaluated against the original cost of the investment and "prolonged impairment" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investment are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is "significant" or "prolonged" requires considerable judgment. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income. Further profit continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The profit is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities or other liabilities as appropriate.
All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The financial liabilities of the Group consist of trade and other payables.

Subsequent Measurement
The measurement of financial liabilities depends on its classification as trade and other payables.

Trade and other payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective profit rate method.

Derecognition
A financial liability is derecognized when it is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognization of the original liability and the recognition of a new liability. Any difference in the carrying value is recognised directly in the consolidated statement of income.

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.

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.

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired.If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.In determining fair value less costs of disposal, recent market transactions are taken into account.If no such transactions can be identified, an appropriate valuation model is used.These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.These budgets and forecast calculations generally cover a period of five years.For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

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

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.8 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at the date of each consolidated financial position statement. Fair value measurement of financial instruments and non-financial assets is disclosed in the notes to the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement depends on the presumption that the asset is disposed of or the liability is settled by transferring it. This happens in one of the following cases:

- Disposal or settlement to the primary market of asset or liability, or
- In case there is no primary market for the asset or liability, disposal or settlement is done in the secondary market, i.e. in the most useful market to the asset or liability. In this context, the Group must be able to reach the primary market or the most useful market to the asset or liability.

With regard to assets and liabilities recognised in the consolidated financial statements of the Group measured at fair value frequently, the Group determines whether there are transfers made between levels of the fair value hierarchy through reclassification at the end of each reporting period.

To present the disclosures on the fair value, the Group determined categories of assets and liabilities taking into consideration nature and characteristics of the risks related to the asset or liability and level of the hierarchy referred to above.

The fair value of asset and liability are measured by using assumptions used by the participants in the market when pricing the asset or liability, and by assuming that such participants are working to reach the best achievement of their economic interests.

Fair value measurement of non-financial assets takes into account ability of the participants in the market to achieve economic benefits for them through the best way of usage at the highest and best level of the asset, or through selling the asset to another party in the market, that is expected to use the asset in an ideal way at the highest and best level. The Company uses appropriate valuation techniques that have available sufficient data to measure the fair value while using maximum observable inputs related to the asset and reducing usage of the unobservable inputs to the maximum limit.

All assets and liabilities that its fair value is measured or disclosed are classified within the fair value hierarchy. The fair value hierarchy consists of three levels: 1. In accordance with quoted prices. 2. Valuation techniques use prices of observable current market transactions. 3. Valuation techniques use generally accepted pricing models.

3.9 Equity and reserves

Capital represents the nominal value of shares that have been issued.

Reserves (statutory and voluntary) represent retained amounts from annual profits in such accounts under requirements of the Company's memorandum of incorporation and articles of association, Companies Law, its executive regulations and decisions of board of directors approved by the general assembly of shareholders.

General reserve was made in previous years based on decisions of board of decisions and approval of the general assembly of shareholders on the same, which has been deducted from the annual profits for such financial periods.

Retained earnings include the current profits and retained profits for the prior period.

3.10 Dividends to the shareholders

The Parent Company recognises a liability for cash or non-cash dividends to its shareholders when the dividend is authorised and the dividend is no longer among options of the Parent Company. The Parent Company records the liability emerging from cash and non-cash distributions directly in the liabilities with the corresponding entry is charged to retained earnings. In accordance with Companies Law No. 1 of 2016 and its executive regulations, dividends are disclosed when approved by the shareholders at the annual general assembly meeting.

The non-cash dividends are measured at fair value of assets that will be distributed. Fair value measurement is recognized directly in equity. When distributing the non-cash assets, the difference between carrying value of the liability and carrying value of the assets distributed to the shareholders is recognised in the consolidated statement of income.

3.11 Provision for employees end of services benefits

Provision is made for employees' end of service indemnity which is payable on completion of employment. The provision is calculated in accordance with Kuwait Labor Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the financial position, on the basis that this computation is a reliable approximation of the present value of this obligation.

Social security
With regard to the Kuwaiti national staff, the Group makes contributions to the Public Institution for Social Security (PIFSS) being calculated as a percentage of monthly salaries of the employees. The Group's liability is limited to the amounts of these commitments, which are recognized as expense when the terms of their accrual by concerned employees are met.

