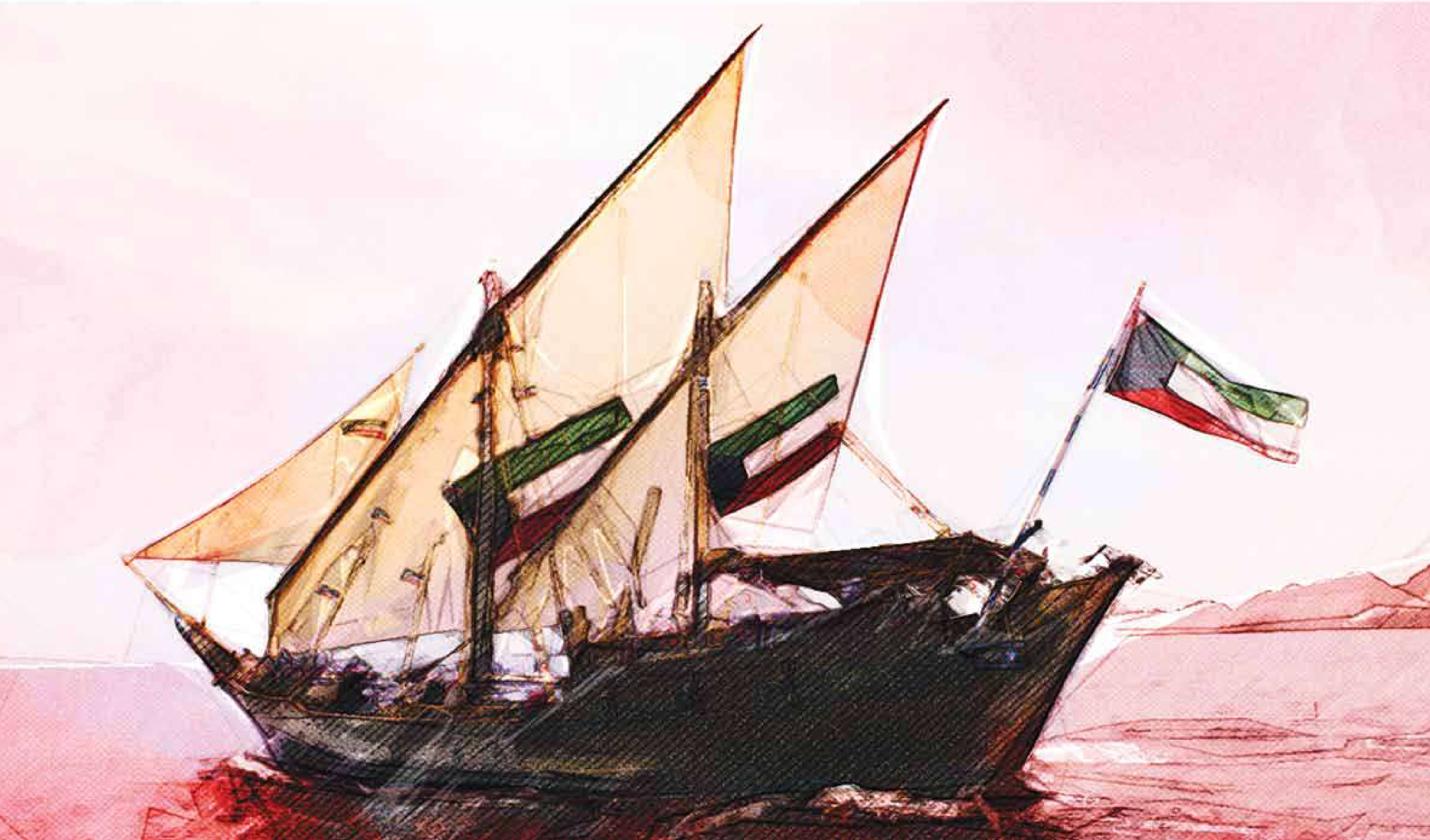
شركة الديرة القابضة ش.م.ك.ع
Al-Deera Holding Co. K.P.S.C.

Annual Report 2016



Al-Deera Holding Company
K.P.S.C. - Kuwait

الديرة

شركة الديرة القابضة ش.م.ك.ع
Al-Deera Holding Co. K.P.S.C.

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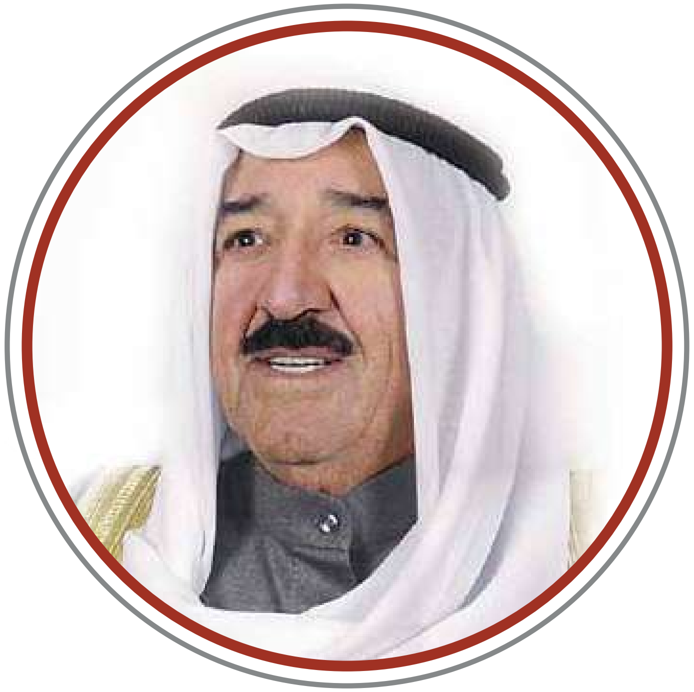

His Highness Sheikh
Sabah Al-Ahmed Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

Shipbuilding Industry

The establishment of the Kuwaiti shipbuilding industry has returned to the date of the establishment of Kuwait and the stability of the ship. After Al-Atub migrated from Najd in the 17th century, they settled in Qatar, which was under the rule of Al-Muslim. There, he gained the skills of fishing and pearl diving, gaining their maritime experience from surrounding areas such as Oman and Bahrain

However, their stability in Qatar did not last as a result of a dispute between Al-Atub and Al-Muslim. The Al-Atub migrated to Bahrain and some 150 ships entered the Shatt al-Arab entrance, where the Ottoman authorities forced him to leave. The ship was originally intended for fishing and pearl diving. This was stated by Kpenhausen (responsible for the Dutch East India Company), where the number of vessels was estimated at 300 small vessels in 1756 and estimated at 800 ships in 1765.

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Member of the Board

Talal Bader Al-Bahar
Chairman

Bader Jassim Al-Hajiri
Vice Chairman

Saleh Mohamad Al-Tunaib
Member of the board

Rami Khaled Abdullah
Member of the board

Rami A. Habli
Member of the board

Chairman's message

Dear Shareholders,
Greetings,
On behalf of myself and on behalf of members of the Board of Directors of Al-Deera Holding Company, I present to you the annual report of the Company for the financial year ended 31 December 2016.

