Al Madar Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Consolidated financial statements
for the financial year ended December 31, 2016
with
Independent Auditors' Report

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Kuwait

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for the financial year ended December 31, 2016
with
Independent Auditors' Report

Contents

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Independent Auditors' Report

The Shareholders,
Al Madar Finance and Investment Company
K.S.C (Public)
And its subsidiaries
Kuwait

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Madar Finance and Investment Company - K.S.C (Public) -"the Parent Company" - and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as of December 31, 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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 the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note (29/B) to the consolidated financial statements related to the liquidity risks which shows that the Group's current liabilities exceeds its currents assets by KD 21,018,660 as of December 31, 2016 (KD 17,214,309 as of December 31, 2015).

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matter:

a. Evaluation of Investment Properties
As shown in Note (11) to the consolidated financial statements, the value of the investment properties at the end of the financial year amounts to KD 23,852,189. The evaluation of these investment properties are one of the key audit matters as it includes assumptions and estimates, it also represents a significant part of the Group's total assets. The Group's policy is to evaluate these investment properties by two independent valuers at the end of the financial year. The accounting policies in respect of investment properties are included in Note (3/7) to the consolidated financial statements.

b. Impairment of Receivables
Impairment of receivables is an extremely judgmental aspect of evaluation that's due to the judgments made by the Group's management in determining the provisions which depend on the relevant credit risk. The management has taken judgments one of which was accounting for impairment in receivables value and determining the indicators of decline in value and assessing the guarantees and related default receivables. The accounting policies in respect of receivables are included in Note (3/6) to the consolidated financial statements.

As part of our audit, and among other procedures, we have taken the following procedures:

- Respect to the evaluation of investment properties, we have assessed the assumptions and estimates made by the independent valuers in the evaluation process so as to determine the appropriateness of the fair value supporting documents. We have also considered several factors, including the objectivity, independence and experience of independent valuers. The adequacy of disclosures on the investment properties have also been assessed in the accompanying consolidated financial statements.
- Respect to the impairment of receivables, we have selected samples of the existing receivables as of the end of the financial year and assessed the criteria of determining the occurrence of an impairment in value and therefore determining whether this requires keeping a provision for this impairment. The samples we selected also included defaulting receivables. We also assessed the management's projections on the recoverable cash flows, the assessment of the guarantees and the recovery estimates in case of default and the other payment sources (if any).

Other information included in Board of Directors Report
Other information consists of the information included in the Parent Board of Directors Report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. We expect that the annual report will be available after the date of auditors' report.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

Those charged with governance are responsible for overseeing the process of preparing the consolidated financial reports.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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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 year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company, physical counting was carried out in accordance with the recognized practices and the consolidated financial statement together with the contents of the report of the Parent Company's Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we deemed necessary for the purpose of our audit, the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of year 2016, and the its executive regulation, law No. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its executive regulation, Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations and the Parent Company's Articles and Memorandum of Association as amended. To the best of our knowledge, no violations of the companies' Law No. 1 of year 2016, and its executive regulation and law No. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its executive regulation, Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related executives regulations or the Parent Company's Articles and Memorandum of Association, as amended, have occurred during the financial year ended December 31, 2016 that might have had a material effect on the Parent Company's business or its consolidated financial position.

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May 8, 2017
State of Kuwait

Al Madar Finance and Investment Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of financial position as of December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Note	2016	2015
Assets			
Cash and cash equivalents	7	**460,583**	657,800
Investments at fair value through statement of Profit or loss	8	**262,085**	1,890,643
Receivables and other debit balances	9	**4,793,262**	5,708,886
Due from related parties	24	**550,147**	1,020,321
Available for sale investments	10	**62,890**	63,353
Investment properties	11	**23,852,189**	25,878,659
Investment in associates	12	**1,131,460**	1,383,233
Property, plant and equipment	13	**7,157,444**	7,247,178
Intangible assets	14	**839,918**	379,952
Total assets		**39,109,978**	44,230,025
Liabilities and equity			
Liabilities			
Wakala payables	15	**23,003,659**	23,026,904
Payables and other credit balances	16	**2,266,382**	1,820,199
Due to related parties	24	**1,814,696**	1,796,844
Provision for employees' end of service benefits		**1,108,573**	837,018
Total liabilities		**28,193,310**	27,480,965
Equity			
Share capital	17	**21,386,865**	21,386,865
Share premium		**4,990,296**	4,990,296
Treasury shares	20	**(4,573,296)**	(4,573,296)
Change in fair value reserve		**(14,520)**	(15,885)
Revaluation surplus		**97,037**	147,324
Foreign currencies translation reserve		**(101,827)**	126,890
Other reserve		**(122,147)**	(122,147)
Accumulated losses		**(12,541,445)**	(7,324,047)
Equity attributable to the shareholders of the Parent Company		**9,120,963**	14,616,000
Non-controlling interests	6	**1,795,705**	2,133,060
Total equity		**10,916,668**	16,749,060
Total liabilities and equity		**39,109,978**	44,230,025

Bader Khaled AlBahar
Chairman

The accompanying notes form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company

K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of profit or loss for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Note	2016	2015
Revenue			
Rental income		**1,506,252**	1,524,736
Net sales profit		**1,162,999**	1,050,958
Investment services revenue		**85,482**	115,381
Gains on sale of investment properties		**35,132**	265,553
Finance income/Murabahat		**32,245**	21,872
Realized(losses)/gains on sale of investments at fair value through statement of profit or loss		**(231,324)**	16,402
Change in fair value of investments at fair value through statement of profit or loss		**(20,396)**	(435,816)
Dividends income		**2,066**	-
Write back of provision of finance transactions	9	**245,244**	225,994
Realized gain on sale of available for sale investments		**-**	875
Change in fair value of investment properties	11	**(1,975,165)**	(795,742)
Gain on sale of investment in an associate		**-**	589,923
Group's share in associates results	12	**(36,075)**	(52,244)
Impairment losses on available for sale investments		**(5,000)**	-
Impairment losses on property, plant and equipment	13	**(699,231)**	-
Foreign currencies translation differences		**23,744**	239,464
Other income		**140,840**	36,505
Total revenue		**266,813**	2,803,861
Expenses and other charges			
General and administrative expenses	21	**4,304,131**	3,718,149
Provision for doubtful debts	9	**1,440,576**	1,294,462
Wakala Finance costs		**67,146**	470,344
Total expenses and other charges		**5,811,853**	5,482,955
loss for the year		**(5,545,040)**	(2,679,094)
Attributable to:			
Shareholders of the Parent Company		**(5,217,398)**	(2,725,830)
Non-controlling interests		**(327,642)**	46,736
loss for the year		**(5,545,040)**	(2,679,094)
Basic and diluted loss per share for the year attributable to shareholders of the Parent Company/(fils)	22	**(25.20)**	(13.17)

The accompanying notes form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of profit or loss and other comprehensive income for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	2016	2015
Loss for the year	**(5,545,040)**	(2,679,094)
Other comprehensive income		
Items that may be subsequently reclassified to the Consolidated statement of profit or loss:		
Change in fair value in available for sale investments	**1,365**	(15,855)
Revaluation surplus	**(60,000)**	70,000
Foreign currencies translation reserve	**(228,717)**	127,328
Total other comprehensive (loss)/income	**(287,352)**	181,473
Total comprehensive loss for the year	**(5,832,392)**	(2,497,621)
Attributable to:		
Shareholders of the Parent Company	**(5,497,760)**	(2,552,512)
Non-controlling interests	**(334,632)**	54,891
	(5,832,392)	(2,497,621)

