



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

ANNUAL REPORT 2017



الديرة

الديرة

شركة الديرة القابضة
Al-Deera Holding Co., K.P.S.C.

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الديرة

كويت







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



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



History of Architecture in Kuwait

The Kuwaitis lived in ancient houses characterized by simplicity and did not know luxury or modern buildings only after the discovery of oil in Kuwait and the beginning of the urban renaissance in the fifties and their homes were close to old and abandoned by small roads and often these roads are closed at the end of the width of between 2 to 6 meters but enough to move And the passage of animals and the proximity of their homes to many benefits to the residents of the benefits of health, such as protection from the sun and the burning hot weather conditions such as sand storms in addition to the benefits of security as a sense of security and safety of the proximity of homes from each other, Defend them in the event of aggression from abroad.

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Members of the Board

Talal Bader Al-Bahar
Chairman

Bader Jassim Al-Hajiri
Vice Chairman

Saleh Mohamad Al-Tunaib
Member of the board

Rami Khalid Abdullah
Member of the board

Rami A. Habli
Member of the board

Chairman's message

Honorable Shareholders,

Greeting,,,

On behalf of my colleagues the members of the Board of Directors of Al-Deera Holding Company and myself, I would like to present to you the annual report about the Company's activities for the fiscal year ended on 31/12/2017.

Overview:

During year 2017, Bursa Kuwait witnessed abatement of buying because many investors refrained from investing in it due to lack of confidence. This was evident through the volatility Bursa Kuwait has experienced. Although Bursa Kuwait had a robust start at the beginning of the year, particularly in the month of January, yet the month of March of same year witnessed more anticipation and relative refrainment from trading, and the levels of liquidity and trading also faced decline. Bursa Kuwait continued its retreat during the second quarter of the year as it entered into developments based on the level of trading mechanisms, and the cycle of settlement and clearance in the after trading system, the matter which enhanced the state of anticipation among the traders.

Due to Bursa Kuwait approaching to be promoted to the level of emerging markets according to FTSE index, therefore it

witnessed a buying awakening during the third quarter, and its indices recorded a series of gains which were not seen before. Nonetheless, the Exchange soon suffered large losses, particularly in the month of November as a result of intensive selling transactions due to fear and caution from the happening of geopolitical incidents in the region, which indicates the decline of Bursa Kuwait attractiveness as a result of the weakness of local economy which is suffering from many problems led to its retreat significantly.

We are hopeful that the performance of the Bursa Kuwait will improve during year 2018, particularly after the Capital Market Authority endorsement of the Exchange new Sectors.

Financial Performance:

The Company recorded losses during year 2017 amounted to 1.459 Million Kuwait Dinars (equivalent to a loss of 7.39 fils per share), as compared to profit amounted to 478 Thousand Kuwait Dinars (equivalent to profit 2.42 fils per share) during the previous year. The losses of the year are attributed to financing costs, general and administrative expenses and staff costs, which amounted to 992 Thousand Kuwait Dinars, and also the impairment of investments available for sale amounting to 488 Thousand Kuwait Dinars, in addition to the decline in the Company's revenues due to having minimal exiting from investments during the current fiscal year.

The Board of Directors has recommended not to distribute dividends for the fiscal year ended 31st December 2017, and this recommendation will be subject to the approval of the General Assembly and the competent authorities.

Overall Performance of Subsidiaries and Associates:

One of our associate companies (Arzan Financial Group for Finance & Investment) was able to develop and improve the company's infrastructure in terms of systems and processes by applying the latest technology in order to meet the needs of the Group's clients and enhance its competitiveness. In spite of the continuing challenges facing the company, it has achieved positive results during the year as it managed to realize operating revenues of 8,057,016 Kuwait Dinars. The Company also realized a net profit of 1,741,781 Kuwait Dinars for the fiscal year ended on 31st December 2017.

Future Plans:

As regards the future plans, the Company will continue to focus on exiting from some of its investments, pay off the remaining loans (which are with related parties and amounting to 12,681,289 Kuwait Dinars) as well as dues to other parties.

In conclusion, I would like to extend my thanks and admiration to all honorable shareholders of the Company for the continued and permanent support and trust they vested in us, and on behalf of all of you, we express our appreciation for the efforts exerted by the Company's management team and staff in performing their work towards achieving the Company's objectives.



Talal Bader Al-Bahar
Chairman

Independent auditor's 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 (“the Parent Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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 matter described below as the key audit matter.

Investment in associates

The investment in associates which represents 75% of the Group's total assets are accounted for under the equity method of accounting and considered for any impairment in case of any indication thereto. The investment in associates is significant to our audit due to the Group's share of net assets in the associates and the carrying value of these associates. In addition, the management has to assess the impairment in investment in associates using judgments and estimates. Accordingly, we considered this as a key audit matter.

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

Investment in associates (continued)

In our audit procedures, we evaluated management's considerations of the impairment indicators of investment in associates and using such considerations, we assessed whether any significant or prolonged decline in value exists, or any significant adverse changes in the market or legal environment in which the investee operates. We also considered the structural changes in the industry in which the investee operates or changes in the political or legal environment affecting the investee's business in addition to any changes in the investee's financial position.