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of the money material, the provisions are deducted at a rate reflecting the risks specific to the obligation where appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after disposal of sales between Group's companies.

The Group had concluded that it is a principal in all of its transactions (except management and maintenance of third party's real estate) since it is the primary obligor in all the revenue arrangements has pricing latitude and also exposed to inventory and credit risk.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration type of customers and type of transactions.

The specific recognition criteria described below must also be met before revenue is recognised:

Profits on sale of investments

Profit on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal and is recognized at the same date of the sale.

Dividends
Dividend income is recognized when group's right to receive payment is established. Group's right in such dividends is established when such dividends are announced and approved by shareholders in investee companies.

Rentals
Rental income is recognized when earned on a time proportion basis.

Bank Deposits income
Bank Deposits income is recognised when it falls due.

Real estate sales income

Real estate sales income is recognised on accrual basis, when all the following conditions are met:

- On completion of sale transaction and signing the contracts.
- When investment of the buyer (sale value) is sufficient to indicate his commitment to pay value of the real estate as at date of the consolidated financial statements.
- Receivables category of the Group shall not be less than the sale in the future.
- When the Group already transferred all the regular risks and rewards and real estate ownership to the buyer through selling transaction and the Group does not have any continuous substantial participation in the real estate or its ownership.

3.14 Foreign exchange translation

Transactions and balances
Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the financial statements date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in the statement of other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in the statement of other comprehensive income.

Group companies
The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the financial position date. Income and expense items are translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to statement of profit or loss and recognised as part of the gain or loss on disposal. 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.

3.15 Assets and contingent liabilities

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

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

3.16 Contribution to Kuwait Foundation for the Advancement of Sciences

The Parent Company is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). KFAS is imposed at 1% of profit, less permitted deductions.

3.17 Zakat

The Parent Company is legally required to contribute to the Zakat in accordance with the requirements of Law No. 46 of 2006. Zakat is imposed at 1% of profit, less permitted deductions.

3.18 Related party transactions

Related parties represent the associates, major shareholders, directors, managed funds, executive officers, their family members and the entities they own. All related party transactions are conducted on a normal course of activity and are approved by the Group's management.

3.19 Leasing

The Company as a lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

The Company as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Significant accounting judgements and key sources of estimation uncertainty

Accounting judgements

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements.

Commitments of operating lease agreements
The Group entered into trade operating leases with other parties. The Group determined, based on review and assessment of conditions and rules of these arrangements, such as term of leases that does not form a major part of the economic useful life of properties, and fair value of an asset, and whether it retains all significant risks and rewards of ownership of the real estate leased to third parties. Therefore, the Group accounts for all of these contracts as operating lease arrangements.

The Group's status as a principal
The Group conducts a revision and assessment to determine whether its current status as a principal or an agent in its commercial transactions has changed. Such revision and assessment cover any change in the overall relationship between the Group and other parties dealing with the Group, which may mean that its current status as a principal or an agent has changed. Such as if changes occurred to rights of the Group or other parties, the Group would reconsider its current status as a principal or an agent. Initial assessment considers market conditions that originally led the Group to consider itself as principal working as a main principal or an agent in arrangements of revenues contracts. The Group concluded that it works as a main principal in all contracts and arrangements leading to revenues to the Group, except its activity related to management and maintenance of third parties properties.

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

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

Investment classification:
Management decides on acquisition of an investment whether it should be classified as held

for trading, at fair value through statement of income, available for sale or held to maturity investments.

Financial investments at fair value are investments which are designated as held for trading investments and investments at fair value, at initial recognition, through consolidated statement of income on initial recognition.

Classification of investments as investments at fair value at initial recognition through statement of income depends on how management monitors 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 in the management accounts.

As part of statement of income, at initial recognition, they are classified as at fair value through statement of income. All other investments are classified as available for sale or as held to maturity.

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

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

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

Estimates uncertainty

Impairment of associates
Estimation for existence of impairment losses of the associate is done when there is an indication on such impairment. Impairment of all the carrying value of the Group's investment in the associate including goodwill is studied, therefore no impairment study for goodwill is required independently.

