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

Consolidated financial statements and
independent auditors' report
For the year ended 31 December 2016

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For the year ended 31 December 2016

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Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Dar Al-Thuraya Real Estate Company K.S.C. (Public) ("the Parent Company") and its subsidiaries, ("the Group") which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements and summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards.

Basis of 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 our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent auditors' report (continued)

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

Key Audit Matters (continued)

Impairment of property, plant and equipment

Property, plant and equipment recognized in the consolidated statement of financial position include certain right of utilization that are measured at cost less accumulated depreciation and impairment loss, if any, which represent significant percentage of the total assets of the Group as at the date of the consolidated financial statements.

The Group's management determining the fair value of its properties for the purposes of disclosure and impairment testing at the date of the consolidated financial statements, and uses external valuators to support these valuations. The valuation of properties is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, market knowledge and historical transactions. Further, disclosures related to assumptions are deemed significant in view of estimation uncertainty and sensitivity of valuation. Given the size and complexity of performing audit on properties, and importance of the disclosures relating to assumptions used in the valuation, we addressed this matter as a key audit matter.

How our audit addressed such matters

Our audit procedures included, among other procedures, evaluating the valuation assumptions and methodologies used by the Group evaluated taking into consideration independency, reputation and capabilities of the external valuators. We also evaluated the accuracy of the data used by the external valuators, and evaluated the appropriateness of the disclosures relating to property, plant and equipment of the Group in Note 8 to the consolidated financial statements.

Valuation of investment properties

The Group's investment properties represent significant part of the total assets that are recorded at fair value as at 31 December 2016 determined by external real estate valuators. Determinating of the fair value of investment properties mainly depends on estimates and assumptions such as market knowledge and average market price of similar properties. Disclosures relating to assumptions and estimates and policy of investment properties recognition and measurement are presented in accounting polices section in the notes to the consolidated financial statements. Given the size and the complexity of performing audit on investment properties, and importance of the disclosures relating to the assumptions used in valuation, we addressed this matter as a key audit matter.

How our audit addressed such matters

Our procedures included verifying assumptions and estimates made by the Group's management, and appropriateness of relevant data supporting valuations of the external valuators. Such procedures included, as appropriate, comparing judgments made concerning current and emerging practices, and verifying the valuations on a sample basis. We also reviewed the Group's valuation of whether there is an indication of impairment of local properties. Moreover, we evaluated appropriateness of disclosures related to assumptions sensitivity in Note 11 to the consolidated financial statements.

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Independent auditors' report (continued)

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

Key Audit Matters (continued)

Business combinations - acquisition of a subsidiary

During the financial year, the Group acquired Wafer Company for Food Supplies W.L.L. (Muhammad Yousef Al-Roumi & Partners) and its subsidiaries, through acquisition of 99% of the Company's capital for an amount of KD 450,000. Accordingly, it was classified as a subsidiary from date of acquisition on 1 January 2016. This acquisition resulted in an immaterial goodwill of KD 12,074 not recorded by the Group. Management exercised certain significant judgments through developing initial estimates for the fair value of identifiable assets and liabilities resulted from the acquisition.

How our audit addressed such matters

Our consideration audit procedures included obtaining all significant acquisition agreements and they have been perused by us to ensure our understanding of the most important elements of the deal, including material consideration and acquired assets and liabilities. Further, audit procedures included the following:

- Reviewing appropriateness of accounting policies applied in the acquisition transaction, including specifying the appropriate time for exercising control over the company.
- Reviewing and verifying appropriateness of the fair values related to assets and liabilities of the acquired business.
- Verifying validity and appropriateness of the disclosures contained in the notes mentioned in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information includes (information stated in the annual report, and does not include the consolidated financial statements and our auditors' report thereon). The annual report is expected to be made available to us after date of this audit report.

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

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

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

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

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

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

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Independent auditors' report (continued)

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

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

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

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

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

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

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

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

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

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

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Independent auditors' report (continued)

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

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

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

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

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

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016, and its Executive Regulation, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulation, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2016 that might have had a material effect on the business of the Parent Company or its financial position.

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

Yahya Abdullah Al-Fodari
Licence No. 83 - A
Member of the Kuwait Association of Accountants and Auditors

Kuwait: 29 March 2017

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

Consolidated statement of financial position
As at 31 December 2016

	Notes	2016 KD	2015 KD
Assets			
Non-current assets			
Property, plant and equipment	8	7,020,014	7,041,824
Right of utilization	9	110,000	170,000
Intangible assets	10	507,460	-
Investment properties	11	15,211,800	16,565,149
Investments available for sale		3,173	5,000
Due from related parties	12	196,088	324,173
		23,048,535	24,106,146
Current assets			
Inventories		378,559	321,164
Trade receivables and other debit balances	13	1,272,651	931,372
Investment at fair value through statement of income	14	-	1,625,262
Banks balances and cash	15	235,351	397,354
		1,886,561	3,275,152
Total assets		24,935,096	27,381,298
Equity and liabilities			
Equity			
Share capital	16	14,650,000	14,650,000
Statutory reserve	17	866,845	866,845
Voluntary reserve	18	866,845	866,845
Change in fair value reserve		(467)	-
Revaluation surplus reserve		109,832	169,823
Retained earnings		(1,565,566)	813,648
Equity attributable to equity holders of the Parent Company		14,927,489	17,367,161
Non-controlling interests		26,481	37,344
Total Equity		14,953,970	17,404,505
Liabilities			
Non-current liabilities			
Employees' end of service indemnity	19	384,435	246,249
Due to related parties	12	8,764,930	9,359,466
		9,149,365	9,605,715
Current liabilities			
Other credit balances	20	831,761	371,078
Total liabilities		9,981,126	9,976,793
Total equity and liabilities		24,935,096	27,381,298