Overview:
Kuwait Stock Exchange witnessed another dip in market liquidity due to shying away of numerous investors from investing in listed local equities and instead Kuwait witnessed significant migration of capital to other lucrative markets. This was clearly evident in the unprecedented record low liquidity levels recorded during several trading sessions in 2016 whereby the daily liquidity reached as low as KD 2.8m in 2016 which is the lowest recorded daily liquidity level seen since year 2011 and thus confirming loss of attractiveness of Kuwait stock market which is attributable to the fragile local economic activity. The daily liquidated also reached liquidity levels not recorded during the 2008 economic crises; for example the highest daily liquidity in 2016 was KD 34m compared to KD58m lowest liquidity levels recorded during the first couple of months of 2008 crisis.
We hope that that the increase in oil prices at end of 2016 and the enactment of CMA's market maker regulations will have a positive impact on Kuwait Stock Exchange performance in 2017.

Financial performance:
The Company recorded profits of KD 549.7 thousands for the year 2016 (which is equivalent to the profit of 2.42 fils per share) compared to losses of KD 9.4 million in prior year 2015 (which is equivalent to loss of 50.32 fils per share). The operating income during 2016 was KD 10.4 million compared to operating losses of KD 665 thousand in prior year 2015. In addition, the Company's consolidated expenses including losses on investments were KD 10 million in 2016 compared to KD 9.6 million in prior year 2015.
The net profits recorded in 2016 were attributable to the divestment from two major investments and then the full payment of the remaining bank loan (syndicate loan). Consequently, the Company became debt free from all bank loans compared to KD 16.91 million liabilities to banks at prior year 2015 end. Notably, the board members did not receive any bonuses, payments, benefits or rewards during the completed fiscal year ended December 31, 2016. The Board of Directors has recommended not to distribute dividends for the financial year ended December 31, 2016 whereby this recommendation is subject to approval of the General Assembly and the competent parties.

The overall performance of the subsidiaries and associates:
The year 2016 was once again marked with a difficult investment environment in terms of low prices of listed equities and also private equities. However, one of our subsidiaries managed to negotiate selling a key private equity stake representing a controlling interest in Fast Telecommunication Company (FASTtelco) which is a leading internet service provider in Kuwait. The subsidiary signed a contract to sell its stake in FASTtelco during the first quarter of fiscal year 2016 and recorded a related KD 4.4 million divestment revenue and KD 63 thousand loss from the sale. The Company also sold its stake in AiwaGulf which was a sister company that specializes in providing value added solutions to mobile telecommunication companies, and thereby recorded KD 1.3 million in revenues and losses of KD 1.9 million on the investment.

The Company then negotiated with its bank lenders to pay its remaining and outstanding bank indebtedness in full and paid USD 16.8 million against its full total debt to the banks which stood at USD 48 million in addition to USD 9.1 million worth of accumulated interest charges. The full repayment of the remaining bank loan resulted in profits of KD 12.2 million, and thereby Al-Deera Holding became debt free from all banking loans at the end of 2016.

Future plans :

Concerning the future plans, the Company continues to focus on selling further investments, and repay related parties balances and related party indebtedness which were KD 10,398,808 as at 2016 year end.

In conclusion, I extend my thanks and gratitude to the company's honorable shareholders for their continued support and ongoing trust they have bestowed on us. I would like to express our appreciation to the management team and the company's employees for all the effort they have put forth for achieving the Company's goals and wishing them success.

Talal Bader Al-Bahar
Chairman

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Independent auditors' report

To the shareholders of
Al-Deera Holding Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al-Deera Holding Company - KPSC ("Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated 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), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditors’ Report to the Shareholders of Al-Deera Holding Company – KPSC (continued)

Results from discontinued operations

As disclosed in Note 8 to the consolidated financial statements, during the year, the Group sold its 40% ownership interest in Fast Telecommunication Company – WLL (subsidiary) for a total consideration of KD4,400,000 resulting into a loss of KD62,528. This area is relevant to our audit since it impacts the presentation in the consolidated statement of profit or loss, the consolidated statement of cash flows and related notes to the consolidated financial statements including restatements of prior year results and cash flows for comparison purposes.

Results from discontinued operations (continued)

Our audit procedures included, amongst others, an evaluation of the presentation of the financial information of Fast Telecommunication Company – WLL as discontinued operations, the accounting treatment of the disposal in the consolidated statement of profit or loss and assessment of the adequacy of the Group’s disclosures in Note 8 of the disposal transaction.

Impairment of investments in associates

The Group’s investment in associates represents 73% of the total assets. This area is significant to our audit as the size of the carrying values of these investments and recoverability of these invested amounts require significant management judgement. As a result of the impairment testing of the carrying value of the investment in associates, the Group recognised an impairment loss of KD2,456,980 against these investments.

Our audit procedures included the assessment of the Group’s methodology in calculating the associates’ value-in-use. We evaluated the reasonableness of cash flow projections against the associates’ most recent financial performance and considered the appropriateness of key inputs such as long-term growth rates used to extrapolate these cash flows and the discount rates used and compared these to available industry, economic and financial data.

Additionally, we considered whether the Group’s disclosures in Note 12 of the application of judgement in estimating the recoverable amount and that such judgement adequately reflects the risks associated with impairment of investment in associates.

Gain on settlement of term loan

During the year the Group settled the entire outstanding balance of USD48 million of a foreign term loan together with accrued interest of USD9.1 million for a total cash payment of USD16.8 million resulting into a gain of USD40.3 million (equivalent to KD12,169,007). Due to the materiality of the amounts involved in the settlement and the significant related impact on the consolidated financial statements of the Group, this matter was considered as an area of audit focus.

Our audit procedures included reviewing the terms of the settlement agreement and verifying the calculation of the gain recognized in the consolidated statement of profit or loss. We also assessed the adequacy of the Group’s disclosures in Note 17 regarding this transaction.

Other information included in the Group’s 2016 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group’s 2016 Annual Report, other than the consolidated financial statements and our auditors’ report thereon. We obtained the report of the Parent Company’s Board of Directors, prior to the date of our auditors’ report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor’s report.

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

Independent Auditors' Report to the Shareholders of Al-Deera Holding Company – KPSC (continued)

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Independent Auditors' Report to the Shareholders of Al-Deera Holding Company – KPSC (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business or financial position of the Parent Company.

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

Hend Abdullah Al Surayea
(Licence No. 141-A)
Hend Abdullah Al Surayea & Co.
Member of MAZARS