The accompanying notes form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of changes in equity for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Share capital	Share premium	Treasury shares	Change in fair value reserve	Revaluation surplus	Foreign currencies translation reserve	Other reserve	Accumulated losses	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
Balance at January 1, 2015	21,386,865	4,990,296	(4,573,296)	(30)	85,479	(438)	-	(4,598,217)	17,290,659	4,104,374	21,395,033
Net loss for the year	-	-	-	-	-	-	-	(2,725,830)	(2,725,830)	46,736	(2,679,094)
Other comprehensive income	-	-	-	(15,855)	61,845	127,328	-	-	173,318	8,155	181,473
Total comprehensive loss for the year	-	-	-	(15,855)	61,845	127,328	-	(2,725,830)	(2,552,512)	54,891	(2,497,621)
Effect of acquisition of an additional shares in a subsidiary	-	-	-	-	-	-	(122,147)	-	(122,147)	(2,056,978)	(2,179,125)
Effect of restructuring in non-controlling interests	-	-	-	-	-	-	-	-	-	30,773	30,773
Balance at December 31, 2015	21,386,865	4,990,296	(4,573,296)	(15,885)	147,324	126,890	(122,147)	(7,324,047)	14,616,000	2,133,060	16,749,060
Balance at January 1, 2016	21,386,865	4,990,296	(4,573,296)	(15,885)	147,324	126,890	(122,147)	(7,324,047)	14,616,000	2,133,060	16,749,060
Net loss for the year	-	-	-	-	-	-	-	(5,217,398)	(5,217,398)	(327,642)	(5,545,040)
Other comprehensive loss	-	-	-	1,365	(53,010)	(228,717)	-	-	(280,362)	(6,990)	(287,352)
Total comprehensive loss for the year	-	-	-	1,365	(53,010)	(228,717)	-	(5,217,398)	(5,497,760)	(334,632)	(5,832,392)
Effect of change in non-controlling interests	-	-	-	-	2,723	-	-	-	2,723	(2,723)	-
Balance at December 31, 2016	21,386,865	4,990,296	(4,573,296)	(14,520)	97,037	(101,827)	(122,147)	(12,541,445)	9,120,963	1,795,705	10,916,668

The accompanying notes form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of cash flows for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Note	2016	2015
Cash flows from operating activities			
Net loss for the year		**(5,545,040)**	(2,679,094)
Adjustments:			
Depreciation and amortization	13,14	**414,610**	243,125
Wakala Finance costs		**67,146**	470,344
Change in fair value of investments at fair value through statement of profit or loss		**20,396**	435,816
Cash dividends		**(2,066)**	-
Realized (losses)/gains on sale of investments at fair value through statement of profit or loss		**231,324**	(16,402)
Realized gain on sale of available for sale investments		**-**	(875)
Gains on sale of investment properties		**(35,132)**	(265,553)
Change in fair value of investment properties	11	**1,975,165**	795,742
Provision for doubtful debts	9	**1,440,576**	1,294,462
Write back of provision of finance transactions	9	**(245,244)**	(225,994)
Group's share in associates results	12	**36,075**	52,244
Gain on sale of investment in an associate		**-**	(589,923)
Impairment in value of available for sale investments		**5,000**	-
Impairment in value of property, plant and equipment	13	**699,231**	-
Gains on sale of property, plant and equipment		**(2,247)**	-
Foreign currencies translation differences		**(23,744)**	-
Provision for employee's end of service benefit		**361,803**	256,408
Operating loss before calculating changes in working capital items		**(602,147)**	(229,700)
Investments at fair value through statement of profit or loss		**1,385,270**	1,216,749
Receivables and other debit balances		**(288,446)**	107,949
Due from related parties		**470,174**	(256,095)
Payables and other credit balances		**426,010**	(508,358)
Due to related parties		**17,852**	(163,293)
Cash generated from operations		**1,408,713**	167,252
Provision for employee's end of service benefits paid		**(90,248)**	(68,276)
Net cash generated from operating activities		**1,318,465**	98,976
Cash flows from investing activities			
Term deposits		**-**	200,000
Proceeds from sale of available for sale investments		**-**	2,125
Available for sale investments		**(3,172)**	-
Investment properties		**(137,956)**	(640,622)
Proceeds from sale of investment properties		**296,060**	853,053
Investment in associates	12	**(36,000)**	-
Property, plant and equipment	13	**(948,191)**	(167,031)
Proceeds from sale of property, plant and equipment		**3,895**	-
Intangible assets	14	**(597,530)**	-
Dividends income received		**-**	26,090
Dividends income received from investments at fair value through statement of profit or loss		**2,066**	-
Net cash (used in)/generated from investing activities		**(1,420,828)**	273,615
Cash flows from financing activities			
Wakala payables		**-**	(586)
Wakala costs paid		**(94,854)**	(105,375)
Effect of change in non-controlling interests		**-**	(90,000)
Net cash used in financing activities		**(94,854)**	(195,961)
Net (decrease)/increase in cash and cash equivalents		**(197,217)**	176,630
Cash and cash equivalents at beginning of the year		**657,800**	481,170
Cash and cash equivalents at end of the year	7	**460,583**	657,800

The accompanying notes form an integral part of these consolidated financial statements.

1- Incorporation and activities

Al Madar Finance and Investment Company K.S.C. (Public) ("the Parent Company") is a Kuwaiti Shareholding Company incorporated on November 23, 1998. The Parent Company is registered with the Central Bank of Kuwait and Capital Markets Authority as an investment company and is listed in the Kuwait Stock Exchange on June 20, 2005.

The Parent Company invests funds for its own interest and for others in all economic sectors in compliance with the Islamic Sharia; specifically it may undertake the following:

- Promoting and marketing shares and bonds of all types for companies.
- Investment in all types of movables whether for its own favor or for others by way of agency or brokerage except trading in commodities for its favor.
- Lending, borrowing and financing international trading transactions as well as issue and exchange of Islamic bonds of all kinds and forms for its clients.
- Management of portfolios and third party funds.
- Purchase, investment, lease for utilization or rent, acquisition, rent and licensing of all kinds of investment equipment and subsequently sale or disposal after that in any other way.
- Real estate investment for its own account or for third parties.
- Providing research and studies and other technical services related to investment and employing funds for others.
- Establishing and managing investment funds as relevant laws and regulations and after approval of concerned parties.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad. The Parent Company may also incorporate, purchase and/or participate in incorporation of such entities or affiliate them.

The Parent Company is domiciled in Kuwait and its registered office is P.O. Box 1376, Al Safat 13014, Kuwait.

The Parent Company is a subsidiary of Istihwaz Holding Company K.S.C (Closed) (the "Ultimate Parent Company").

The consolidated financial statements for the year ended December 31, 2016 was authorized for issue by the Board of Directors on May 8, 2017 and they are subject to the approval of the Annual General Assembly of the shareholders. The Parent Company's shareholders have the right to amend these consolidated financial statements in the Annual General Assembly.

2- Application of new and revised International Financial Reporting Standards (IFRSs)

2/1) Amendments to IFRSs those are mandatorily effective for the current year:

In the current year, the following effective amendments to IFRSs issued by the International Accounting Standards Board (IASB) are mandatorily for the accounting period beginning on or after January 1, 2016:

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**
  (Effective for annual periods beginning on or after January 1, 2016)
  The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.