The notes on pages 11 to 49 form an integral part of these consolidated financial statements.

Adel Mohammed Hamoud Al Hudaib
Chairman

Ahmad Abdurazzaq Albahr
Vice Chairman

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
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Consolidated statement of income
For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Sales		1,437,120	1,174,454
Cost of sales		(985,444)	(774,085)
Gross profit		451,676	400,369
Net rental income	21	1,108,900	1,057,945
Unrealized losses on investments at fair value through statement of income		-	(256,115)
Realized (losses)/profits on sale of investment at fair value through statement of income	14	(229,224)	17,099
Change in fair value of investment property	11	(1,428,836)	(790,229)
Profits from saving accounts		219	438
Management fees		-	7,408
Foreign currency translation (loss)/profit		(15,507)	99,017
Profit on sale of property, plant and equipment		2,247	9,688
Other revenues		164,970	63,799
Net operating income		54,445	609,419
Impairment of right of utilization	8	(699,231)	-
Impairment of investments available for sale		(5,000)	-
Bad Debts	13	-	(35,913)
Provision for accrued rentals	13	(45,000)	-
General and administrative expenses	22	(1,695,282)	(1,173,200)
Net loss for the year		(2,390,068)	(599,694)
Attributable to:			
Shareholders of the Parent Company		(2,379,214)	(606,722)
Non-controlling interests		(10,854)	7,028
Net loss for the year		(2,390,068)	(599,694)
Basic and diluted loss per share for the year attributable to the Parent Company's shareholders (fils)	23	(16.24)	(4.14)

The notes on pages 11 to 49 form an integral part of these consolidated financial statements.

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

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Net loss for the year		(2,390,068)	(599,694)
Other comprehensive income items:			
Items that may be classified subsequently to the consolidated statement of income:			
Changes at fair value of investments available for sale		(467)	-
Revaluation surplus reserve	9	(60,000)	70,000
Total other comprehensive (loss)/income		(60,467)	70,000
Total comprehensive loss for the year		(2,450,535)	(529,694)
Attributable to:			
Shareholders of the Parent Company		(2,439,672)	(536,733)
Non-controlling interests		(10,863)	7,039
		(2,450,535)	(529,694)

The notes on pages 11 to 49 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Share capital	Statutory reserve	Voluntary reserve	Change in fair value reserve	Revaluation surplus reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interests	Total Equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2015	14,650,000	866,845	866,845	-	99,834	1,420,370	17,903,894	30,305	17,934,199
Net (loss)/income for the year	-	-	-	-	-	(606,722)	(606,722)	7,028	(599,694)
Other Comprehensive Income	-	-	-	-	69,989	-	69,989	11	70,000
Total comprehensive income/(loss) for the year	-	-	-	-	69,989	(606,722)	(536,733)	7,039	(529,694)
At 31 December 2015	14,650,000	866,845	866,845	-	169,823	813,648	17,367,161	37,344	17,404,505
At 1 January 2016	14,650,000	866,845	866,845	-	169,823	813,648	17,367,161	37,344	17,404,505
Net loss for the year	-	-	-	-	-	(2,379,214)	(2,379,214)	(10,854)	(2,390,068)
Other comprehensive loss	-	-	-	(467)	(59,991)	-	(60,458)	(9)	(60,467)
Total comprehensive loss for the year	-	-	-	(467)	(59,991)	(2,379,214)	(2,439,672)	(10,863)	(2,450,535)
At 31 December 2016	14,650,000	866,845	866,845	(467)	109,832	(1,565,566)	14,927,489	26,481	14,953,970

The notes on pages 11 to 49 form an integral part of these consolidated financial statements.