Kuwait
1 April 2017

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2016	(Restated)) Year ended 31 Dec. 2015 *
Continuing operations		KD	KD
Revenue			
Change in fair value of investments at fair value through profit or loss		(476,956)	(5,051)
Profit on sale of available for sale investments		-	1,205,179
Gain on sale of investments at fair value through profit or loss		334	75,263
Share of results of associates	12	333,312	(1,517,984)
Loss on sale of associates	12	(1,737,737)	(427,412)
Loss on sale of subsidiary	8	(62,528)	(525,926)
Reversal of a liability no longer required		-	1,191,404
Gain on settlement of term loan	17	12,169,007	-
Dividend income		6,527	131,894
Interest and other income		150,588	131,917
Gain/(loss) on foreign exchange		66,006	(924,260)
		10,448,553	(664,976)
Expenses and other charges			
Staff costs		(318,973)	(387,550)
General, administrative and other expenses		(459,162)	(434,625)
Finance costs	10	(766,691)	(1,342,842)
Impairment of goodwill of a subsidiary	7.4.2	(1,573,097)	(4,657,908)
Impairment of investment in associates	12	(2,456,980)	(369,594)
Impairment of available for sale investments	13	(3,710,520)	(1,916,182)
Provision for doubtful debts		(672,192)	-
Write off of bad debts		(60,266)	(442,689)
		(10,017,881)	(9,551,390)
Profit/(loss) for the year from continuing operations		430,672	(10,216,366)
Discontinued operations			
Profit for the year from discontinued operations	8	156,320	812,013
Total profit/(loss) for the year before provisions for National Labour Support Tax (NLST) and Zakat		586,992	(9,404,353)
Provision for NLST		(26,604)	-
Provision for Zakat		(10,642)	-
Profit/(loss) for the year		549,746	(9,404,353)
Attributable to:			
Shareholders of the parent company		478,035	(9,932,524)
Non-controlling interests		71,711	528,171
		549,746	(9,404,353)
Basic and diluted earnings/(loss) per share attributable to the shareholders of the parent company	11		
- From continuing operations		2.10 Fils	(51.97) Fils
- From discontinued operations		0.32 Fils	1.65 Fils
Basic and diluted earnings/(loss) per share attributable to the shareholders of the parent company		2.42 Fils	(50.32) Fils

* Amount shown here do not correspond with the previously reported consolidated financial statements for the year ended 31 December 2015 as a result of adjustments made for discontinued operations as detailed in Note 8.

The notes set out on pages 12 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Profit/(loss) for the year	**549,746**	(9,404,353)
Other comprehensive (loss)/income:		
Items that will be reclassified subsequently to consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	**38,815**	(42,685)
Available for sale investments:		
- Net change in fair value arising during the year	**(3,524,870)**	(52,473)
- Transferred to consolidated statement of profit or loss on sale	**-**	633,292
- Transferred to consolidated statement of profit or loss on impairment	**3,710,520**	1,916,182
Share of other comprehensive (loss)/income of associates	**(317,754)**	579,295
Total other comprehensive (loss)/income for the year	**(93,289)**	3,033,611
Total comprehensive income/(loss) for the year	**456,457**	(6,370,742)
Attributable to:		
Shareholders of the parent company	**384,746**	(7,043,941)
Non-controlling interests	**71,711**	673,199
	456,457	(6,370,742)

The notes set out on pages 12 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2016 KD	31 Dec. 2015 KD
Assets			
Non-current assets			
Goodwill	7.4	-	3,975,204
Property, plant and equipment		1,204	3,327,767
Intangible asset		-	6,182,193
Deferred costs		-	1,115,536
Investment in associates	12	19,423,538	25,643,387
Available for sale investments	13	4,454,872	7,828,585
Receivables and other assets – non-current portion	14	693,189	-
		24,572,803	48,072,672
Current assets			
Inventories		-	509,413
Receivables and other assets – current portion	14	1,727,879	4,964,965
Current portion of deferred costs		-	104,714
Investments at fair value through profit or loss		11,990	489,324
Balances with banks and other financial institutions		119,270	330,335
		1,859,139	6,398,751
Total assets		26,431,942	54,471,423
Equity and liabilities			
Equity			
Share capital	15	19,737,880	19,737,880
Other components of equity	16	1,152,809	1,246,098
Accumulated losses		(9,515,955)	(10,002,651)
Total equity attributable to the shareholders of the parent company		11,374,734	10,981,327
Non-controlling interests		388,929	3,407,849
Total equity		11,763,663	14,389,176

The notes set out on pages 12 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)

Liabilities			
Non-current liabilities			
Term loans	17	**-**	1,015,000
Payables and other liabilities – non-current portion	18	**10,398,807**	-
Provision for employees' end of service benefits		**251,690**	1,101,783
		10,650,497	2,116,783
Current liabilities			
Current portion of term loans	17	**-**	15,892,480
Payables and other liabilities – current portion	18	**4,017,782**	18,214,549
Advances from customers		**-**	3,858,435
		4,017,782	37,965,464
Total liabilities		**14,668,279**	40,082,247
Total equity and liabilities		**26,431,942**	54,471,423

Bader Jassim Al-Hajri
Vice chairman

The notes set out on pages 12 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the parent company				Non-controlling interests	Total
	Share capital	Other components of equity (note 16)	Accumulated losses	Sub – total		
	KD	KD	KD	KD	KD	KD
Balance at 1 January 2016	**19,737,880**	**1,246,098**	**(10,002,651)**	**10,981,327**	**3,407,849**	**14,389,176**
Sale of subsidiary (note 7.1)	-	-	-	-	(3,090,631)	(3,090,631)
Total transactions with shareholders	-	-	-	-	(3,090,631)	(3,090,631)
Profit for the year	-	-	478,035	478,035	71,711	549,746
Other comprehensive loss for the year	-	(93,289)	-	(93,289)	-	(93,289)
Total comprehensive (loss)/income for the year	-	(93,289)	478,035	384,746	71,711	456,457
Effect of changes in ownership percentage of an associate's subsidiary	-	-	8,661	8,661	-	8,661
Balance at 31 December 2016	**19,737,880**	**1,152,809**	**(9,515,955)**	**11,374,734**	**388,929**	**11,763,663**

The notes set out on pages 12 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the shareholders of the parent company					Non-controlling interests	Total
	Share capital	Legal reserve	Other components of equity (note 16)	Accumulated losses	Sub – total		
	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2015	74,445,648	994,976	(1,642,485)	(55,667,809)	18,130,330	2,776,477	20,906,807
Write off of accumulated losses	(54,707,768)	(994,976)	-	55,702,744	-	-	-
Acquisition of non-controlling interests	-	-	-	(102,173)	(102,173)	(41,827)	(144,000)
Total transactions with shareholders	(54,707,768)	(994,976)	-	55,600,571	(102,173)	(41,827)	(144,000)
(Loss)/profit for the year	-	-	-	(9,932,524)	(9,932,524)	528,171	(9,404,353)
Other comprehensive income for the year	-	-	2,888,583	-	2,888,583	145,028	3,033,611
Total comprehensive income/(loss) for the year	-	-	2,888,583	(9,932,524)	(7,043,941)	673,199	(6,370,742)
Effect of changes in ownership percentage of an associate's subsidiary	-	-	-	(2,889)	(2,889)	-	(2,889)
Balance at 31 December 2015	19,737,880	-	1,246,098	(10,002,651)	10,981,327	3,407,849	14,389,176