- **Amendments to IFRS 11 "Accounting for Acquisitions of Interest in Joint Operations"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations". A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

- **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.

- **Amendments to IAS 27 "Separate Financial Statements"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments allowed an entity to account for its investment in subsidiaries, joint ventures and associates in its separate consolidated financial statements:
  - At cost; or
  - In accordance with IFRS 9; or
  - Using the equity method

  Also, clarified that when the parent ceases or becomes an investment entity, it should account for the change from the date when the change in status occurs.

2/2) New and revised IFRSs in issue but not yet effective:

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

- **Amendments to IFRS 2 "Classification and Measurement of Share-based payment Transactions"**
  (Effective for annual periods beginning on or after January 1, 2018).

- **IFRS 9 "Financial Instruments"**
  (Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.

  The final version of IFRS 9 was issued in July 2014, which adds a new expected loss impairment model and limited amendments to the classification and measurement requirements by introducing the "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test. The final version supersedes all previous versions of IFRS 9 and replaces IAS 39. The Group is in the process to quantify the effect on the consolidated financial statements.

- **IFRS 14 "Regulatory Deferral Accounts"**
  (Effective for annual periods beginning on or after July 1, 2016)
  This standard is applied by first-time adaptors of IFRS. The standard is designed as a limited scope standard to provide short-term solution for rate-regulated entities that have not yet adopted IFRS.

- **IFRS 15 "Revenue from Contracts with Customers"**
  (Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
  In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related Interpretations when it becomes effective. The standard introduces a five-step approach for revenue recognition to be applied to all contracts with customers.

- **IFRS 16 "leases"**
  (Effective for annual periods beginning on or after January 1, 2019).
  IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the consolidated financial statements of both leasees and lessors.

- **Amendments to IAS 7 "Disclosure Initiative"**
  (Effective for annual periods beginning on or after January 1, 2017)
  The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfill the disclosure objective by providing reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities.

The management anticipates that the new or revised standards will be adopted in the Group's accounting policies for the period beginning on or after the effective date of the pronouncement, and those new and revised standards that have been issued but are not relevant to the Group's operations are expected not to have a material impact on the Group's consolidated financial statements.

3- Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are as follows:

3/1) Basis of preparation

- These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Companies' Law requirements in the State of Kuwait.
- The accounting policies used in preparation of these consolidated financial statements are consistent with those used in preparation of the consolidated financial statements of previous year.

3/2) Accounting convention

- The consolidated financial statements are prepared under the historical cost following the revised accrual basis of return of financial assets valued at fair value as described in the detailed policies and other explanatory notes.
- The consolidated financial statements are presented in Kuwaiti Dinar.

3/3) Recognition and de-recognition of financial assets and liabilities

The financial asset or the financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset is de-recognized either when the contractual rights to cash flows from the financial asset expire, the Group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset. The financial liability is de-recognized when the obligation specific in the contract is discharged, cancelled or expired.

3/4) Basis of financial statements consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (together referred to as "the Group") disclosed in (Note – 5).

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The control is maintained by the Parent Company when:

- Exercise power over the investee.
- Exposure to variable returns or obtains rights from involvement with the investee.
- Ability to use its power to affect the investee returns.
- When the Parent Company does not has majority voting rights in the investee, the Parent Company takes into consideration facts and other factors in assessing the control, which include:
- Contractual arrangement between the Parent Company and other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Parent Company's voting rights.
- Other potential voting rights.

The financial statements of subsidiaries acquired or disposed are included in the consolidated financial statements from the date the control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together alike items of assets, liabilities, revenues and expenses. All inter-company balances and transactions, including unrealized profits or losses arising from inter-company transactions, are fully eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events which accrue in similar conditions.

The financial statements of the subsidiaries are prepared for the same date or within three months of the reporting period of the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist between the subsidiaries' financial year date and the Parent Company's financial year date.

Non-controlling interests in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Non-controlling interests consists of the interest at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Is added to losses attributed to the owners of the subsidiary and to the non-controlling interests in the ratio of their respective share capital even if that resulted in the non-controlling interests having a deficit balance.

When ownership of a subsidiary changes without loss of control, the transaction is accounted for within equity. However, when control is lost as a result of change in ownership, then:

- Derecognize the assets and liabilities of the subsidiary reported in statement of financial position (including goodwill).
- Recognize any remaining investment of the subsidiary at fair value at date of loss of control.
- Derecognize non-controlling interests.
- Recognize the profit or loss resulting from the loss of control in the consolidated statement of profit or loss.

3/5) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and at banks and short term deposits with a maturity date not exceeding three months from the date of deposit.

3/6) Receivables

Receivables and other debt balances are recognized at its nominal value less the provision for doubtful debts. The management estimates this provision based on reviewing the customers periodically on individual basis, the current economic circumstances, the previous experience and other related factors.

3/7) Investment properties

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

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

Subsequent costs are capitalized to carrying amount of assets only when it is probable that economic benefits associated with such costs will flow to the Group and the cost of the item can be measured reliably. All maintenance and other repair works are expensed as incurred. When replacing part of the investment properties, the carrying amount of the replaced part is derecognized.

Any profit or loss resulting from either a change in the fair value or the sale of investment properties is immediately recognized in the consolidated statement of profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

3/8) Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
The Group's investment in associates is accounted for under the equity method. On the statement of financial position date at cost plus post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in value and the consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of profit or loss.

All subsequent changes to the Group's share of interest in the equity of the associates are recognized in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes resulting from consolidated statement of profit or loss and other comprehensive income of the associate or items recognized directly in the associate's or equity of the Group, as applicable.

When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions with associates are eliminated to the extent of the Group's share in the associates. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared either to the Parent company's reporting date or to a date not earlier than three months of the Parent company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the date of the associates and the group's consolidated financial statements date.

3/9) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The recoverable value of Property, plant and equipment are reviewed at the consolidated financial position date. If the recoverable value for Property, plant and equipment decreased from the book value then the book value is written down to the recoverable value. If the useful lives are different from its estimated lives then the useful lives are adjusted from the beginning of the year in which the change occurred without going into retroactive periods.

Property, plant and equipment are depreciated on straight line basis to reduce their value to its residual value over their estimated useful lives.

The profits or losses of selling the Property, plant and equipment range in the consolidated statement of profit or loss at the difference between the selling of value and the net book value.

Right of utilization

This represents utilization of two industrial plots leased from the State properties for five years and renewable for similar periods. The Group's buildings are erected on the plots. Right of utilization is valued by a specific specialized body on a regular basis including the difference of change between the fair value and carrying value within revaluation surplus in consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

Works in progress for purposes of production works or administrative usage are stated at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs capitalized on assets that meet the conditions of capitalizing the borrowing costs in accordance with the Group's accounting policy. These properties are classified within the appropriate categories of items of property, plant and equipment when finished and being considered ready for use. Depreciation of such assets commences when they are ready for use for their intended purpose in the same way as other items of property, plant and equipment.

3/10) Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses.

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 is 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 recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

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

Intangible assets are amortized on a straight line basis over 10 to 20 years.

3/11) 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 profit or loss as incurred.

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the 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 profit or loss 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 (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in consolidated statements of profit or loss and other comprehensive income are reclassified to consolidated profit or loss where such treatment would be appropriate if that interest were disposed off.

3/12) Financial instruments

Classification

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instrument at initial recognition and reviews this classification at consolidated financial statements preparation. The Group has classified its financial instruments as follows:

Financial assets at fair value through statement of profit or loss

A financial asset is classified in "Investments at fair value through statement of profit or loss" if acquired principally for the purpose of selling in the short term or if so classified by management on initial recognition.

Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. They arise when the Group provides goods or services directly to clients with no intention of trading in these debts.

Financial assets available for sale

These are non derivative financial assets that are not included in any of the above categories and are principally, those acquired to be held for an indefinite period of time which could be sold when liquidity is needed or upon changes in rates of profit.

Recognition and de-recognition

Financial instrument is recognized when the Group becomes a party to a contractual commitment of a financial instrument.

Regular purchase and sale of financial assets are recognized on settlement date – the date on which the Group receives or delivers the asset. Financial instrument is eliminated from books when the Group's right to receive cash flows from the instrument expired or when the Group has transferred substantially all risks and rewards related ownership to another party.

Measurement

Financial assets are initially recognized at fair value plus transaction cost except recognized investments carried at fair value through statement of profit or loss and their transaction costs are expensed to the consolidated statement of profit or loss and other comprehensive income.

Subsequently, re-measurement of financial assets available for sale and financial assets at fair value through statement of profit or loss is carried at fair value and receivables are carried at amortized cost using the effective yield method.

Gains and losses arising from changes in the fair value of the financial assets at fair value are included in the consolidated statement of profit or loss for the year in which they arise. Changes in the fair value of available for sale investments are recognized directly in equity. When available for sale investments are sold or impaired, the amounts recognized in equity are transferred to the consolidated statement of profit or loss and other comprehensive income.

Fair value

The fair value of financial instruments quoted in regular financial market is determined according to the last bid price.

For the unquoted investments, the Group determines its fair value by reference to other investments that are substantially similar or using the discounted cash flows method after necessary adjustments to reflect the same circumstances of the issuing Group. Available for sale investments, whose fair value could not be determined are carried at cost less impairment losses.

Impairment in value

The Group assesses at each consolidated financial position date whether there is objective evidence that a financial asset or a similar group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the value of the security is considered as an indicator that the securities are impaired. If any such evidence exists, the total cumulative losses are measured at the difference between the acquisition cost and the current fair value less any impairment loss recognized in previous years then transferred from equity and recognized in the consolidated statement of profit or loss.

Impairment losses on equity instruments are not reversed through the consolidated statement of profit or loss.

3/13) 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) and an allowance is recognized in the consolidated statement of profit or loss. Reversal of impairment loss recognized in prior years is recorded as revenue included in consolidated statement of profit or loss when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased.

3/14) Wakala payables

Wakala payables arise when the Group receives funds from other parties under an authorization from these parties for the Group to reinvest them in specific forms or in specific Islamic financial instruments in return for the Group's commitment to pay to the holders of wakala payables a yield set at date of wakala. The Group recognizes the yield paid to holders of wakala payables as finance costs in the Consolidated statement of profit or loss when the wakala accrues or when the holders of wakala payables liquidate these wakala payables before their due date.

The received wakala contracts do not include any conditions that give their holders any rights secured against the other assets of the Group or any other entities in the Group.

Wakala payables are initially recognized at cost and they are later measured at amortized cost.

3/15) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, profits are credited to a separate account in equity (profit on sale of treasury shares) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Profits realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the profit on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3/16) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial position only when there is a legally enforceable right to set off the recognized amounts and the management intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

3/17) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest (cost) rate method.

3/18) Provision for end of service indemnity

Provision for staff end of service indemnity has been made as per the Kuwaiti Labor Law applicable to the private sector and signed contracts based on employees' salaries, cumulative periods of services or based on contractual terms when such contracts provide additional benefits. This provision is unfunded and represents the amounts payable to each employee as a liability as a result of involuntary termination on the consolidated financial position date and approximates the present value of that obligation.

3/19) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenues resulting from sale of financial investments are recognized when the sale is completed, and dividends are recognized when received.

Rental income is recognized on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the shareholders right to receive payment has been established.

Return income is recognised on a time proportion basis using the effective interest method.

Revenue from the sale of real estate properties and lands is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the real estate properties and lands;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate properties and lands sold;
- The amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3/20) Provisions

Provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of the resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated financial position date and adjusted to reflect the current best estimate.

3/21) Borrowing cost

- Interest on loans and facilities is calculated on the accrual basis and is recognized in the consolidated statement of profit or loss in the period in which it is incurred.
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. The capitalized borrowing costs should commence when expenditures for the asset have been incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
- Borrowing costs that are not directly attributable to a qualifying asset are recognized as an expense in the period in which they are incurred.

3/22) Kuwait Foundation for the Advancement of Sciences (KFAS)

The company's contribution to KFAS is recognized as an expense and is calculated as 1% of profit after transfer to statutory reserve and before Board of Directors' remuneration, National Labour Support Tax and Zakat.

3/23) National Labour Support Tax (NLST)

The company's contribution to NLST is recognized as an expense and calculates in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of the net profit less allowed deductions.

3/24) Zakat

The Group's contribution to Zakat is recognized as an expense and is calculated in accordance with Minister of Finance resolution No. 58/2007 and 46/2006 as 1% of the net profit less allowed deductions.

3/25) Foreign currencies

The functional currency of the Group is the Kuwaiti Dinar ("KD") and accordingly, the consolidated financial statements are presented in KD. Transactions denominated in foreign currencies are translated into KD at the rates of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated into KD at rates of exchange prevailing at the consolidated financial position date. The resultant exchange differences are taken to the Consolidated statement of profit or loss and.

3/26) Leases

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are initially recognised as assets 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 profit or loss on a straight-line basis over the lease term.

3/27) Contingent liabilities

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

4- Significant accounting assumptions and judgments

Accounting judgments

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of profit or loss, available for sale or held to maturity investments.

Classification of investments as investment at fair value through statement of profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are classified as at fair value through statement of profit or loss. All other investments are classified as available for sale or as held to maturity.

Impairment of investments
The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. 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.

Classification of properties
The Group decides on acquisition of real estate properties whether it should be classified as trading or investment properties.

The Group classifies properties as trading properties if it is acquired with the intention of resale in the ordinary course of business. The Group classifies properties as investment properties if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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

Group of properties are classified as property, plant and equipment if they are purchased to be used in production, services, for leasing them to others or for administrative purposes and they are expected to be used during more than one period.

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.

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
recent arm's length market transactions;
current fair value of another instrument that is substantially the same;
the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
Other valuation models.

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

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

Provision for impairment of 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 recognized in the consolidated statement of profit or loss.

Fair value measurements
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 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.

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

Valuation of investment properties
The Group records investment properties at fair value where changes in the fair value are recognized in the consolidated statement of profit or loss, 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.

Comparative analysis: which base on estimations made by an independent real estate valuer 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 valuer.

Impairment of tangible assets
The Group estimates whether there is an indication to impairment of tangible assets. The recoverable amount of an asset is determined based on "value in use method". The method uses estimated cash flow projections over the estimated useful life of the asset.

5- Consolidated subsidiaries

The consolidated financial statements include the financial statements of the Al Madar Finance and Investment Company K.S.C (public) and its following subsidiaries:

	Country of incorporation	Activity	Shareholding percentage % 2016	2015
Dar Al-Thuraya Real Estate Co. K.S.C (Public)	Kuwait	Real estate	%88.35	%88.35
Fiduciary International For Programming and Printing Software Company W.L.L	Kuwait	Programming and operating computer, printing and distribution of software and computers	%99	%99
Al Madar Real Estate Development K.S.C (Closed)	Kuwait	Real estate	%98.50	%98.50
Al Thuraya for Warehousing and Cold Storage K.S.C (Closed)	Kuwait	Warehousing	%96	%96

The financial statements for the subsidiaries have been consolidated based on audited financial statements as of 31 December 2016.