Dar Al-Thuraya Real Estate Company K.S.C. (Public)
and its subsidiaries
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Consolidated statement of cash flows
For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Operating activities			
Net loss for the year		(2,390,068)	(599,694)
Adjustments for:			
Depreciation and amortization	8,10	357,379	186,515
Profit on sale of property, plant and equipment		(2,247)	(9,688)
Bad Debts	13	-	35,913
Provision for accrued rentals	13	45,000	-
Impairment of right of utilization	8	699,231	-
Impairment of investments available for sale		5,000	-
Change in fair value of investment properties	11	1,428,836	790,229
Profits from saving accounts		(219)	(438)
Unrealized losses on investment at fair value through statement of income	14	-	256,115
Realized losses/(profits) on sale of investment at fair value through statement of income	14	229,224	(17,099)
Foreign currency translation loss /(profit)		15,507	(99,017)
Employees' end of service indemnity	19	74,643	72,524
		462,286	615,360
Changes in working capital:			
Due from/to related parties- net		(1,327,195)	(1,949,591)
Trade receivables and other debit balances		(342,335)	561,048
Inventories		8,429	(23,191)
Other credit balances		(136,268)	106,726
Cash flows used in operation		(1,335,083)	(689,648)
Payment of employees' end of service indemnity	19	(62,648)	(20,377)
Net cash used in operating activities		(1,397,731)	(710,025)
Investing activities			
Paid for purchase of investments available for sale		(316)	-
Paid for purchase of property, plant and equipment	8	(89,520)	(154,217)
Paid for purchase of investment properties	11	(75,487)	(123,379)
Proceeds on sale of investment at fair value through statement of income		1,385,385	1,193,661
Proceeds from sale of property, plant and equipment		3,895	9,688
Received profits from saving accounts		219	438
Net cash generated by investing activities		1,224,176	926,191
Net (decrease)/increase in bank balances and cash		(173,555)	216,166
Cash generated from acquisition of subsidiaries	7	11,552	37,420
Bank balances and cash at the beginning of the year		397,354	143,768
Bank balances and cash at the end of the year	15	235,351	397,354

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

Non cash transactions	2016 KD	2015 KD
Transfer of net assets of subsidiaries from Al Madar Finance and Investment Company K.P.S.C.	-	1,543,065
Purchase of investment at fair value through statement of income in swap with receivables with related parties	-	2,959,467
Paid for acquisition of a subsidiary through a related party	450,000	-

The notes on pages 11 to 49 form an integral part of these consolidated financial statements.

1. General information

Dar Al-Thuraya Real Estate Co. K.S.C. (Public) ("the Parent Company) was incorporated on 5 September 2004 in accordance with provisions of Kuwait Companies Law.

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

- To own, sell, purchase and develop real estates for the benefit of the company in the State of Kuwait and abroad, as well as managing third party's properties, according to the applicable laws and provisions including those prohibiting trading in private residential plots.
- Acquiring, selling and purchasing shares and bonds of the real estate companies only in favour of the company inside and outside Kuwait.
- Preparing studies and providing consultancy in real estate sector in all its types provided that meeting the required terms as for who carries out this profession.
- Doing maintenance works related to the buildings and properties owned by the company and others, including maintenance works and carrying out civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organizing real estate exhibitions for the company's real estate projects in accordance with the regulations applied in the Ministry.
- Arranging real estate auctions as per the Ministry regulations.
- Acquisition and management of commercial and residential complexes.
- Using the financial surplus available with the Parent Company via investing the same in portfolios managed by specialized companies and entities.
- Direct contribution in the infrastructure of residential, commercial and industrial areas and projects through (B.O.T) system and management of real estate facilities under the same system.

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

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

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

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

The Parent Company is a subsidiary of Almadar Finance and Investment Company K.S.C. (Public) ("ultimate parent company") which is listed on the Kuwait Stock Exchange.

1. General information (Continued)

The Companies' Law was issued on 24 January 2016 by Decree Law No. 1 of 2016 (the "Companies Law"), which was published in the official gazette on 1 February 2016, and cancelled Decree Companies Law No. 25 of 2012 as amended. This Law shall be applicable as of 26 November 2012. The executive regulations of this law has been issued and published in the Official Gazette on 17 July 2016.

The consolidated financial statements of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) and its subsidiaries ("the Group") for the year ended 31 December 2016 were authorized for issue by the Parent Company's board of directors on 29 March 2017. The shareholders' of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. Basis of preparation

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

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

3. Statement of compliance

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

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

4. Adoption of new and revised International Financial Reporting Standards ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2016

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:

4. Adoption of new and revised International Financial Reporting Standards ("IFRSs") (Continued)

a) New standards, interpretations and amendments effective from 1 January 2016 (continued)

IFRS 14 – Regulatory Deferral Accounts
This standard, effective for an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous accounting standards, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of income and comprehensive income, and specific disclosures are required. Since the group is an existing IFRS preparer, this standard would not apply.

Amendments to IFRS 11 – Accounting for acquisition of interests in joint operations
The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business requiring the acquirer to apply all the principles on business combinations accounting in IFRS 3 and other IFRSs. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact on the Group.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 clarify that the determination of the accumulated depreciation or amortisation under the revaluation method does not depend on the selection of the valuation technique. They also clarify that the accumulated depreciation or amortisation is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortisation method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortisation is not proportionate to the change in the gross carrying amount of the asset. These amendments are not expected to have any material impact on the Group.

Amendments to IAS 27 – Equity method in separate financial statements
The amendment, effective for annual periods beginning on or after 1 January 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments are not expected to have any material impact on the Group.