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following recent arm's length market transactions:

- Current fair value of other instruments that are substantially the same.
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

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

Impairment of receivables

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

Impairment of tangible assets
The Group's management estimates whether there is an indication to impairment of tangible assets. The recoverable amount of an asset is determined based on "value in use method". In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

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

5. Cash and cash equivalents

	2017	2016 (Restated)
	KD 000's	KD 000's
Term deposits and call accounts	5,973	5,174
Cash and current bank accounts	103	73
	6,076	5,247
Term deposits in the State of Kuwait	5,491	4,221
Term deposits outside the State of Kuwait	482	953
	5,973	5,174

The average effective interest rate on term deposits in the State of Kuwait was 1.8% as at 31 December 2017 (31 December 2016: 1.7%).

The average effective interest rate on term deposits outside the State of Kuwait was 14.5% as at 31 December 2017 (31 December 2016: 8.125%).

6. Investments at fair value through statement of income

	2017	2016
	KD 000's	KD 000's
Investments in local real estate funds	3,846	3,916
Investments in local financial funds	158	158
Investment in unquoted shares	354	335
	4,358	4,409

Fair value of investments is determined as per bases of fair value described in Note (27).

The Group's investments in financial funds are represented in investment in a local fund. This fund suffers liquidity problems due to impacts of the global and regional financial crisis. Fund's manager suspended the units redemption transactions. Financial statements and net value of the unit were not approved by the concerned parties. Therefore, a provision has been made in the prior years of KD 156 thousand equivalent to 50% of the investment value.

7. Receivables and other debit balances

	2017	**2016 (Restated)**
	KD 000's	KD 000's
Trade receivables	380	375
Accrued revenues	108	118
Other debit balances	86	86
Dividends payable	56	-
	630	579
Provision for impairment	(436)	(434)
	194	145

The Group classifies aging of receivables as follows:

	2017	**2016 (Restated)**
	KD 000's	KD 000's
days 90 – 30	114	71
to 180 days 90	64	38
days to 360 days 180	16	36
More than 360 days	436	434
	630	579

Following is the movement of impairment provision:

	2017	2016
	KD 000's	KD 000's
Balance at the beginning of the year	434	436
Charge / (write back) of provision during the year	2	(2)
Closing balance	436	434

8. Related party transactions

Related parties represent the associates and the major shareholder in Kuwait Real Estate Investment Consortium, the fund managed by the Group, directors, executive officers, their family members and the entities they own. Prices and payment terms of such transactions were approved by the

Group's management.

Balances and transactions with related parties are as below:

	2017	2016
	KD 000's	KD 000's
Balances		
Kuwait Investment Authority	293	282
First Real Estate Group Fund	46	49
	339	331
Provision for impairment	(180)	(180)
	159	151
Transactions		
Management fees of the major shareholder's portfolios	136	131
Management fees of First Real Estate Group Fund	55	51
Lease income	104	104
Senior management remuneration	21	-

All transactions with related parties are subject to the shareholders' general assembly approval.

9. Available for sale investments

	2017	2016
	KD 000's	KD 000's
Local shares - unquoted	815	874
Foreign shares - unquoted	45	9
	860	883

10. Lands and property under development

Movement on balance of lands and real estate under development during the year is as follows:

	2017	2016
	KD 000's	KD 000's
Balance at the beginning of the year	2,020	1,988
Additions	-	16
Foreign exchange translation	(26)	16
Closing balance	1,994	2,020

Lands and property under development include an amount of KD 1,572 thousand represents lands through the subsidiary stated at cost (31 December 2016: KD 1,597). Fair value was reached to as at 31 December 2017 based on the valuation carried out on that date by an independent valuer. This valuer is licensed by the official bodies and has qualifications and experience in valuation of properties at these locations. Fair values were determined based on method of comparable sale price (second level).

11. Investments in associates

	Ownership percentage	2017	2016
	%	KD 000's	KD 000's
.Arab Ceramic Company - S.A.E	24.39	1,093	978
.Arab Brick Company - S.A.E	31.5	1	1
.Financial Economic Development Company - S.A.E	23.8	1	1
		1,095	980

The following is the movement of investments in associates:

	2017	2016
	KD 000's	KD 000's
Opening balance	980	2,239
Share of business results	60	35
Differences of foreign currency translation	106	(1,269)
Dividend received	(51)	(25)
Balance at end of the year	1,095	980

The Group's share in business results of Arab Ceramic Company was stated at profit of KD 60 thousand as per its latest available unaudited financial statements as at 30 September 2017 (30 September 2016: profit of KD 35 thousand).