The consolidated financial statements include the financial statements of Dar Al Thuraya K.S.C (Public) and its following subsidiaries:

	Country of incorporation	Activity	Shareholding percentage %	
			2016	2015
AL-Thuraya Star company W.L.L	Kuwait	General Trading and Contracting	%99	%99
Kuwait Buildings Real Estate Company K.S.C (Closed)	Kuwait	Real estate	%96	%96
Pack & Move Holding K.S.C (Holding)	Kuwait	Holding	%99.88	%99.88
Golden Madar Real Estate Company W.L.L	Kuwait	Real estate	%98	%98

6- Non-controlling interests

The details of the subsidiary with material non-controlling interests to the Group are as below:

Name of subsidiary	Country of incorporation	Voting rights and equity interest %		Carrying value of non-controlling interests in the subsidiary	
		2016	2015	2016	2015
Dar Al-Thuraya Real Estate Company K.S.C. (Public) ("Dar Al-Thuraya")	State of Kuwait	**11.65%**	11.65%	**1,739,051**	2,023,274

Al Madar Finance and Investment Company
K.S.C (Public)
and its subsidiaries
Kuwait

Notes to the consolidated financial statements for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar unless stated otherwise"

The summary of the financial statements of the subsidiary ("Dar Al-Thuraya real estate") with non-controlling interests at material percentage to the Group before eliminating the intra-group transactions:

Dar Al-Thuraya Real Estate Co. K. S.C. (Public)

Summary of consolidated statement of financial position:

	2016	2015
Assets		
Current assets	1,886,561	3,275,152
Non-current assets	23,048,535	24,106,146
Liabilities		
Current liabilities	831,761	371,078
Non-current liabilities	9,149,365	9,605,715
Equity attributable to shareholders of Dar Al-Thuraya Real Estate Company	14,927,480	17,367,161
Voting rights and equity interest for the non-controlling interests in Dar Al-Thuraya Real Estate Company	%11.65	%11.65
Carrying value of non-controlling interests	1,739,051	2,023,274

Summary of consolidated statement of profit or loss and other comprehensive income:

	2016	2015
Revenues	2,713,456	2,429,848
Losses	(5,092,670)	(3,036,570)
Loss for the year attributable to shareholders of Dar Al-Thuraya Company	(2,379,214)	(606,722)
Other comprehensive (loss)/income attributable to shareholders of Dar Al-Thuraya Company	(60,458)	69,989
Total comprehensive loss attributable to shareholders of Dar Al-Thuraya Company	(2,439,672)	(536,733)
Loss related to the non-controlling interests	(284,222)	(62,529)

Total non-controlling interests for other subsidiaries are not material to the Group.

Summary of consolidated statement of cash flows:

	2016	2015
Net cash used in operating activities	(1,469,239)	(700,337)
Net cash generated from investing activities	1,295,684	916,503
Net (decrease)/increase in Cash and cash equivalents	(173,555)	216,166
Cash generated from acquisition of subsidiaries	11,552	37,420
Cash and cash equivalents at beginning of the year	397,354	143,768
Cash and cash equivalents at the end of the year	235,351	397,354

7- Cash and cash equivalents

	2016	2015
Cash at banks	420,731	618,817
Cash on hand	39,852	38,983
	460,583	657,800

Cash at banks includes current and saving accounts with local banks.

The annual effective return rate on saving accounts was 0.65% as of December 31, 2016 (December 31, 2015: 0.73%).

8- Investments at fair value through statement of profit or loss

This item is as follows:

	2016	2015
Investments in unquoted local shares	170,145	173,441
Investments in portfolio - local funds	41,147	41,147
Investments in portfolio - foreign funds	50,793	1,676,055
	262,085	1,890,643

- Investments in unquoted local shares and foreign funds of KD 207,900 (December 31, 2015: KD 66,068) are carried at cost less impairment since their fair values could not be measured reliably. Management does not have any indicator for the impairment of these investments.

- Investments in unquoted shares are valuated in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration the recent transactions on the shares with other parties in investee companies or similar companies.

- During the year, a foreign Fund has been liquidated which resulted in a loss of KD 229,224 recognized in the consolidated statement of profit or loss.

9- Receivables and other debit balances

	2016	2015
Trade receivables	6,004,927	9,526,976
Provision for doubtful debts	(5,326,089)	(7,422,397)
	678,838	2,104,579
Receivables of financial , properties and service investments	772,503	980,004
Accrued income	723,976	509,859
Staff receivables	46,443	16,247
Prepaid expenses and Prepayment	1,015,935	901,118
Other receivables	1,555,567	1,197,079
	4,793,262	5,708,886

- The item of receivables of financial, properties and services investments has been presented after deducting a provision for doubtful debts of KD 849,049 as of December 31, 2016 (December 31, 2015: KD 748,780).
- Other receivables have been presented after deducting a provision for doubtful debt of KD 122,057 as of December 31, 2016 (December 31, 2015: KD 122,057).
- The maximum exposure to credit risks at reporting date is the fair value of each class of receivables. The Group holds guarantees amounting to KD 1,046,921 for trade receivables as of December 31, 2016 (December 31, 2015: KD 4,205,884).
- The board of directors of the Parent Company approved in its meeting held on July 25, 2016 to write off due from one of financing receivables amounted to KD 3,286,804 as well as related provision amounted to KD 3,191,071 and also differed revenue that related amounted to KD 95,733 from books and records accounting related to the Parent company. This procedure will not affect the legal procedures which have been taken by the Parent company to claim the client with repayment the whole due amount.
- The Group does not incur any financial charges on the overdue receivables.

The provision for doubtful debts is analyzed as follows:

	2016	2015
Specific provision	**6,297,195**	8,292,934

The movement on provision for doubtful debts is as follows:

	2016	2015
Balance at January 1	**8,292,934**	7,224,466
Charge for the year	**1,440,576**	1,294,462
Write back of provision of finance transactions	**(245,244)**	(225,994)
Write off provision of finance transactions	**(3,191,071)**	-
Balance at December 31	**6,297,195**	8,292,934

10- Available for sale investments

	2016	2015
Investments in quoted local shares	**4,219**	1,408
Investments in unquoted local shares	**22,477**	20,751
Investments in unquoted foreign shares	**36,194**	41,194
	62,890	63,353

- Investments in unquoted local and foreign shares of KD 41,194 (December 31, 2015: KD 61,945) were carried at cost due to non availability of a measurement tool to measure its fair value at the date of the consolidated financial position.
- Investments in unquoted shares are valuated in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration recent transactions on the shares with other parties in investee companies or similar companies.
- Available for sale investments include unquoted foreign shares of an actual cost amounted to KD 3,698,839 carried forward from the year 2009 since these investments are subject to a legal dispute, the management decided to reduce the cost of this investment in full from previous years until it is finally resolved settled.