4. Adoption of new and revised international financial reporting standards (IFRSs) (Continued)

(a) New standards, interpretations and amendments effective from 1 January 2016 (continued)

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 require that bearer plants (a subset of biological assets used solely to grow produce over several periods) should be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing, unlike all other biological assets related to agricultural activity which are measured at fair value less cost to sell. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41, and the produce growing on bearer plants will remain within the scope of IAS 41. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Annual Improvements to IFRSs 2012-2014 Cycle:
These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group and include:

Amendments to IFRS 5 – Non Current Assets Held for Sale and Discounted Operations
When an asset (or disposal Group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

Amendments to IFRS 7 – Financial Instruments: Disclosures
Specific guidelines on transferred financial assets were recognized to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, consequently, whether or not the asset qualifies for derecognition. Additional disclosures relating to the offsetting of financial assets and financial liabilities need to be included only in interim reports if required by IAS 34.

Amendments to IAS 19 Employee benefits
When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

Amendments to IAS 34 – Interim Financial Reporting
What is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

Amendments to IAS 1 Disclosure Initiative
The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify some judgments used in the presentation of the financial reports. The amendments make changes about:

4. Adoption of new and revised international financial reporting standards (IFRSs) (Continued)

(a) New standards, interpretations and amendments effective from 1 January 2016 (continued)

Amendments to IAS 1 Disclosure Initiative (continued)

- *Materiality*, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of income and other comprehensive income*, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income of equity accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

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

Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 confirm that the exemption from preparing consolidated financial statements under IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its subsidiaries at fair value in accordance with IFRS 10. However, the subsidiary shall be consolidated if it provides investment-related services or activities to the investment entity. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose are to provide services and activities that are related to the investment activities of the investment entity parent. All other subsidiaries of an investment entity should be measured at fair value.

Consequential amendments have been made to IAS 28 to confirm that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity, even if the investment entity parent measures all its subsidiaries at fair value. IAS 28 has been also amended to permit an entity to retain the fair value measurement applied by an associate or joint venture that is an investment entity to its interests in subsidiaries rather than applying unified accounting policies.

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities. These amendments are not expected to have any material impact on the Group.

4. Adoption of new and revised international financial reporting standards (IFRSs) (Continued)

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:

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 Parent Company anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group 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 standard and interpretation 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 becomes effective for annual periods beginning on or after 1 January 2019. This standard replaces IAS 17 "lease" as it requires tenants to recognize all leases in the balance sheet in a similar way to finance leases as per IAS 17 with limited exceptions for impaired 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.

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

4. Adoption of new and revised international financial reporting standards (IFRSs) (Continued)

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

Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses
The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that any entity needs to look into whether the tax law limits sources of the taxable profits in return for deducting the amendment resulting from temporary tax differences. Further, the amendments provide guidelines on the way that the entity shall determine the future taxable profits, and explanation of circumstances where the taxable profit may contain redemption of some assets at more than their carrying value.

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

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, requires the entity to provide disclosures to enable users of the financial statements to assess the changes in liabilities resulted from financing activities, including the changes resulted from cash flows and non-cash changes. Early application of this amendment is permitted.

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

Amendments to IFRS 2: Classification and measurement of share-based payment transactions.
This amendment becomes effective for annual periods beginning on or after 1 January 2018. These amendments address three main aspects as follows:
- Impact of vesting conditions on cash settlements for share-based payment transactions.
- Classification of share-based payment transactions with features of settlement (net) for deducted tax commitments.
- Accounting, whereas amendment of items and conditions of share-based payment transactions changes its classification from cash settlement to equity settlement.

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

5. Summary of significant accounting policies

5.1. Basis of consolidation

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

5. Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

Subsidiaries (continued)
De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:
- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the Parent Company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

The Parent Company revaluate whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

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

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

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

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

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

5. Summary of significant accounting policies (Continued)

5.1 Basis of consolidation (continued)

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Parent Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

Name of subsidiary	Country of incorporation	Legal entity	Voting rights and equity interest 2016	Voting rights and equity interest 2015	Activity
Al-Thuraya Star Company	Kuwait	W.L.L.	99%	99%	General Trading and Contracting
Kuwait Building Real Estate Company	Kuwait	K.S.C.C.	96%	96%	Real estate
Pack and Move Holding	Kuwait	K.S.C. (Holding)	99.88%	99.88%	Holding
Golden Madar Real Estate Company	Kuwait	W.L.L.	98%	98%	Real estate

- On 1 January 2016, Pack and Move Holding Company (one of the Group's subsidiaries) acquired Wafer Company for Food Supplies W.L.L. (Muhammad Yousef Al-Roumi & Partners) and its subsidiaries, through acquisition of 99% of the Company's share capital (Note 7).

- During the year, Pack and Move Holding Company (subsidiary) consolidated One Contract for General Trading for Buildings W.L.L. (Jasim Mohamed Al-Refaie and Partner), which participates in its share capital at 99%, as the Company started its actual activities during the year ended 31 December 2016.