The fair value of Arab Ceramic Company was KD 1,740 thousand as at 31 December 2017 (31 December 2016: KD 1,353 thousand).

Summarized financial statements of the associate as per the latest available financial statements of such Company are set out below:

	2017	2016
	KD 000's	KD 000's
.Arab Ceramic Company - S.A.E		
Currents assets	5,022	3,750
Non-current assets	4,026	3,201
Current liabilities	4,441	2,623
Non-current liabilities	124	318
Income	8,489	5,532
Profit from continuing operations	713	666
Profit for the period	650	624
Other comprehensive income for the year	-	-
Total comprehensive income for the year	650	624
Cash dividends received from the associate during the year	51	25
Net assets of the associate	4,483	4,010
.The Groups' ownership percentage in Arab Ceramic Company - S.A.E	24.39%	24.39%
Carrying value of associates	1,093	978

12. Investment properties

Investment properties represent residential buildings and commercial complexes in many areas in the State of Kuwait. As per latest valuation, fair value of investment properties reached KD 25.3 million as at 31 December 2017 (31 December 2016: KD 24.1 million).

Analysis of movement over investment properties is as follows:

	2017	2016 (Restated)
	KD 000's	KD 000's
Opening balance	15,346	15,598
Additions	-	21
Depreciation	(273)	(273)
Balance at end of the year	15,073	15,346

13. **Payables and other credit balances**

	2017	2016
	KD 000's	KD 000's
Due to employees	353	358
Provision for liabilities	209	208
Advance from customers	132	133
Other payables	367	356
Accrued expenses	38	23
Contribution to Kuwait Foundation for the Advancement of Sciences	3	7
Zakat	5	11
	1,107	1,096

14. Provision for employees end of services benefits

	2017	2016
	KD 000's	KD 000's
Balance at 1 January	1,747	1,629
Charged during the year	242	152
Payment during the year	-	(34)
Balance at 31 December	1,989	1,747

15. **Share capital**

The Parent Company's authorized, issued and fully paid up share capital comprises of KD 10,000 thousand divided into 100 million shares of nominal value 100 fils per share. All shares are cash shares.

16. **Statutory reserve**

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the net profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, directors' remuneration, and Zakat expense is transferred to the statutory reserve account. The general assembly may resolve to discontinue such transfers when the reserve exceeds 50% of share capital. Such reserve is not distributable to shareholders except in limits of 5% of the share capital paid in years when earnings are not sufficient for such dividends. If the statutory reserve exceeds half of the Parent Company's share capital, the general assembly is permitted to utilize amounts in excess of this limit in aspects seen appropriate for interest of the shareholders.

17. **Voluntary reserve**

In accordance the Company's articles of association, 10% of the net profit for the year, before KFAS contribution, Board of Directors' remuneration and Zakat expense is transferred to the voluntary reserve. Such transfers are recommended by the board of directors and approved by the general assembly. Such transfer can be discontinued by a recommendation of the board of directors. The Parent Company's board of directors proposed transferring 10% of the net profit for the year before contribution to KFAS, board remunerations and Zakat to the voluntary reserve.

18. **Management fees**

Management fees represent revenues arising from the agreement signed between the Parent Company and both of Kuwait Investment Authority, First Real Estate Group Fund for managing properties of Kuwait Investment Authority, and First Real Estate Group Fund represented in their commercial and investment properties.

Management fees are calculated based on a specific percentage of net operating and rental revenues of management contracts signed with Kuwait Investment Authority (Note 31).

Management calculates fees of 10% of net annual profits realized by First Real Estate Group Fund.