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11- Investment properties

	2016	2015
Investment properties		
Balance at beginning of the year	**16,025,352**	15,753,165
Additions	**-**	124,592
Disposals	**-**	(1,439,940)
Transferred from properties under development	**-**	2,010,588
Change in fair value	**(1,199,035)**	(483,234)
Foreign currencies translation differences	**13,103**	60,181
Balance at end of the year	**14,839,420**	16,025,352

	2016	2015
Properties under development		
Balance at beginning of the year	**9,853,307**	13,431,673
Additions	**137,956**	516,030
Disposals	**(260,928)**	(1,840,824)
Transferred to investment properties	**-**	(2,010,588)
Change in fair value	**(776,130)**	(312,508)
Foreign currencies translation differences	**58,564**	69,524
Balance at end of the year	**9,012,769**	9,853,307
	23,852,189	25,878,659

The fair value of the Group's investment properties as of December 31, 2016 has been arrived at based on a valuation carried out at the consolidated financial statements date by two independent valuers one of them is a local bank. Management has adopted the lower valuation in the consolidated financial statements.

12- Investment in associates

Name of associate	Country of incorporation	Measurement method	Voting rights and equity interest 2016	Voting rights and equity interest 2015	Activity	2016	2015
Interpack Kuwait Limited for General Trading and Contracting Company W.L.L	State of Kuwait	Equity method	**40%**	40%	General trading and contracting	**927,769**	1,000,000
Egyptian Saudi Company for Medical Equipment (S.A.E)	Arab Republic of Egypt	Equity method	**25.93%**	22.50%	Medical equipment and devices	**203,691**	383,233
						1,131,460	1,383,233

The Group's shares in result and net assets from associates are as follows:

	2016			
	Total assets	**Total liabilities**	**Group's share in results**	**Last available Financial statements**
Interpack Kuwait Limited for General Trading and Contracting Company W.L.L	**4,884,737**	**(2,565,314)**	**(72,231)**	**December 31, 2016**
Egyptian Saudi Company for Medical Equipment (S.A.E)	**1,117,754**	**(332,212)**	**36,156**	**December 31, 2016**
			(36,075)	

	2015			
	Total assets	Total liabilities	Group's share in results	Last available Financial statements
Interpack Kuwait Limited for General Trading and Contracting Company W.L.L	5,076,711	(2,576,711)	(116,619)	December 31, 2015
Egyptian Saudi Company for Medical Equipment (S.A.E)	2,392,504	(689,246)	64,375	December 31, 2015
			(52,244)	

The movement on investment in associates is as follows:

	2016	2015
Balance at January 1	**1,383,233**	1,643,818
Additions	**36,000**	239,988
Disposals	**-**	(394,077)
Dividend	**(22,981)**	(26,090)
Foreign currencies translation differences	**(228,717)**	(28,162)
Group's share in associates results	**(36,075)**	(52,244)
Balance at December 31	**1,131,460**	1,383,233

- The Group's share in the associates' results was recognized based on audited financial statements as of December 31, 2016.

- During the year, the Group increased its share in the Egyptian Saudi Company for Medical Equipment (S.A.E) from 22.50% to 25.93% by 3.43%. According to this transaction, there is no significant effect on the consolidated financial statements for the year ended December 31, 2016.

13- Property, plant and equipment

	Utilization right	Buildings	Containers	Vehicles	Equipments	work under process	Total
Cost							
As of January 1, 2016	5,118,236	2,300,070	169,853	159,438	999,257	190,352	8,937,206
Additions	-	117,958	-	29,781	756,180	44,272	948,191
Disposals	-	-	-	(25,903)	(4,701)	-	(30,604)
Transfer from work in process to buildings	-	41,205	-	-	-	(41,205)	-
Revaluation	(60,000)	-	-	-	-	-	(60,000)
As of December 31, 2016	5,058,236	2,459,233	169,853	163,316	1,750,736	193,419	9,794,793
Accumulated depreciation							
As of January 1, 2016	-	676,754	102,492	77,241	833,541	-	1,690,028
Charge for the year	-	150,682	18,887	28,479	78,998	-	277,046
Disposals	-	-	-	(22,645)	(6,311)	-	(28,956)
Impairment in value	699,231	-	-	-	-	-	699,231
As of December 31, 2016	699,231	827,436	121,379	83,075	906,228	-	2,637,349
Net book value							
As of December 31, 2016	**4,359,005**	**1,631,797**	**48,474**	**80,241**	**844,508**	**193,419**	**7,157,444**
As of December 31, 2015	5,118,236	1,623,316	67,361	82,197	165,716	190,352	7,247,178

The utilization right amounted KD 4,359,005 (December 31, 2015: KD 5,118,236) represents the following:

- Purchasing of utilization right of the land in Shuwaikh area amounted to KD 4,948,236 (December 31, 2015: KD 4,948,236) to be used in establishing garages, warehouses and showrooms. The term of the contract is 5 renewable years, starts from May 12, 2012. The right of utilization was assessed by two independent valuers one of them is a local bank as of 31 December 2016, there is impairment in value amounted to KD 699,231 that was stated in the consolidated statement of profit or loss.
- Purchasing the right of using the food security plot No. 56, block 6 at Al Abdali Agricultural Area for one of the subsidiaries with a cost amounted KD 100,000. The subsidiary acquired under administrative license from Ministry of Finance, contracting department State Properties. As at December 31, 2016, the right of utilization was recorded at fair value based on valuation by external valuers.

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14- Intangible assets

	Key money	Programs	Total
Cost			
As of January 1, 2016	-	474,940	474,940
Additions	597,530	-	597,530
As of December 31, 2016	597,530	474,940	1,072,470
Accumulated Amortization			
As of January 1, 2016	-	94,988	94,988
Charge for the year	90,070	47,494	137,564
As of December 31, 2016	90,070	142,482	232,552
Net book value			
As of December 31, 2016	**507,460**	**332,458**	**839,918**
As of December 31, 2015	-	379,952	379,952

15- Wakala payables

	2016	2015
Current portion	**23,003,659**	22,874,916
Non-current portion	-	151,988
	23,003,659	23,026,904

- The average cost rate for these wakala as of December 31, 2016 was 4% (December 31, 2015: 4%) per annum.

- Wakala payables includes past due wakala payables of KD 4,887,212 (December 31, 2015: KD 4,887,212) The Parent Company was obliged to pay in based judicial ruling against the Parent Company (Note 28).

- During the year, wakala has been accrued amounted to KD 16,999,319 with one of the creditors, and it was not renewed as this creditor has filed a lawsuit against the Parent company, this lawsuit is still pending and no final ruling has been taken in this regards till the date of preparing consolidated financial statements (Note 28).

16- Payables and other credit balances

	2016	2015
Trade payables	**1,796,889**	1,461,086
Accrued expenses	**187,963**	73,733
Purchase of land and financial investments payables	**281,530**	285,380
	2,266,382	1,820,199

17- Share capital

The Parent Company's authorized, issued, and fully paid up capital is KD 21,386,865 (2015: KD 21,386,865) divided into 213,868,650 shares (2015: 213,868,650 shares), each of 100 fils and all shares are in cash.

18- Statutory reserve

In accordance with the requirements of Companies' law and the Parent company's articles of association, 10% of the net profit before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat and Board of Directors' remuneration has been transferred to the statutory reserve. That may discontinue such transfer when the reserve equals 50% of share capital. Statutory reserve is not available for distribution except as stipulated by law. There is no transfer to reserve during the year due to accumulated losses.

19- Voluntary reserve

In accordance with the parent company's memorandum of association 10 % of the annual net profit before contribution to Kuwait Foundation for the Advancement of Science, Zakat and Board of Directors' remuneration has been transferred to the voluntary reserve as suggested by the Board of Directors and are approved by the Shareholders General Assembly. According to the proposal of the parent company's Board of Directors and shareholders' General Assembly, There is no transfer to reserve during the year due to accumulated losses.