5.2. Business combinations

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

5. Summary of significant accounting policies (Continued)

5.2. Business combinations (continued)

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

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

5.3. Property, plant and equipment

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

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

5. Summary of significant accounting policies (Continued)

5.3. Property, plant and equipment (continued)

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

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

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

5.4. Intangible Assets

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

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

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

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

Finite

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

5. Summary of significant accounting policies (Continued)

5.4 Intangible assets (continued)

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

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

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

5.5. Investment properties

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

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

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

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

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

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

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

5. Summary of significant accounting policies (Continued)

5.6. Projects in Progress

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

5.7. Impairment of non-financial assets

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

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

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

5.8. Financial assets

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

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

5. Summary of significant accounting policies (Continued)

5.8 Financial assets (continued)

Classification, initial recognition and measurement (continued)
Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through statement of profit or loss. Financial assets carried at fair value through statement of income are initially recognized at fair value and transaction costs are expensed in the consolidated statement of income.

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

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

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

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

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

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

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

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

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

5. Summary of significant accounting policies (Continued)

5.8 Financial assets (continued)

Subsequent measurement (continued)

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

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

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

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

Impairment of Financial Assets
Financial assets, other than those at fair value through statement of income, are assessed for indicators of impairment at end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

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

5. Summary of significant accounting policies (Continued)

5.8 Financial assets (continued)

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

For certain categories of financial asset such as loans, advances and receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective yield.

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

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

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

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

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

5. Summary of significant accounting policies (Continued)

5.9. Financial liabilities

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

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

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

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

Subsequent Measurement

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

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

5.10. Offsetting of financial instruments

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

5.11. Inventories

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

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

5. Summary of significant accounting policies (Continued)

5.12. Provisions

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

5.13. Employees' end of service indemnity

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

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

5.14. Contingent assets and liabilities

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

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

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

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

5.15. Leases

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

5. Summary of significant accounting policies (Continued)

5.15 Leases (continued)

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee
Assets held under finance leases are initially recognised as assets in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

5.16. Foreign currency translation

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

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

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

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

6. Significant accounting judgments and estimation uncertainty

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

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

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

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

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

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

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

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

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

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

6. Significant accounting judgments and estimation uncertainty (Continued)

Significant accounting judgments (continued)

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

Key sources of estimation uncertainty

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

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

Impairment of inventories
Inventories are held at cost or net realisable value whichever is lower. When inventories become old or obsolete, an estimate is made for impairment. For significant amounts, estimation is performed on an individual basis. Amount which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolesce, based on historical selling prices.

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

Fair value measurement
Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the financial instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the consolidated financial statements date.

6. Significant accounting judgments and estimation uncertainty (Continued)

Key sources of estimation uncertainty (continued)

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

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

7. Acquisition of a subsidiary

On 1 January 2016, Pack and Move Holding Co. (one of the Group's subsidiaries) acquired 99% of shares of Wafer Company for Food Supplies W.L.L. (Muhammad Yousef Al-Roumi & Partners) and its subsidiaries. It used the fair values of acquired assets and liabilities, which resulted in goodwill of KD 12,074. The Group did not recognise the goodwill as it is not significant. Such acquired subsidiary was consolidated based on the audited financial statements for the year ended 31 December 2016.

	Fair value
	KD
Fair value of acquired net assets:	
Assets	
Property, plant and equipment	856,858
Intangible assets	597,530
Investments available for sale	3,324
Inventories	65,824
Trade receivables and other debit balances	48,798
Bank balances and cash	11,552
Liabilities	
Employees' end of service benefit	(126,191)
Trade payable and other credit balances	(596,951)
Due to related parties	(418,394)
	442,350
Less: non-controlling interests	(4,424)
Net identifiable assets	437,926
Consideration paid	450,000
Goodwill (difference)	12,074

8. Property, plant & equipment

	Right of utilization	Buildings	Containers	Vehicles	Furniture and fixtures	Office equipment and devices	Work in progress	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
At 1 January 2015	4,948,236	2,300,070	169,853	164,928	106,498	156,779	73,415	7,919,779
Additions	-	-	-	16,435	300	20,545	116,937	154,217
Disposals	-	-	-	(21,925)	-	-	-	(21,925)
Effect of transfer of subsidiaries	-	-	-	-	2,290	-	-	2,290
At 31 December 2015	4,948,236	2,300,070	169,853	159,438	109,088	177,324	190,352	8,054,361
Additions	-	10,439	-	23,135	1,051	20,826	34,069	89,520
Disposals	-	-	-	(24,853)	(65)	(4,636)	-	(29,554)
Transferred from work in progress to buildings	-	41,205	-	-	-	-	(41,205)	-
Effect of acquisition of a subsidiary	-	160,393	-	5,870	135,010	545,605	9,980	856,858
At 31 December 2016	4,948,236	2,512,107	169,853	163,590	245,084	739,119	193,196	8,971,185
Accumulated depreciation								
At 1 January 2015	-	558,993	83,605	74,337	67,488	61,319	-	845,742
Charged during the year	-	117,761	18,887	24,829	1,263	23,775	-	186,515
Related to disposals	-	-	-	(21,925)	-	-	-	(21,925)
Effect of transfer of subsidiaries	-	-	-	-	2,205	-	-	2,205
At 31 December 2015	-	676,754	102,492	77,241	70,956	85,094	-	1,012,537
Charged during the year	-	150,682	18,887	27,504	10,213	60,023	-	267,309
Related to disposals	-	-	-	(23,217)	(162)	(4,527)	-	(27,906)
Impairment	699,231	-	-	-	-	-	-	699,231
At 31 December 2016	699,231	827,436	121,379	81,528	81,007	140,590	-	1,951,171
Net book value								
At 31 December 2016	4,249,005	1,684,671	48,474	82,062	164,077	598,529	193,196	7,020,014
At 31 December 2015	4,948,236	1,623,316	67,361	82,197	38,132	92,230	190,352	7,041,824
Annual depreciation rates		5%	10%	20%	20%- 3.33%	20%-3.33%		