The notes set out on pages 12 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015* KD
OPERATING ACTIVITIES		
Profit/(loss) for the year from continuing operations	**430,672**	(10,216,366)
Adjustments for:		
Foreign exchange (gain)/loss on non-operating assets and liabilities	**(66,006)**	924,260
Depreciation	**224**	202
Interest and other income	**(150,588)**	(131,917)
Liabilities and provisions no longer required written back	**-**	(1,191,404)
Impairment of available for sale investments	**3,710,520**	1,916,182
Impairment of investment in associates	**2,456,980**	369,594
Impairment of goodwill of a subsidiary	**1,573,097**	4,657,908
Provision for doubtful debts	**672,192**	-
Provision for employees' end of service benefits	**47,140**	45,290
Dividend income	**(6,527)**	(131,894)
Profit from sale of available for sale investments	**-**	(1,205,179)
Share of results of associates	**(333,312)**	1,517,984
Loss on sale of associates	**1,737,737**	427,412
Finance costs	**766,691**	1,342,842
Loss on sale of subsidiary	**62,528**	525,926
Loss on sale of property, plant and equipment	**-**	1,743
Gain on settlement of term loan	**(12,169,007)**	-
	(1,267,659)	(1,147,417)
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	**477,334**	1,263,854
Receivables and other assets	**(1,782,251)**	1,003,658
Payables and other liabilities	**1,293,071**	(1,273,704)
Employees' end of service benefits paid	**(20,365)**	(167,033)
Net cash used in continuing operations	**(1,299,870)**	(320,642)
Net cash from/(used in) discontinued operations	**5,495**	(233,685)
Net cash used in operating activities	**(1,294,375)**	(554,327)

The notes set out on pages 12 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015*
INVESTING ACTIVITIES		
Purchase of available for sale investments	-	(180,074)
Proceeds from sale of available for sale investments	-	326,972
Net proceeds from sale of subsidiary	4,214,550	-
Dividend income received	6,527	131,894
Interest income received	99,961	59,207
Additions to property, plant and equipment	(265)	20,120
Additions to investment in associates	-	(107,225)
Proceeds from sale of investment in associates	2,126,600	450,000
Net cash from investing activities	6,447,373	700,894
FINANCING ACTIVITIES		
Settlement of term loan	(5,095,440)	-
Finance costs paid	(268,623)	(207,250)
Net cash used in financing activities	(5,364,063)	(207,250)
Net decrease in cash and cash equivalents	(211,065)	(60,683)
Cash and cash equivalents at beginning of the year	330,335	391,018
Cash and cash equivalents included in disposal group	-	(179,955)
Cash and cash equivalents at end of the year	119,270	150,380
Non-cash transactions		
Sale of available for sale investment	-	8,365,690
Due to related parties	-	(8,365,690)
Proceed from sale of associate	1,320,000	-
Receivable and other assets	(1,320,000)	-

* Amount shown here do not correspond with the previously reported consolidated financial statements for the year ended 31 December 2015 as a result of adjustments made for discontinued operations as detailed in Note 8.

The notes set out on pages 12 to 45 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Incorporation and activities

Al Deera Holding Company (the parent company) was established on 18 February 1998 as a Kuwaiti limited liability company. On 8 September 2005, the legal status of the company was changed from a limited liability company to a Kuwaiti public shareholding company.

The extraordinary general assembly held on 26 June 2016 approved the amendment of the parent company's objectives to become as follows:

Management of the parent company's subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.

- Investing funds by way of trading in shares, bonds and other financial securities
- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.
- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.

The parent company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The parent company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The parent company has the right to establish, participate in or acquire such institutions.

The parent company's shares are listed on Kuwait Stock Exchange. The group comprises the parent company and its subsidiaries. Details of subsidiaries are set out in note 7.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

The address of the parent company's registered offices is PO. Box 4839, Safat 13049 – Kuwait.

The parent company's board of directors approved these consolidated financial statements for issue on 1 April 2017. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2. Basis of preparation

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

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

Notes to the consolidated financial statements (continued)

3. Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

4. Changes in accounting policies

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016 which have been adopted by the group but did not have any significant impact on the financial position or the results for the year. Information on these new standards is presented below:

Standard or Interpretation		Effective for annual periods beginning
IAS 1	Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle		1 January 2016

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- **Materiality:** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- **Statement of financial position and statement of profit or loss and other comprehensive income:** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- **Notes:** The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances.
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

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

Annual Improvements to IFRSs 2012–2014 Cycle

(i) Amendments to IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

(ii) Amendments to IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

(iii) Amendments to IAS 19 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

4.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	Effective for annual periods beginning
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IAS 7 Statement of Cash Flows- Amendments

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

The Amendments:

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

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

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

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (٢٠١١) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

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

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

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

IFRS 9 Financial Instruments

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

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

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

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including:
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2014-2016 Cycle

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

5. Significant accounting policies

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

5.1 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's financial statements. All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

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

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

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

5.2 Business combinations

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

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.2 Business combinations (continued)

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

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

5.3 Goodwill

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

5.4 Investment in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

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

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

The difference in reporting dates of the associates and the group is typically not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5 Segment reporting

The group has two operating segments: the telecommunication and investment segments. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

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

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.6 Revenue

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

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.6.1 Interest and similar income

Interest and similar income and expenses are reported on an accrual basis using the effective interest method.

5.6.2 Dividend income

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

5.7 Operating expenses

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

5.8 Finance costs

Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the interest rate applicable.

5.9 Taxation

5.9.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group attributable to the shareholders of the parent company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.9.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the group attributable to the shareholders of the parent company in accordance with the modified calculation based on the Foundation’s Board of Directors’ resolution, which states that income from associates and subsidiaries, Board of Directors’ remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.9.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the group attributable to the shareholders of the parent company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

For the year ended 31 December 2016, the parent company has no liability towards NLST, KFAS and Zakat due to losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.10 Profit or loss from discontinued operations

A discontinued operation is a component of the group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the profit or loss of discontinued operations resulting from the measurement and disposal of assets classified as held for sale.

5.11 Impairment testing of goodwill and non financial assets

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

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

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

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

5.12 Financial instruments

5.12.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below. A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

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

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

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

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.12 Financial instruments (conrinued)

5.12.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

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

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

- **Loans and receivables**

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

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

The group categorises loans and receivables into following categories:

- Due from related parties

Due from related parties are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- Trade receivables

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

- Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balance with banks and other financial institutions which are subject to an insignificant risk of changes in value.

- **Financial assets at FVTPL**

Classification of investments as financial assets at FVTPL 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 profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category.

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

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.12 Financial instruments (conrinued)

5.12.2 Classification and subsequent measurement of financial assets

- **AFS financial assets**

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

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

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

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

5.12.3 Classification and subsequent measurement of financial liabilities

The group’s financial liabilities include term loans, payables and other liabilities, due to related parties and advances from customers.

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

- **Financial liabilities other than at fair value through profit or loss**

  These are stated using effective interest rate method. Term loans, payables and other liabilities, due to related parties and advances from customers are classified as financial liabilities other than at FVTPL.

- Term loans

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

- Payables and other liabilities

  Payables and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

- Due to related parties

  Due to related parties are financial liabilities arising in the normal courses of the business and are not quoted in an active market.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.13 Amortised cost of financial instruments

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

5.14 Trade and settlement date accounting

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

5.15 Offsetting of financial instruments

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

5.16 Fair value of financial instruments

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

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

5.17 Equity, reserves and dividend payments

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

Other components of equity include the following:

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

Accumulated losses includes all current and prior period accumulated losses. All transactions with owners of the parent are recorded separately within equity.