20- Treasury shares

	2016	2015
Number of shares purchased (share)	**6,845,096**	6,845,096
Ownership percentage (percentage to total share capital)	**%3.2**	%3.2
Cost	**4,573,296**	4,573,296
Market value (KD)	**85,564**	130,056

The Parent Company is committed to retain share premium equal to the purchased treasury shares cost which is deemed as non-distributable along acquisition period by the Parent Company in accordance with instructions of the concerned regulatory authorities.

21- General and administrative expenses

	2016	2015
Staff cost	**2,364,461**	2,219,283
Depreciation and amortization	**414,610**	243,125
Other	**1,525,060**	1,255,741
	4,304,131	3,718,149

22- Basic and diluted loss per share attributable to shareholders of the parent company/(fils)

Basic and diluted loss per share attributable to the shareholders of the Parent Company is calculated by dividing net loss attributable to the shareholders of the Parent Company by the weighted average number of outstanding shares excluding Treasury shares during the year as follows:

	2016	2015
Net loss for the year attributable to equity holders of the Parent Company	**(5,217,398)**	(2,725,830)
Weighted average outstanding shares during the year/(shares)	**213,868,650**	213,868,650
Weighted average treasury shares /(share)	**(6,845,096)**	(6,845,096)
Weighted average number of outstanding shares during the year/(share)	**207,023,554**	207,023,554
Basic and diluted loss per share attributable to shareholders of the parent company/(fils)	**(25.20)**	(13.17)

23- Fiduciary assets

Fiduciary assets comprise of investments and funds managed on behalf of clients. These are not assets of the Group and accordingly, are not included in the consolidated financial statements. As of the consolidated statement of financial position date, total Fiduciary assets managed on behalf of clients amounted to KD 9,147,000 (December 31, 2015: KD 9,086,000), including a portfolio managed on behalf of the Ultimate Parent Company amounting to KD 119,000 as of December 31, 2016 (December 31, 2015: KD 137,820).

24- Related parties transactions

Related parties principally comprise of shareholders, directors and executive officers of the Parent Company, their families and companies of which they are the principle owners. Parent Company determines the terms and conditions of the transactions and services received or rendered from/to related parties besides other expenses. Amounts due form/to related parties have no fixed maturity date.

The balances and transactions with related parties included in the consolidated financial statement are as follows:

	2016	2015
Consolidated statement of financial position		
Financial investments at fair value through statement of profit or loss	**644**	920
Due from related parties	**550,147**	1,020,321
Due to related parties	**1,814,696**	1,796,844

consolidated statement of profit or loss	**2016**	2015
Change in fair value of investments at fair value through statement of profit or loss	**(276)**	(184)
Top management's salaries and benefits	**312,050**	311,850
Provision for employees' end of service benefit	**28,738**	27,998

25- Segmental information

The operating segments are identified based on the internal reports of Group segments which are regularly reviewed by the chairman and managing director who take the main operating decisions in the Group so as allocate resources and to evaluate performance of these segments on an ongoing basis.

The operating segments that meet the conditions and criteria for reporting them in the consolidated financial statements and are used in the internal reports regularly submitted to decision makers are as follows:

A) **Real estate:**
This sector represents investing in investment properties to generate rental income, gain from capital appreciation, or for trading purposes.

B) **Financial investments:**
This sector represents investment in short term money market instruments and investment in shares of listed and unlisted companies whose articles of association and activities comply with the rules of noble Islamic Shari`a.

C) **Corporate finance:**
The activity of this segment is to provide finance to companies by using the various islamic financing instruments, i.e. Murabaha, Wakala, future sales, and other contracts compliant with the rules of noble Islamic Shari`a.

D) **Other:**
This includes the revenue and expenses that do not belong to the above sectors.

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The information of the Group's segments reports are summarized as follows:

A) Revenue and sector results:

	Segment revenues		Segment loss	
	Year ended 31 December		Year ended 31 December	
	2016	2015	**2016**	2015
Investment properties	**(433,781)**	994,547	**(433,781)**	994,547
Financial investments	**(290,729)**	119,140	**(290,729)**	119,140
Corporate finance	**32,245**	21,872	**(34,901)**	(448,472)
Other	**959,078**	1,668,302	**959,078**	1,668,302
Total	**266,813**	2,803,861	**199,667**	2,333,517
General and administrative expenses			**(4,304,131)**	(3,718,149)
Provision for doubtful debts			**(1,440,576)**	(1,294,462)
Loss for the year			**(5,545,040)**	(2,679,094)

B) Segment assets and liabilities:

For the purposes of monitoring segment performance and allocating resources between segments, the segment assets and liabilities are as follows:

	2016	2015
Segment assets		
Investment properties	**23,852,189**	25,878,659
Financial investments	**1,456,435**	3,337,229
Corporate finance	**678,838**	2,104,579
Other	**13,122,516**	12,909,558
Total segment assets	**39,109,978**	44,230,025

	2016	2015
Segment liabilities		
Investment properties	**241,375**	245,225
Corporate finance	**23,003,659**	23,026,904
Other	**4,948,276**	4,208,836
Total segment liabilities	**28,193,310**	27,480,965

26- General Assembly of Shareholders

The shareholders' general assembly was held on April 24, 2017 and approved the Group's consolidated financial statements for the year ended December 31, 2015 and the Board of Directors proposed not to distribute dividends for the financial year ended December 31, 2015 and not to grant Board of Directors remuneration for the financial year ended December 31, 2015.

27- Proposed dividends and Board of Directors' remuneration

On May 8, 2017 the Board of Directors has proposed not to distribute dividend for the financial year ended December 31, 2016 and not to grant remuneration for the Board of Directors members for the financial year ended December 31, 2016.

These proposals are subject to the approval of the General Assembly of Shareholders.

28- Legal suits and claims

- A Judicial ruling was issued against the Parent Company obliging it to settle an amount of KD 4,887,212 plus fees and expenses to one of the creditors (Note 15). Amicable settlement is currently in process with the prevailing party.

- During the year, wakala has been accrued amounted to KD 16,999,319 with one of the creditors, and it was not renewed as this creditor has filed a lawsuit against the Parent company, this lawsuit is still pending and no final ruling has been taken in this regards till the date of preparing consolidated financial statements (Note 15).

29- Financial instruments and management of risk

A) Financial instruments:
Significant accounting policies
Details of the significant accounting policies - including the criteria for measurement and recognition of revenues and expenses - in respect of each class of financial assets and liabilities are disclosed in (Note 3) to the consolidated financial statements.

Categories of financial instruments
The Group's financial assets and financial liabilities are categorized in the consolidated statement of financial position as follows:

	2016	2015
Financial assets		
Cash and cash equivalents	**460,583**	657,800
Investment at fair value through statement of profit or loss	**262,085**	1,890,643
Receivables and other debit balances	**4,793,262**	5,708,886
Due from related parties	**550,147**	1,020,321
Available for sale investments	**62,890**	63,353
	6,128,967	9,341,003

	2016	2015
Financial liabilities		
Wakala payables	**23,003,659**	23,026,904
Payables and other credit balances	**2,266,382**	1,820,199
Due to related parties	**1,814,696**	1,796,844
	27,084,737	26,643,947

Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group has used the assumptions and accepted methods in the assessment of fair values of financial instruments. The fair values of the Group's financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Fair value of the financial instruments that were included by their extinguish cost is not materially different from its respective carrying value.