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

8. Property, plant and equipment (continued)

Land leased from the State of Kuwait represents right of utilization of a plot in Shuwaikh of KD 4,948,236 (2015: 4,948,236) to be used in establishing parking garages, warehouses and showrooms. The term of the contract is 5 years, renewable, starts from 12 May 2012.

The fair value of the Group's right of utilization as at 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by two independent valuers not related to the Group and the management has adopted the lower valuation. In estimating the fair value of the properties, the highest and best use of the properties and plant is their current use. The Group recognised an impairment loss of KD 699,231 (31 December 2015: Nil).

9. Right of utilization

	2016	**2015**
	KD	KD
At 1 January	170,000	100,000
Change in fair value	(60,000)	70,000
At 31 December	110,000	170,000

Right of utilization of KD 110,000 (2015: KD 170,000) represents purchasing right of utilization of the food security plot No. 56, block 6 at Al Abdali Agricultural Area for one of the subsidiaries of KD 100,000 (2015: KD 100,000). The subsidiary acquired the same under administrative license from Ministry of Finance, State Properties. As at 31 December 2016, the right of use was recorded at fair value based on valuation by external valuers.

10. Intangible assets

	Key money	**Total**
	KD	KD
Cost		
Effect of acquisition of a subsidiary	597,530	597,530
At 31 December 2016	597,530	597,530
Accumulated amortization		
Charged during the year	90,070	90,070
At 31 December 2016	90,070	90,070
Net book value		
At 31 December 2016	507,460	507,460
	5%	5%

11. Investment properties

	2016	2015
	KD	KD
Investment properties		
At 1 January	14,312,999	10,615,000
Net effect of transfer of subsidiaries	-	2,356,999
Transferred from projects in progress	-	2,010,588
Change in fair value	(1,088,000)	(669,588)
At 31 December	13,224,999	14,312,999

	2016	2015
	KD	KD
Projects in progress		
At 1 January	2,252,150	4,260,000
Additions	75,487	123,379
Transfers to investment properties	-	(2,010,588)
Change in fair value	(340,836)	(120,641)
At 31 December	1,986,801	2,252,150
	15,211,800	16,565,149

The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by two independent valuers not related to the Group and the management has adopted the lower valuation. The fair value was determined under level 2 based on the market comparable approach that reflects recent transaction priced for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

12. Related parties transactions

Related parties comprise of the Group's major shareholders who are members of the board of directors, board of directors, key management personnel, and subsidiaries in which the Company has representatives in their board. In the normal course of business, related party transactions during the year ended 31 December 2016 were carried out and are approved by the Group's management. Balances and transactions between the Group and its subsidiaries, which are deemed as related parties of the group, have been eliminated on consolidation and are not disclosed in this note.

12. Related parties transactions (Continued)

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

	2016	2015
	KD	KD
Consolidated statement of financial position:		
Due from related parties	196,088	324,173
Due to related parties	8,764,930	9,359,466
Transactions with related parties:		
Purchase of investment at fair value through statement of income	-	2,959,467
Transfer of subsidiary from Al Madar Finance and Investment Company	-	1,543,065
Accrued rentals	-	6,000
Investment at fair value through statement of income, managed by a related party	-	1,625,262
Consolidated statement of income:		
Senior management benefits and salaries	225,011	254,021
Rental income	66,900	43,000
	291,911	297,021

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

13. Trade receivables and other debit balances

	2016	2015
	KD	KD
Trade receivables	642,993	482,300
Less: provision for doubtful debts	(60,815)	(60,815)
	582,178	421,485
Accrued rentals	636,454	459,408
Less: provision for accrued rentals	(145,000)	(100,000)
	491,454	359,408
Project prepayments	32,060	30,211
Staff receivables	14,124	14,421
Prepaid expenses	54,985	46,962
Refundable deposits	68,746	35,965
Other receivables	29,104	22,920
	1,272,651	931,372

13. Trade receivables and other debit balances (Continued)

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	
	Less than 90 days	**From 91 – 180 days**	**From 181 – 360 days**	**More than 360 days**	**Total**
2016	291,413	423,915	358,304	205,815	1,279,447
2015	298,455	231,593	157,392	254,268	941,708

During the year ended 31 December 2016, the Group recognized provision for accrued rentals of KD 45,000 (2015: Nil).

Movement on provision for accrued rentals as at 31 December is as follows:

	2016	**2015**
	KD	KD
At 1 January	100,000	100,000
Charged during the year	45,000	-
At 31 December	145,000	100,000

In determining the recoverability of a trade receivable, the Parent Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the consolidated financial statements preparation date. It is not a practice of the company to obtain guarantees for its trade receivables.