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

5.18 Provisions, contingent assets and contingent liabilities

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

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

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

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

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.19 Foreign currency translation

5.19.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.19.2 Foreign currency transactions and balances

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

5.19.3 Foreign operations

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

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

5.20 End of service benefits

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

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

5.21 Related party transactions

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

Notes to the consolidated financial statements (continued)

6. Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

6.1.2 Control assessment

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

6.2 Estimates uncertainty

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

6.2.1 Impairment of goodwill

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

6.2.2 Impairment of associates

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

Notes to the consolidated financial statements (continued)

6. Significant management judgements and estimation uncertainty (continued)

6.2.3 Impairment of available for sale equity investments

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

6.2.4 Impairment of receivables

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

6.2.5 Fair value of financial instruments

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

7. Subsidiaries

Details of subsidiary companies are set out below:

7.1 Composition of the group

Subsidiary	Country of incorporation	Percentage of ownership %		Purpose
		31 Dec. 2016 %	31 Dec. 2015 %	
Fast Telecommunication Co. – WLL (7.1.1)	Kuwait	-	40%	Telecommunication
Univest Consultancy Group – WLL (7.1.2)	Kuwait	49%	49%	Financial services
Al-Deera International Communication Company – WLL	Kuwait	98%	98%	General trading & contracting
Al-Deera SG Company – WLL	Kuwait	98%	98%	General trading
Al-Deera REG Company – WLL	Kuwait	98%	98%	General trading
Al-Deera FG Company – WLL	Kuwait	98%	98%	General trading

7.1.1 During the year, the group sold its 40% ownership interest in Fast Telecommunication Company – WLL (subsidiary) for a total consideration of KD4,400,000 resulting into a loss of KD62,528 (Note 8).

Notes to the consolidated financial statements (continued)

7. Subsidiaries (continued)

7.1.2 The group holds 49% ownership interest and voting rights in Univest Consultancy Group – WLL. The remaining 51% ownership interest is held by other shareholders including the Chief Executive Officer of the parent company. When determining control, management considered whether the group has the practical ability to direct the relevant activities of Univest Consultancy Group – WLL on its own to generate returns for itself. Management concluded that it has the power based on its ability to appoint and remove the majority of management of the investee at any time, without restrictions. The group, therefore, has accounted for Univest Consultancy Group – WLL as a subsidiary.

7.3 Interest in unconsolidated structured entities

The group has no interests in unconsolidated structured entities.

7.4 Goodwill

	31 Dec. 2016	31 Dec. 2015
	KD	KD
Fast Telecommunication Company-WLL (7.4.1)	-	2,402,107
Univest Consultancy Group –WLL (7.4.2)	-	1,573,097
	-	3,975,204

7.4.1 Fast Telecommunication Company - WLL

During the year, the group sold its 40% ownership interest in Fast Telecommunication Company – WLL (subsidiary) for a total consideration of KD4,400,000 resulting into a loss of KD62,528. As a result, the group derecognised related goodwill (Note 8).

7.4.2 Univest Consultancy Group WLL.

As a result of the impairment testing of the carrying value of goodwill of its subsidiary, Univest Consultancy Group – WLL, the group recognised an impairment loss of KD 1,573,097 against the carrying amount of the goodwill.

Notes to the consolidated financial statements (continued)

8. Sale of subsidiary

During the year, the group sold its 40% ownership interest in Fast Telecommunication Company – WLL (subsidiary) for a total consideration of KD4,400,000 resulting into a loss of KD62,528. At the date of disposal, the carrying amounts of Fast Telecommunication – WLL's net assets disposed of and its operating results up to the date of disposal were as follows:

	31 March 2016 KD
Assets	
Non-current assets	
Equipment	3,106,760
Licence cost	6,182,193
Deferred costs	1,096,085
	10,385,038
Current assets	
Inventories	491,062
Receivables and other assets	3,576,864
Current portion of deferred costs	104,712
Due from related parties	774
Cash and cash equivalents	185,450
	4,358,862
Total assets	14,743,900
Liabilities	
Non-current liabilities	
Provision for employees' end of service benefits	855,684
Term loans	900,000
	1,755,684
Current liabilities	
Current portion of term loans	1,029,050
Payables and other liabilities	2,763,438
Advances from customers	4,044,677
	7,837,165
Total liabilities	9,592,849
Net assets as at date of disposal	5,151,051
Share of net assets disposed	2,060,420
Carrying value of goodwill	2,402,108
Total carrying value disposed	4,462,528
Sale proceeds	4,400,000
Loss on sale	(62,528)

Notes to the consolidated financial statements (continued)

8. Sale of subsidiary (continued)

	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015
Revenue	KD	KD
Revenue	2,883,698	12,334,709
Direct costs	(2,022,210)	(8,845,954)
Gross profit	861,488	3,488,755
Other income	4,529	307,479
Foreign exchange gain/(loss)	2,242	(49,409)
	868,259	3,746,825
Expenses and other charges		
Staff costs	(321,360)	(1,547,149)
General and administrative expenses	(300,529)	(627,371)
Selling and marketing expenses	(25,930)	(132,828)
Finance costs	(64,120)	(249,489)
Provision for doubtful debts	-	(278,924)
Amortization of intangible assets	-	(98,000)
Loss on disposal of property, plant and equipment	-	(1,051)
	(711,939)	(2,934,812)
Profit for the year from discontinued operations	156,320	812,013

Cash flows generated from discontinued operations for the reporting periods under review are as follows:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Operating activities	597,137	1,054,907
Investing activities	(49,635)	(753,383)
Financing activities	(542,007)	(535,209)
	5,495	(233,685)

Notes to the consolidated financial statements (continued)

9. Net gain or (loss) on financial assets

Net gain or (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Other income	150,584	434,591
Cash and cash equivalents	4	4,805
Investments at fair value through profit or loss		
* Designated	(476,612)	71,424
Available for sale investments	(3,704,003)	(580,321)
Net realised and unrealised loss	(4,030,027)	(69,501)
Net unrealised loss recognised in equity	(3,115,216)	(2,312,662)
	(7,145,243)	(2,382,163)

10. Finance costs

Finance costs relate to the group's borrowings activities: term loans, due to associates and due to related parties. All these financial liabilities are stated at amortised cost.

11. Basic and diluted earnings/(loss) per share attributable to the shareholders of the parent company

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to the shareholders of the parent company by weighted average number of shares outstanding during the year.

The parent company had no outstanding dilutive potential shares.

	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015
Profit/(loss) for the year attributable to the shareholders of the parent company from continuing operations (KD)	415,507	(10,257,329)
Profit for the year attributable to the shareholders of the parent company from discontinued operations (KD)	62,528	324,805
	478,035	(9,932,524)
Weighted average number of shares outstanding during the year	197,378,800	197,378,800
Basic and diluted earnings/(loss) per share attributable to the shareholders of the parent company		
- From continuing operations	2.10	(51.97)
- From discontinued operations	0.32	1.65
Total-Fils	2.42	(50.32)

Notes to the consolidated financial statements (continued)

12. Investment in associates

12.1 Details of the group's investment in associates are given below:

	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 20 16	31 Dec. 2015	
		%	%	
Al Bab Holding Company – WLL	Kuwait	**20%**	20%	Investment
Arzan Financial Group for Financing and Investment – KPSC (12.1.2)	Kuwait	**18.20%**	18.20%	Financing and investment
Aiwa Gulf Company – WLL (12.1.1)	Kuwait	**-**	32.27%	Communications
Sadara Industrial Development Co. – WLL (12.1.1)	Saudi Arabia	**-**	25%	Food Industry
Diwan Capital Limited – UAE (12.1.2)	UAE	**24%**	24%	Investment
Abwab Capital Limited (12.1.2)	UAE	**25.5%**	25.5%	Investment

The group exercises significant influence on Arzan Financial Group for Financing and Investment by way of representation on the board of directors of the investee.