The hierarchy levels of fair value are set out below:

- Level 1: prices included (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (inputs relating to prices).
- Level 3: inputs for assets and liabilities that are not based on observable market information (non observable information).

Financial assets and liabilities are classified in the level was based on the lower level for the important information.

	Level 1	**Level 2**	**Total**
December 31, 2016			
Investment at fair value through statement of profit or loss	-	**54,185**	**54,185**
Available for sale investments	**4,219**	**17,477**	**21,696**
Net fair value	**4,219**	**71,662**	**75,881**

	Level 1	Level 2	Total
December 31, 2015			
Investment at fair value through statement of profit or loss	-	1,824,575	1,824,575
Available for sale investments	1,408	-	1,408
Net fair value	1,408	1,824,575	1,825,983

There have been no transfers between levels during the year.

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B) Financial risk management

The Group use of financial instruments exposes it to financial risks such as credit risks, liquidity risks and market risks.

The Group periodically reviews its risks exposures and takes the necessary steps to limit these risks to acceptable levels.

- **Credit risks**
  Credit risks are the risks that one party to a financial instrument will fail to pay an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risks, mentioned below. Credit risk with respect to trade receivables and other debit balances is limited due to the Group's policy of diversifying the credit base over large number of customers.

	2016	2015
Cash at banks	420,731	618,817
Receivables and other debit balances	4,793,262	5,708,886
Due from related parties	550,147	1,020,321
	5,764,140	7,348,024

Geographic concentration of maximum exposure to credit risks

The maximum exposure to credit risks for financial assets at the reporting date by geographic region and segment were:

	GCC	Other	Total
December 31, 2016:			
Cash at banks	420,731	-	420,731
Receivables and other debit balances	4,793,262	-	4,793,262
Due from related parties	550,147	-	550,147
	5,764,140	-	5,764,140

	GCC	Other	Total
December 31, 2015:			
Cash at banks	618,817	-	618,817
Receivables and other debit balances	5,708,886	-	5,708,886
Due from related parties	1,020,321	-	1,020,321
	7,348,024	-	7,348,024

	2016	2015
Segment:		
Real Estate and Commercial	5,343,409	6,729,207
Banks and financial institutions	420,731	618,817
	5,764,140	7,348,024

- **Liquidity risks**

  Liquidity risks are the risks that the Group will be unable to meet its obligations. The management of liquidity risks consist of keeping sufficient cash, and arranging financing sources through enough facilities, keeping highly liquid assets, and monitoring liquidity on a periodically basis by method of future cash flows.

  The maturity of liabilities stated below based on the period from the consolidated statement of financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed to settle the obligation.

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The maturities of liabilities are as follows:

December 31, 2016:

	Within 1 month	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
Wakala payables	22,269,450	-	734,209	-	-	23,003,659
Payables and other credit balances	-	-	2,266,382	-	-	2,266,382
Due to related parties	-	-	1,814,696	-	-	1,814,696
Provision for employees' end of service benefits	-	-	-	-	1,108,573	1,108,573
	22,269,450	-	4,815,287	-	1,108,573	28,193,310

December 31, 2015:

	Within 1 month	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
Wakala payables	22,078,902	644,026	151,988	151,988	-	23,026,904
Payables and other credit balances	-	-	1,820,199	-	-	1,820,199
Due to related parties	-	-	1,796,844	-	-	1,796,844
Provision for employees' end of service benefits	-	-	-	-	837,018	837,018
	22,078,902	644,026	3,769,031	151,988	837,018	27,480,965

As of December 31, 2016, the current liabilities of the Group exceeded its current assets by KD 21,018,660 (KD 17,214,309 as of December 31, 2015). Whereas the Group maintains adequate cash reserves and owns investment properties of KD 23,852,189 as of December 31, 2016 (KD 25,878,659 as of December 31, 2015) which the Group intends to sell or utilize them in settlement of its debt with creditors related to wakala payables of KD 23,003,659 as of December 31, 2016 (KD 23,026,904 as of December 31, 2015). In addition, the Group maintains guarantees of KD 1,046,921 as of December 31, 2016 (KD 4,205,884 as of December 31, 2015) against receivables due from customers. This indicates that the Group will be able to meet its short-term liabilities.

- **Market risks**

Market risks comprise of foreign currencies risks, interest rate risks and equity price risks. These risks arise due to change in market prices, interest rates and exchange rates.

Foreign currencies risks

Foreign currencies risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currencies rates.

These risks arise from transactions with foreign currencies. The Group manages these risks by setting limits on transaction in other foreign currencies and limits its transaction business in major currencies.

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

	2016	2015
US Dollar	-	1,625,262
Omani Riyal	**1,109,115**	1,495,065
UAE Dirham	**5,381,618**	5,529,061
Egyptian Pound	**203,691**	383,233
	6,694,424	9,032,621

The effect on the consolidated loss or profit (due to change in the fair value of monetary assets and liabilities), as a result of change in currency rate, with all other variables held constant is shown below:

	Effect of increase in currency rate by 5% On the consolidated loss or profit	
	2016	2015
US Dollar	-	81,263
Omani Riyal	**55,456**	74,753
UAE Dirham	**269,081**	276,453
Egyptian Pound	**10,185**	19,162

Interest rate risks
Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.

Interest rate risks arise from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flows as a result of interest rate risks.

The sensitivity of interest rates measures the effects of expected changes in interest rates on the finance charges for a year based on the financial liabilities held at year end bearing interest.

Equity price risks
An equity price risks are the risks that the fair value of equities fluctuates as the result of changes in the levels of equity indices and the value of individual stocks. These risks results due to the changes in the fair value of the investments in stocks.

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 detailed below.

The effect on equity as a result of a change in the fair value available for sale investments as of December 31, 2016, due to a reasonably possible changes in stock exchange markets index (±10%), with all other variables held constant, is as follows:

	Effect on equity	
	2016	2015
Available for sale investments	**422**	141

30- Commitments and contingencies

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

	2016	2015
Not more than one year	**134,179**	115,661
After one year but not more than five years	**235,895**	578,305
	370,074	693,966

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

	2016	2015
Capital commitments	**50,000**	470,000

31- Capital risks management

A) capital risks management objectives

The Groups' objectives when managing capital are:

- To safeguard the Groups' ability to continue as a going concern and as a successful entity to be able to provide returns for shareholders and benefits for other stakeholders.
- To maintain an optimal returns for shareholders by pricing its products and services in a way that are reasonable with risk level.

The Group determines share capital that is adequate for risks manages its capital structure and adjusts it according to changing market economic conditions and risks related to assets for maintaining its capital structure and adjusting profit distributed to shareholders.

B) Debts to equity ratio

Consistent with others in the same field, the Group monitors capital on the basis of the net debt to equity ratio. This ratio is calculated as net debts divided by total adjusted capital. Net debts calculated as total Wakala payables, as shown in the consolidated financial position less cash and cash equivalents. Adjusted capital comprise of all components of equity (share capital, reserves, share premium, treasury shares, revaluation surplus and accumulated losses) plus the net debts as follows:

	2016	2015
Wakala payables	**23,003,659**	23,026,904
Less: Cash and cash equivalents	**(460,583)**	(657,800)
Net debts	**22,543,076**	22,369,104
Total equity attributable to the shareholders of the Parent company	**9,120,963**	14,616,000
Total capital	**31,664,039**	36,985,104
Debt ratio	**%71.19**	%60.48