Management fees analysis is divided as follows:

	2017	**2016**
	KD 000's	KD 000's
Management fees of properties of Kuwait Investment Authority	136	131
Management fees of properties of First Real Estate Group Fund	55	51
	191	182

19. Net lease income

	2017	**2016**
	KD 000's	KD 000's
Rental income	1,615	1,603
Properties expenses	(188)	(184)
	1,427	1,419

20. Investment profits / (losses)

	2017	**2016**
	KD 000's	KD 000's
Available for sale investments:		
Cash dividends	112	157
Sale losses	(3)	(51)
Increase / (decrease) of value	-	(93)
	109	13
Investments at fair value through statement of income:		
Cash dividends	120	128
Change in fair value	(47)	(456)
	73	(328)
	182	(315)

21. Other income

	2017	2016
	KD 000's	KD 000's
Gains on valuation of third party properties	87	83
Deposit interests	147	123
Other	29	16
	263	222

22. Administrative and general expenses

	2017	2016
	KD 000's	KD 000's
Rent	111	111
Maintenance expense	19	26
Other expenses	96	90
	226	227

23. Staff costs

	2017	2016
	KD 000's	KD 000's
Salaries & wages	688	650
Employees' end of service indemnity	242	152
Leaves	84	79
Staff bonuses	160	160
Social security and others	97	78
	1,271	1,119

24. Basic earnings per share

Basic earnings per share is computed based on net profit for the year and the weighted average number of ordinary shares during the year is calculated as follows:

	2017	2016 (Restated)
(Net profit for the year (KD 000's	363	(616)
(Adjusted weighted average number of shares (share	100,000,000	100,000,000
(Basic earnings/(loss) per share (fils	3.63	(6.16)

25. Dividends

The Parent Company's general assembly of shareholders held on 26 April 2017 approved the consolidated financial statements for the year ended 31 December 2016. It also approved not to distribute dividends for that year.

26. Segment information

Group's activities are represented in investment real estate segment, financial investments segment and real estate properties management segment. Segments results are reported to the Group's senior executive management. Further, Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. The revenues, profits, assets and liabilities are measured as per the same accounting basis followed in preparing the consolidated financial statements.

Business segment analysis in line with internal reports submitted to management for the year ended 31 December is as follows:

	Investment management		Real estate property management		Total	
	2017	2016 (Restated)	2017	2016	2017	2016 (Restated)
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Segments revenue	1,509	1,071	613	688	2,122	1,759
Segments results	257	(625)	114	9	371	(616)
Unallocated expenses					(8)	-
Net profit / (loss) for the year					363	(616)

Geographic distribution

	State of Kuwait		Middle East (except Kuwait)		Total	
	2017	2016 (Restated)	2017	2016	2017	2016 (Restated)
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Total revenues	1,963	1,671	159	85	2,122	1,759
Total assets	24,971	23,999	4,848	5,195	29,819	29,194
Total Liabilities	3,082	2,831	14	12	3,096	2,843

27. Fair value estimation

a) *Valuation techniques and assumptions applied for the purposes of measuring fair value*

The identified fair values of financial assets are as follows:

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- The fair value of financial assets (unquoted funds and bonds) is determined based on prices from observation current market transactions.

- The fair values of other financial assets (unquoted equity securities) are determined in accordance with the acceptable pricing models.

b) *Fair value measurements recognized in the consolidated statement of financial position*

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

c) *Fair value measurements recognized in the consolidated statement of financial position*

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

d) *Fair value of financial instruments*

To present the notes on the fair value, the Group determined categories of assets and liabilities taking into consideration nature and characteristics of the risks related to the asset or liability and level of the hierarchy referred to above.

December 2017 31	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD 000's	KD 000's	KD 000's	KD 000's
Investments at fair value through statement of income				
Investments in local real estate and financial funds	-	4,004	-	4,004
Investment in unquoted shares	-	-	354	354
Available for sale investments				
Unquoted equity	-	-	860	860
Total	-	4,004	1,214	5,218

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD 000's	KD 000's	KD 000's	KD 000's
Investments at fair value through statement of income				
Investments in local real estate and financial funds	-	4,074	-	4,074
Investment in unquoted shares	-	-	335	335
Available for sale investments				
Unquoted equity	-	-	883	883
Total	-	4,074	1,218	5,292

28. Financial risk and capital management

a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.The Group's sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

b) Categories of financial instruments

	2017	**2016**
	KD 000's	KD 000's
Assets		
Cash and cash equivalents	6,076	5,247
Investments at fair value through statement of income	4,358	4,409
Receivables and other debit balances	194	145
Due from related parties	159	151
Cash and cash equivalents	6,076	5,247
Liabilities		
Payables and other credit balances	1,107	1,096

c) 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 concentration of risks with certain individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate. The principle financial instruments of the Group that are exposed to credit risk as at 31 December 2017 comprise of cash and cash equivalents and trade receivables. To control these risks, the Group deals with banks with acceptable credit risks and controls the distribution of these cash balances to an appropriate number of local banks approved by its policy criteria. The maximum credit risk exposure is not materially different from the carrying values in the consolidated statement of financial position.

d) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes some transactions in foreign currencies, and hence the risk of exposure to fluctuations in currency rates arises. Foreign currency risks are managed under the approved internal policy standards by limiting the transactions to foreign currencies that are stable as regards the rate of exchange with the Kuwaiti Dinar and do not expose the Group to high risks of exchange rate fluctuations.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the consolidated statement of financial position date are as follows:

	2017	2016
	KD 000's	KD 000's
Assets		
EGP	86	530
LBP	1	1
USD	851	468
	938	999

The effect on profit for all assets in foreign currencies (due to changes in fair value of monetary assets and liabilities), as a result of the change in exchange rates, and assuming an increase of exchange rates by 5% with all the other factors held constant is KD 47 thousand (31 December 2016: KD 50 thousand).

e) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has monitored liquidity of assets and liquidity on a daily basis.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for financing the operations of the Group. The Group manages liquidity risk by maintaining adequate reserves, and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

f) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate. The Group has no exposure to interest rate risk, as it does not maintain any financial instruments exposed to interest rate risk.

g) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Equity price risk arises from change in fair value of quoted equity investment. Financial instruments, which potentially subject the Group to equity price risk, consist principally of investments at fair value through statement of income and available for sale investments.

The Group is exposed to equity price risk with respect to investments in equity instruments. Equity investments are classified as at fair value through statement of income and available for sale investments.

To manage its price risk arising from investments in securities, i.e. equity instruments, the Group diversifies its investment portfolios. Diversification of the portfolio is done in accordance with the limits set by the Parent Company.

The below table shows the sensitivity analysis for the Group with regard to its investment securities, and it is determined based on possible price risks at the consolidated financial statements date. There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis.

If prices of financial securities had been changed by 5% (increase or decrease) with all other variables held constant, the effect on the result for the year and equity would have been as follows:

		Effect on the statement of income		**Effect on the statement of comprehensive income**	
	%	**2017**	**2016**	**2017**	**2016**
		KD 000's	KD 000's	KD 000's	KD 000's
Investments at fair value through statement of income	+5%	218	220	-	-
Available for sale investments	+5%	-	-	43	44

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

29. Comparative figures

During the year, the Group has decided to restate the comparative figures for the year ended 31 December 2016, where net losses for the year has been restated to be KD 616 thousand instead of profits of KD 282 thousand.

This amendment resulted from cancellation of the contract signed with other party during the year ended 31 December 2016. It included sale of investment property owned by the Group of KD 1,315 thousand with profit of KD 905 thousand, where the Group has obtained 20% of total sale value form the purchaser during the year ended 31 December 2016. In accordance with terms of sale contract and due to the fact that the procedures of registration and ownership transfer of property are not completed by the Group, the contract has been cancelled. Accordingly, all comparative figures related to such transaction have been restated.

30. Comparative figures

Statement of Financial Position	**2016 (Before restatement)**	**Effect of restatement**	**2016 (After restatement)**
	KD	KD	KD
Cash and cash equivalents	5,510	(263)	5,247
Receivables and other debit balances	1,197	(1,052)	145
Investment properties	14,936	410	15,346
Payables and other credit balances	1,103	(7)	1,096
Statutory reserve	3,845	(29)	3,816
Statutory reserve	3,845	(29)	3,816
Retained earnings	11,710	(840)	10,870

Statement of income	2016 (Before restatement)	Effect of restatement	2016 (After restatement)
	KD	KD	KD
Gains on sale of investment properties	905	(905)	-
Contribution to Kuwait Foundation for the Advancement of Sciences	3	3	-
Zakat	4	4	-
Net profit/(loss) for the year	282	(898)	(616)

1. Contingent liabilities and future commitments

	2017 KD 000's	**2016** KD 000's
Bank and other guarantees	23	22

31. Fiduciary assets

As at 31 December 2017, the Group's total fiduciary assets is KD 87,898 thousand (31 December 2016: KD 88,565 thousand). Such assets are not stated in the Group's financial statements, as it manages and retains them on behalf of parties under management contracts signed by such parties.