All the above associates, except Arzan Financial Group for Financing and Investment – KPSC, are unquoted.

The movement of investment in associates during the year is as follows:

	31 Dec. 20 16	31 Dec. 2015
	KD	KD
Balance at beginning of the year	**25,643,387**	27,724,746
Disposal of associates	**(3,853,957)**	(877,412)
Share of results	**333,312**	(1,517,984)
Share of other comprehensive (loss)/income of associates	**(317,754)**	579,295
Impairment of investment in associates	**(2,456,980)**	(369,594)
Reclassification from investment in subsidiary	**-**	107,225
Reclassification from receivables and other assets	**66,869**	-
Effect of changes in ownership percentage of associate's subsidiary	**8,661**	(2,889)
	19,423,538	25,643,387

Notes to the consolidated financial statements (continued)

12. Investment in associates (continued)

12.1.1 During the year, the group sold its associates, Sadara Industrial Development Company – WLL, for a total consideration of KD806,600 resulting into a gain of KD150,798 and Aiwa Gulf WLL for a total consideration of KD1,320,000 resulting into a loss of KD1,888,535.

12.1.2 As a result of the impairment testing of the carrying value of the investment in associates, the group recognised an impairment loss of KD 2,456,980 against its investments in Arzan Financial Group for Financing and Investment – KPSC of KD 2,290,341, Diwan Capital Limited – UAE of KD 107,113 and Abwab Capital Limited of KD 59,526.

12.1.3 Investment in associates of KD1,622,678 (2015: KD5,389,016) is pledged against due to related parties (note 18).

12.2 Summarised financial information of group's material associate is set out below:

a) Arzan Financial Group for Financing and Investment – KPSC:

	31 Dec. 2016	31 Dec. 2015
	KD	KD
Non-current assets	**156,767,365**	159,651,779
Current assets	**35,249,946**	28,156,548
Total assets	**192,017,311**	187,808,327
Non-controlling interests	**42,765,696**	44,735,533
Non-current liabilities	**22,692,737**	20,374,149
Current liabilities	**17,366,649**	13,796,162
Total liabilities	**82,825,082**	78,905,844
Net assets	**109,192,229**	108,902,483

	31 Dec. 2016	31 Dec. 2015
	KD	KD
Revenue	**8,020,910**	8,254,141
Expenses and other charges	**(4,404,919)**	(13,896,751)
Profit/(loss) for the year	**3,615,991**	(5,642,610)
Other comprehensive (loss)/income for the year	**(5,296,082)**	2,638,305
Total comprehensive loss for the year	**(1,680,091)**	(3,004,305)
Group's share of results	**361,820**	(1,273,548)

Notes to the consolidated financial statements (continued)

12. Investment in associates (continued)

12.2 (continued)

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

	31 Dec. 2016	31 Dec. 2015
	KD	KD
Group's ownership interest	18.20%	18.20%
Net assets of the associate	109,192,229	108,902,483
Group's share of net assets	19,870,577	19,817,849
Goodwill	-	2,290,341
Other adjustments	(463,652)	(463,652)
Carrying amount	19,406,925	21,644,538
Fair value of the associate	4,529,314	5,479,009

The group accounted for its share of results in the above associate using 30 September 2016 reviewed financial information.

12.3 Set out below is the aggregate information for the individually immaterial associates, as at 31 December 2016 and 31 December 2015.

	31 Dec. 2016	31 Dec. 2015
	KD	KD
Group's share of results	(28,508)	(70,446)
Group's share of total comprehensive loss	(28,508)	(70,446)
Aggregate carrying amount of group's interest in these associates	16,613	806,175

Notes to the consolidated financial statements (continued)

13. Available for sale investments

	31 Dec. 2016 KD	31 Dec. 2015 KD
Investment portfolios	305,290	302,690
Quoted investments	1,636,651	1,529,579
Equity participations	2,512,931	5,996,316
	4,454,872	7,828,585

- Equity participations are investments with the objective of future medium and long-term capital growth. These investments include investments with a carrying value of KD43,299 (2015: KD318,199) which are stated at cost due to unavailability of reliable fair market value.
- Available for sale investments having a carrying value of KD 302,337 (2015: KD1,684,114) are pledged as security against due to related parties (note 18).
- During the year, the group recognised an impairment loss of KD3,710,520 (2015: KD1,916,182) against certain available for sale investments as the market value of these investments declined significantly below their costs. Management is not aware of any factors which may indicate any further impairment against available for sale investments.

14. Receivables and other assets

	31 Dec. 2016 KD	31 Dec. 2015 KD
Financial assets		
Trade receivables	-	4,587,955
Due from associates	3,913,257	3,989,498
Due from other related parties	2,447,983	472,688
	6,361,240	9,050,141
Provision for doubtful debts	(5,227,946)	(6,244,111)
	1,133,294	2,806,030
Staff receivables	8,728	80,733
Advances to suppliers	-	206,285
Refundable deposit	-	64,891
Other assets	1,279,046	1,116,824
	2,421,068	4,274,763
Non-financial assets		
Prepaid expenses	-	690,202
	2,421,068	4,964,965
Current portion	1,727,879	4,964,965
Non-current portion	693,189	-
	2,421,068	4,964,965

The carrying values of the financial assets included above approximate their fair values and all of them are due within one year.

Notes to the consolidated financial statements (continued)

15. Share capital

	Authorised, issued and fully paid	
	31 Dec. 2016	31 Dec. 2015
	KD	KD
197,378,800 authorised, issued and fully paid shares of KD0.100 each.	19,737,880	19,737,880

16. Other components of equity

	Fair value reserve	Foreign currency translation reserve	Total
	KD	KD	KD
Balance at 1 January 2016	**1,237,383**	**8,715**	**1,246,098**
Exchange differences arising on translation of foreign operations	**-**	**38,815**	**38,815**
Share of other comprehensive loss of associates	**(240,226)**	**(77,528)**	**(317,754)**
AFS financial assets:			
- Net change in fair value arising during the year	**(3,524,870)**	**-**	**(3,524,870)**
- Transferred to consolidated statement of profit or loss on impairment	**3,710,520**	**-**	**3,710,520**
Total other comprehensive loss for the year	**(54,576)**	**(38,713)**	**(93,289)**
Balance at 31 December 2016	**1,182,807**	**(29,998)**	**1,152,809**
Balance at 1 January 2015	(1,708,571)	66,086	(1,642,485)
Exchange differences arising on translation of foreign operations	-	(23,677)	(23,677)
Share of other comprehensive income/(loss) of associates	612,989	(33,694)	579,295
AFS financial assets:			
- Net change in fair value arising during the year	(216,509)	-	(216,509)
- Transferred to consolidated statement of profit or loss on sale	633,292	-	633,292
- Transferred to consolidated statement of profit or loss on impairment	1,916,182	-	1,916,182
Total other comprehensive loss for the year	2,945,954	(57,371)	2,888,583
Balance at 31 December 2015	1,237,383	8,715	1,246,098

Notes to the consolidated financial statements (continued)

17. Term loans

Currency	31 Dec. 2016 KD	31 Dec. 2015 KD
Kuwaiti Dinars (see 17.1 below)	-	2,315,480
US Dollars (see 17.2 below)	-	14,592,000
	-	16,907,480
Less: Instalments due within next twelve months	-	(15,892,480)
	-	1,015,000

17.1 These loans related to Fast Telecommunication Company – WLL, the subsidiary which has been disposed of during the year (note 8).