During the year ended 31 December 2016, the Group has recognized bad debts of Nil (2015: KD 35,913).

14. Investment at fair value through statement of income

This represents quoted investment in a foreign investment fund managed by a related party.

Movement analysis of investment at fair value through statement of income during the year is as follows:

	2016	2015
	KD	KD
At 1 January	1,625,262	-
Additions	-	2,959,467
Disposals	(1,614,609)	(1,176,562)
Change in fair value	-	(256,115)
Foreign currency translation differences	(10,653)	98,472
At 31 December	-	1,625,262

The Fund has been liquidated during the period which resulted in loss of KD 229,224 recognized in the consolidated statement of income for the year end 31 December 2016 (profit of KD 17,099 for the year end 31 December 2015).

15. Bank balances and cash

	2016	2015
	KD	KD
Bank balances	217,838	373,033
Cash on hand	17,513	24,321
	235,351	397,354

Bank balances represent unrestricted current and saving accounts.

The annual average effective return rate on savings accounts was 0.94% as at 31 December 2016 (31 December 2015: 0.73%).

16. Share capital

The Parent Company's authorized, issued, and fully paid capital is KD 14,650,000 (2015: KD 14,650,000) divided into 146,500,000 shares (2015: 146,500,000 shares) each of 100 fils. All shares are cash shares.

17. Statutory reserve

In accordance with companies law and parent company's articles of association as amended, 10% of profit for the year attributable to parent company's shareholders shall be transferred, before calculation of Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Zakat and board of directors' remunerations, to statutory reserve. The Parent Company may discontinue this transfer when the reserve reaches 50% of the share capital. This reserve is not available for distribution, except in cases stated by law and parent company's articles of association.

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

18. Voluntary reserve

In accordance with requirements of the parent company's articles of association as amended, 10% of profit for the year attributable to parent company's shareholders shall be transferred, before Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Zakat and board of directors' remunerations, to voluntary reserve. This transfer may be discontinued by a resolution of the shareholders' general assembly of based on board of directors' proposal. No transfer to voluntary reserve was made during the year because the Group incurred losses at date of the consolidated financial statements.

19. Employees' end of service indemnity

	2016 KD	2015 KD
At 1 January	246,249	193,177
Effect of acquisition of a subsidiary	126,191	925
Charged during the year	74,643	72,524
Payment during the year	(62,648)	(20,377)
At 31 December	384,435	246,249

20. Other credit balances

	2016 KD	2015 KD
Accrued expenses	754,604	283,989
Rents received in advance	43,912	62,976
Other creditors	33,245	24,113
	831,761	371,078

21. Net rental income

	2016 KD	2015 KD
Rental income	1,350,830	1,206,182
Rental costs	(241,930)	(148,237)
	1,108,900	1,057,945

22. General and administrative expenses

	2016 KD	2015 KD
Employee costs	943,547	836,552
Depreciation	44,502	56,911
Rents	241,679	40,206
Other professional and consultancy fees	29,381	72,935
Subscriptions	40,115	29,416
Other	396,058	137,180
	1,695,282	1,173,200

23. Basic and diluted loss per share

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

	2016	2015
	KD	KD
Loss for the year attributable to the shareholders of the Parent Company (KD)	(2,379,214)	(606,722)
Weighted average number of outstanding shares during the year (share)	146,500,000	146,500,000
Basic and diluted loss per share for the year attributable to the Parent Company's shareholders (fils)	(16.24)	(4.14)

24. Commitments and contingent liabilities

Operating lease Commitments

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

	2016	2015
	KD	KD
Not later than 1 year	134,179	115,661
Later than one year but not later than five years	235,895	578,305
	370,074	693,966

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

	2016	2015
	KD	KD
Projects in Progress	50,000	120,000

25. Proposed dividends and general assembly

The annual general assembly meeting of the shareholders held on 17 August 2016 approved the consolidated financial statements of the Group for the financial year ended 31 December 2015. The board of directors recommended not to distribute dividends and board of directors' remuneration for the year ended 31 December 2015.

The audited financial statements for the year ended 31 December 2016 were approved in board of directors meeting held on 29 March 2017. Board of directors proposed not to distribute dividends for the year ended 31 December 2016. This proposal is subject to approval of the annual general assembly of the shareholders.

26. Segment reporting

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

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

- Investments property sector.
- Financial investments sector.

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

2016

	Property investments	Financial investments	Other	Total
	KD	KD	KD	KD
Segment assets	20,266,863	238,524	4,429,709	24,935,096
Segment liabilities	8,764,930	-	1,216,196	9,981,126
Total revenues	(777,237)	(234,224)	1,604,337	592,876
Segment results	(2,628,930)	(234,224)	473,086	(2,390,068)

2015

	Property investments	Financial investments	Other	Total
	KD	KD	KD	KD
Segment assets	22,945,178	2,021,370	2,414,750	27,381,298
Segment liabilities	8,105,282	1,630,262	241,249	9,976,793
Total revenues	423,361	(139,561)	1,247,941	1,531,741
Segment results	(1,063,593)	(139,561)	603,460	(599,694)

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

	2016		
	Income	Assets	Liabilities
	KD	KD	KD
Inside the State of Kuwait	592,876	24,935,096	9,981,126

	2015		
	Income	Assets	Liabilities
	KD	KD	KD
Inside the State of Kuwait	1,531,741	27,381,298	9,976,793

27. Financial risk and capital management

Financial risk factors

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 4 to the consolidated financial statements.