17.2 During the year, the parent company settled the entire outstanding balance of USD 48 million together with accrued interest of USD 9.1 million for a total cash payment of USD 16.8 million resulting into a gain of USD 40.3 million (equivalent to KD12,169,007).

18. Payables and other liabilities

	31 Dec. 2016 KD	31 Dec. 2015 KD
Financial liabilities		
Trade payables	-	1,216,855
Due to associates and related parties	11,725,218	10,471,810
Accrued expenses	-	867,963
Accrued interest	-	2,503,783
Dividend payable	62,810	62,810
National Labour Support Tax payable	1,476,288	1,411,573
KFAS payable	206,133	206,133
Zakat payable	39,579	104,294
Other payables	906,561	1,369,328
	14,416,589	18,214,549
Current portion	4,017,782	18,214,549
Non-current portion	10,398,807	-
	14,416,589	18,214,549

Notes to the consolidated financial statements (continued)

18. Payables and other liabilities (continued)

Due to other related parties include balances amounting to KD1,478,371 (2015: KD1,347,316) which bear interest rate of 5% (2015: 5%) per annum and are secured against investment in associates (note 12) and available for sale investments (note 13).

Due to other related parties include balances amounting to KD747,274 (2015: KD747,274) which bear interest rate of 4.5% to 4.75% (2015: 4.5% to 4.75%) and are secured against 5% of the share capital of Al-Deera International Communication Company (note 7.2).

Due to other related parties include a balance of KD5,633,702 (2015: KD 5,633,702) which bears interest rate of 7% (2015: 7%) and is secured against investment in associates (note 12), available for sale investments (note 13), 43% of share capital of Al-Deera International Communication Company (note 7.2) and investments at fair value through profit or loss.

19. Annual general assembly

The Annual General Assembly of the parent company for the year ended 31 December 2015 held on 19 May 2016 approved the consolidated financial statements for the year ended 31 December 2015 without dividends.

In their meeting held on 1 April 2017, the board of directors proposed not to distribute any dividend for the year ended 31 December 2016. This proposal is subject to the approval of annual general assembly of the shareholders.

20. Related party balances and transactions

Related parties represent, associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Notes to the consolidated financial statements (continued)

20. Related party balances and transactions (continued)

Details of significant related party balances and transactions are as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Consolidated statement of financial position:		
Due from related parties (included in receivables and other assets)	385,567	122,688
Due from associates (included in receivables and other assets)	7,307	83,548
Due to related parties (included in payables and other liabilities)	11,725,218	10,244,700
Due to associates (included in payables and other liabilities)	-	277,110
Sale of available for sale investments	-	8,473,325
Sale of investments at fair value through profit or loss	-	1,257,739

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Transactions included in consolidated statement of profit or loss:		
Profit on sale of available for sale investments	-	1,205,179
Finance costs (associates)	-	27,000
Finance costs (other related parties)	498,068	150,961
Management and advisory fees	165,667	164,000
Profit on sale of investments at fair value through profit or loss	-	75,263
Provision for doubtful debts	448,885	-
Compensation of key management personnel:		
Short-term benefits	70,000	504,115
End of service benefits	34,313	15,756
	104,313	519,871

Notes to the consolidated financial statements (continued)

21. Segmental information

The group's reportable segments under IFRS 8 are as follows:

- Telecommunication
- Investments

The revenues and profits/(losses) generated by the group from segments are summarised as follows:

	Telecommunication		Investments		Total	
	Year ended 31 Dec. 2016	(Restated) Year ended 31 Dec. 2015	**Year ended 31 Dec. 2016**	(Restated) Year ended 31 Dec. 2015	**Year ended 31 Dec. 2016**	(Restated) Year ended 31 Dec. 2015
	KD	KD	**KD**	KD	**KD**	KD
Segment revenue						
From continuing operations	**-**	-	**10,448,553**	(664,976)	**10,448,553**	(664,976)
From discontinued operations	**2,883,698**	12,334,709	**-**	-	**2,883,698**	12,334,709
	2,883,698	12,334,709	**10,448,553**	(664,976)	**13,332,251**	11,669,733
Segment profit/(loss):						
From continuing operations	**-**	-	**430,672**	(10,216,366)	**430,672**	(10,216,366)
From discontinued operations	**156,320**	812,013	**-**	-	**156,320**	812,013
Profit/(loss) for the period	**156,320**	812,013	**430,672**	(10,216,366)	**586,992**	(9,404,353)
Total segment assets	**-**	15,048,950	**26,431,942**	39,422,473	**26,431,942**	54,471,423
Total segment liabilities	**-**	10,054,219	**14,668,279**	30,028,028	**14,668,279**	40,082,247

22. Risk management objectives and policies

The group's principal financial liabilities comprise term loans and payables and other liabilities. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as receivables and other assets, cash and bank balances and investment securities.

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

The parent company's board of directors is ultimately responsible to set out policies and strategies for management of risks.

The group does not use derivative financial instruments.

Notes to the consolidated financial statements (continued)

22. Risk management objectives and policies (continued)

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

22.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group mainly operates in Kuwait, the Middle Eastern countries and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar and Euro. The group's financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

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

	Financial assets		Financial liabilities	
	31 Dec. 2016	31 Dec. 2015	**31 Dec. 2016**	31 Dec. 2015
	KD	KD	**KD**	KD
US Dollar	**1,619,274**	3,463,878	**-**	17,105,714
Euro	**-**	436,053	**-**	-

The foreign currency sensitivity is determined on the following assumptions:

	Exchange rate sensitivity %	
	31 Dec. 2016	31 Dec. 2015
US Dollar	**0.73%**	2%
Euro	**2.73%**	2%

The above percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the results for the year and equity:

	Results for the year		Equity	
	31 Dec. 2016	31 Dec. 2015	**31 Dec. 2016**	31 Dec. 2015
	KD	KD	**KD**	KD
US Dollar	**±11,820**	±334,100	**-**	±61,263
Euro	**-**	±8,721	**-**	-

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

Notes to the consolidated financial statements (continued)

22. Risk management objectives and policies (continued)

22.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to term loans and balances due to related parties. The risk is managed by the group by monitoring regularly to ensure positions are maintained within established limits.

The group does not have any off balance sheet financial instruments which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the results for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +1% and -1% (2015: +1% and -1% basis points) for LIBOR and +1% and -1% (2015: +1% and -1%) for Kuwaiti Dinar interest rates. The calculation is based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on group's equity. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

	Increase in interest rate		Decrease in interest rate	
	31 Dec. 2016 KD	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Results for the year	**(7,666)**	(248,631)	**7,666**	248,631

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss or available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The equity price risk sensitivity is determined on the following assumptions:

	31 Dec. 2016	31 Dec. 2015
Kuwait market	**2.37%**	1%
London market	**14.43%**	4%
USA market	**9.54%**	10%
Dubai market	**0.07%**	3%

The above percentages have been determined based on basis of average market movements during the year. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

Notes to the consolidated financial statements (continued)

22. Risk management objectives and policies (continued)

22.1 Market risk (continued)

c) Price risk (continued)

The analysis reflects the impact of negative changes to equity prices in accordance with the above mentioned equity price sensitivity assumptions.