27.1 Market risk

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

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates that affects the Group's cash flows or the valuation of the monetary assets and liabilities denominated in foreign currencies.

The Group has set policies for the management of foreign exchange risk which require each Company in the Group to manage the foreign risk against its currency of operation. The Group tracks and manages these risks by:
- Monitoring the changes in foreign currency exchange rates on regular basis.
- Set up tide limits for dealing in foreign currencies for the basic objectives of the Group's activities.

The following is net foreign currencies positions as at the date of the consolidated financial statements:

	2016	2015
	KD	KD
Net positions of US Dollar	-	1,625,262

The tables below analyses the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December, with all other variables held constant on the consolidated statement of income and equity. The effect of decreases in foreign currency is expected to be equal and opposite to the effect of the increases shown.

	Change in currency rate (%)	Effect on loss for the year		Effect on equity	
		2016	2015	2016	2015
		KD	KD	KD	KD
USD	+5%	-	81,263	-	-

27. Financial risk and capital management (Continued)

27.1 Market risk (continued)

b) Profit rate risk

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

c) Equity price risk

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

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

	Change in equity price 2016	Effect on comprehensive loss for the year 2016	Change in equity price 2015	Effect on comprehensive income for the year 2015
		KD		KD
Kuwait	+5%	123	-	-

27.2 Credit risk

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

Credit risk exposure

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

	2016	2015
	KD	KD
Due from related parties	196,088	324,173
Trade receivables and other debit balances (excluding prepayments to projects and prepaid expenses)	1,185,606	854,199
Bank balances	217,838	373,033
	1,599,532	1,551,405

27. Financial risk and capital management (Continued)

27.2 Credit risk (continued)

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

	State of Kuwait	Other	Total
	KD	KD	KD
At 31 December 2016			
Due from related parties	196,088	-	196,088
Trade receivables and other debit balances (excluding prepayments to projects and prepaid expenses)	1,185,606	-	1,185,606
Bank balances	217,838	-	217,838
	1,599,532	-	1,599,532
At 31 December 2015			
Due from related parties	324,173	-	324,173
Trade receivables and other debit balances (excluding prepayments to projects and prepaid expenses)	854,199	-	854,199
Bank balances	373,033	-	373,033
	1,551,405	-	1,551,405

	2016	2015
	KD	KD
Sector:		
Real Estate and Commercial	1,381,694	1,178,372
Banks and financial institution	217,838	373,033
	1,599,532	1,551,405

27.3 Liquidity risk

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

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

27. Financial risk and capital management (Continued)

27.3 Liquidity risk (continued)

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

As at 31 December 2016 and 2015, the carrying amounts of the Group's liabilities with maturity less than 12 months are not materially different from their contractual undiscounted value.

	From 3 months to one year	From 1 to 3 years	Total
At 31 December 2016	KD	KD	KD
Liabilities			
Due to related parties	-	8,764,930	8,764,930
Other credit balances (excluding rents received in advance)	787,849	-	787,849
	787,849	8,764,930	9,552,779

	From 3 months to one year	From 1 to 3 years	Total
At 31 December 2015	KD	KD	KD
Liabilities			
Due to related parties	-	9,359,466	9,359,466
Other credit balances (excluding rents received in advance)	308,102	-	308,102
	308,102	9,359,466	9,667,568

27.4 Capital risk management

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

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

28. Fair value of financial assets and liabilities

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date In the opinion of the Group's management, the book values of the financial assets and liabilities as at 31 December 2016 and 2015 are not significantly different from their book value.

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

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

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

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
	KD	KD	KD	KD
2015				
Financial assets:				
Due from related parties	-	-	324,173	324,173
Investments available for sale		5,000	-	5,000
Receivables and other debit balances (Except project prepayments and prepaid expenses)	-	-	854,199	854,199
Investment at fair value through statement of income	1,625,262	-	-	1,625,262
Bank balances and cash	-	-	397,354	397,354
	1,625,262	5,000	1,575,726	3,205,988
Financial liabilities:				
Due to related parties	-	-	9,359,466	9,359,466
Other credit balances (excluding rents received in advance)	-	-	308,102	308,102
	-	-	9,667,568	9,667,568

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

Financial and non-financial assets measured at fair value (continued)

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

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

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

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

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

31 December 2015	**Level 1**	**Level 2**	**Total**
	KD	KD	KD
Non-financial assets			
Investment properties	-	16,565,149	16,565,149
Financial assets			
Investment at fair value through statement of income	1,625,262	-	1,625,262
Total	1,625,262	16,565,149	18,190,411

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

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

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

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

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

29. Comparative figures

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