	Result for the year		Equity	
	31 Dec. 2016	31 Dec. 2015	**31 Dec. 2016**	31 Dec. 2015
	KD	KD	**KD**	KD
Investments at fair value through profit or loss	**284**	20,452	**284**	20,452
Available for sale investments	**-**	-	**45,755**	354,074

If equity price risk sensitivity had been equal and opposite to the above percentages, the effect on the results for the year and equity would have been as follows:

	Result for the year		Equity	
	31 Dec. 2016	31 Dec. 2015	**31 Dec. 2016**	31 Dec. 2015
	KD	KD	**KD**	KD
Investments at fair value through profit or loss	**(284)**	(20,452)	**(284)**	(20,452)
Available for sale investments	**-**	-	**(45,755)**	(354,074)

22.2 Credit risk

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

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

	31 Dec. 2016	31 Dec. 2015
	KD	KD
Receivables and other assets (note 14)	**2,421,068**	4,274,763
Balances with banks and other financial institutions	**119,270**	330,335
	2,540,338	4,605,098

The group continuously monitors defaults of customers and other counterparties, identified either individually or as a group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality other than those disclosed in note 18.

The credit risk for bank balances is considered negligible, since the counterparties are financial institutions with high credit quality.

Notes to the consolidated financial statements (continued)

22. Risk management objectives and policies (continued)

22.3 Liquidity risk

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

The table below summarises the maturity profile of the group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

	Upto 3 months	3-12 months	Over 1 year	Total
	KD	KD	KD	KD
31 December 2016				
Liabilities				
Payables and other liabilities	**906,561**	**3,111,221**	**10,398,807**	**14,416,589**
	906,561	**3,111,221**	**10,398,807**	**14,416,589**
31 December 2015				
Liabilities				
Term loans	14,954,620	937,860	1,015,000	16,907,480
Payables and other liabilities	2,243,641	15,970,908	-	18,214,549
	17,198,261	16,908,768	1,015,000	35,122,029

The contractual maturity profiles of financial liabilities based on undiscounted cash flows are as follows:

	Upto 3 months	3-12 months	Over 1 year	Total
	KD	KD	KD	KD
31 December 2016				
Financial liabilities				
Payables and other liabilities	**906,561**	**3,111,221**	**11,395,941**	**15,413,723**
	906,561	**3,111,221**	**11,395,941**	**15,413,723**
31 December 2015				
Financial liabilities				
Term loans	14,976,695	1,004,086	1,054,050	17,034,831
Payables and other liabilities	2,370,907	16,352,707	-	18,723,614
	17,347,602	17,356,793	1,054,050	35,758,445

Notes to the consolidated financial statements (continued)

23. Fair value measurement

23.1 Fair value hierarchy

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

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

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

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

	31 Dec. 2016 KD	31 Dec. 2015 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Receivables and other assets (note 14)	2,421,068	4,274,763
- Balances with banks and other financial institutions	119,270	330,335
Investments at fair value through profit or loss:		
Investments at fair value through profit or loss	11,990	489,324
Available for sale investments:		
Available for sale investments – at fair value	4,411,573	7,510,386
Available for sale investments – at cost	43,299	318,199
	7,007,200	12,923,007
Financial liabilities:		
Term loans	-	16,907,480
Payables and other liabilities	14,416,589	18,214,549
	14,416,589	35,122,029

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

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

Notes to the consolidated financial statements (continued)

23. Fair value measurement (continued)

23.1 Fair value hierarchy (continued)

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

	Note	Level 1	Level 2	Level 3	Total
31 December 2016		**KD**	**KD**	**KD**	**KD**
Investments at fair value through profit or loss					
Designated on initial recognition					
Unquoted investments	b	-	-	-	-
Investment portfolios	c	11,990	-	-	11,990
Available for sale investments					
Investment portfolios	c	305,290	-	-	305,290
Quoted investments	a	1,636,651	-	-	1,636,651
Equity participations	d	-	1,181,559	1,288,073	2,469,632
Net fair value		1,953,931	1,181,559	1,288,073	4,423,563
31 December 2015					
Investments at fair value through profit or loss					
Designated on initial recognition					
Unquoted investments	b	-	-	476,082	476,082
Investment portfolios	c	13,242	-	-	13,242
Available for sale investments					
Investment portfolios	c	302,690	-	-	302,690
Quoted investments	a	1,529,579	-	-	1,529,579
Equity participations	d	-	1,812,083	3,866,034	5,678,117
Net fair value		1,845,511	1,812,083	4,342,116	7,999,710

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

Notes to the consolidated financial statements (continued)

23. Fair value measurement (continued)

23.2 Fair value measurement of financial instruments

Measurement at fair value

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

a) Quoted securities

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

b) Unquoted securities

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

c) Investment portfolios

The underlying investments of investment portfolios primarily comprise of local and foreign securities whose fair value has been determined by reference to their quoted bid prices at the reporting date.

d) Equity participations

Equity participations are investments with the objective of future medium and long-term capital growth.

e) Financial liabilities

The group does not have any financial liabilities at fair value.

Level 3 fair value measurements

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

	31 Dec. 2016		31 Dec. 2015	
	Investments at fair value	Available for sale investments	Investments at fair value	Available for sale investments
	KD	KD	KD	KD
Opening balance	476,082	3,866,034	480,214	7,423,662
Gains or losses recognised in:				
- Statement of profit or loss	(476,082)	(2,577,961)	-	-
- Other comprehensive income/(loss)	-	-	-	584,462
- Sales	-	-	(4,132)	(4,484,090)
Additions during the year	-	-	-	342,000
Closing balance	-	1,288,073	476,082	3,866,034

Notes to the consolidated financial statements (continued)

23. Fair value measurement (continued)

23.2 Fair value measurement of financial instruments (continued)

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Available for sale investments and investments at fair value through profit or loss:

The fair value of financial instruments that are not traded in an active market (e.g local unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Gains or losses recognized in the consolidated statement of profit or loss for the year are included in profit/(loss) on sale of investments at fair value through profit or loss, change in fair value of investments at fair value through profit or profit on sale of available for sale investments.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss and other, total assets, total liabilities or total equity.

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

Notes to the consolidated financial statements (continued)

24. Capital management objectives

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

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

Consistent with others in the industry, the group monitors capital on the basis of the net debt to equity ratio.

The net debt consists of the following:

	31 Dec. 2016	31 Dec. 2015
	KD	KD
Term loans	**-**	16,907,480
Due to associates and other related parties (note 18)	**11,725,218**	10,471,810
Less: Cash and cash equivalents	**(119,270)**	(330,335)
Net debt	**11,605,948**	27,048,955
Equity	**11,763,663**	14,389,176

This ratio is calculated as net debt divided by equity as follows:

	31 Dec. 2016	31 Dec. 2015
	KD	KD
Net debt	11,605,948	27,048,955
Equity	11,763,663	14,389,176
Net debt to equity ratio	99%	188%

25. Contingent liabilities

At 31 December 2016, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD2,342,000 (2015: KD2,342,000).