The Group's disclosures relating to associates are included in note 13 to the consolidated financial statements.

Other information included in the Group's Annual Report for the year ended 31 December 2017

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 31 December 2017, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the 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.

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, 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.

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

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

Auditors & Consultants

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

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

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

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

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

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

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

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

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 2017 that might have had a material effect on the business or financial position of the Parent Company.



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

Kuwait
29 March 2018

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Continuing operations			
Revenue			
Change in fair value of investments at fair value through profit or loss		(7,604)	(476,956)
(Loss)/gain on sale of investments at fair value through profit or loss		(418)	334
Loss on sale of available for sale investments		(51,142)	-
Share of results of associates	13	62,224	333,312
Loss on dilution in ownership/sale of associates	13	(5,790)	(1,737,737)
Loss on sale of subsidiary	8	-	(62,528)
Gain on settlement of term loan	10	-	12,169,007
Dividend income		223	6,527
Interest and other income		426	150,588
Gain on foreign exchange		-	66,006
		(2,081)	10,448,553
Expenses and other charges			
Staff costs		(218,106)	(318,973)
General, administrative and other expenses		(266,188)	(459,162)
Finance costs	11	(507,992)	(766,691)
Impairment of goodwill of a subsidiary	7.3	-	(1,573,097)
Impairment of investment in associates	13	-	(2,456,980)
Impairment of available for sale investments	14	(488,805)	(3,710,520)
Provision for doubtful debts		-	(672,192)
Write off of bad debts		-	(60,266)
		(1,481,091)	(10,017,881)
(Loss)/profit for the year from continuing operations		(1,483,172)	430,672
Discontinued operations			
Profit for the year from discontinued operations	8	-	156,320
Total (loss)/profit for the year before provisions for National Labour Support Tax (NLST) and Zakat		(1,483,172)	586,992
Zakat			
Provision for NLST		-	(26,604)
Provision for Zakat		-	(10,642)
(Loss)/profit for the year		(1,483,172)	549,746
Attributable to:			
Shareholders of the parent company		(1,459,128)	478,035
Non-controlling interests		(24,044)	71,711
		(1,483,172)	549,746
Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company	12	(7.39) Fils	2.10 Fils
- From continuing operations		-	0.32 Fils
- From discontinued operations		-	-
Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company		(7.39)Fils	2.42 Fils

The notes set out on pages 12 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2017	Year ended 31 Dec 2016
	KD	KD
(Loss)/profit for the year	(1,483,172)	549,746
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	-	38,815
Available for sale investments:		
-Net change in fair value arising during the year	(376,476)	(3,524,870)
-Transferred to consolidated statement of profit or loss on sale	(91,185)	-
-Transferred to consolidated statement of profit or loss on impairment	488,805	3,710,520
Share of other comprehensive income/(loss) of associates	763,641	(317,754)
Total other comprehensive income/(loss) for the year	784,785	(93,289)
Total comprehensive (loss)/income for the year	(698,387)	456,457
Attributable to:		
Shareholders of the parent company	(674,343)	384,746
Non-controlling interests	(24,044)	71,711
	(698,387)	456,457

The notes set out on pages 12 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2017 KD	31 Dec. 2016 KD
Assets			
Non-current assets			
Property, plant and equipment		12	1,204
Investment in associates	13	20,242,172	19,423,538
Available for sale investments	14	3,694,304	4,454,872
Receivables and other assets – non-current portion	15	420,938	693,189
		24,357,426	24,572,803
Current assets			
Receivables and other assets – current portion	15	2,492,921	1,727,879
Investments at fair value through profit or loss		12,693	11,990
Balances with banks and other financial institutions		85,860	119,270
		2,591,474	1,859,139
Total assets		26,948,900	26,431,942
Equity and liabilities			
Equity			
Share capital	16	19,737,880	19,737,880
Other components of equity	17	1,937,594	1,152,809
Accumulated losses		(10,975,083)	(9,515,955)
Total equity attributable to the shareholders of the parent company		10,700,391	11,374,734
Non-controlling interests		364,885	388,929
Total equity		11,065,276	11,763,663
Liabilities			
Non-current liabilities			
Payables and other liabilities – non-current portion	18	11,139,915	10,398,807
Provision for employees' end of service benefits		274,593	251,690
		11,414,508	10,650,497
Current liabilities			
Payables and other liabilities – current portion	18	4,469,116	4,017,782
Total liabilities		15,883,624	14,668,279
Total equity and liabilities		26,948,900	26,431,942



Talal Bader Al-Bahar
Chairman

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the parent company				Non- controlling	interests	Total
	Share capital	Other components	Accumulated losses	Sub – total			
		of equity (note 17)					
	KD	KD	KD	KD	KD	KD	
Balance at 1 January 2017	19,737,880	1,152,809	(9,515,955)	11,374,734		388,929	11,763,663
Loss for the year	-	-	(1,459,128)	(1,459,128)		(24,044)	(1,483,172)
Other comprehensive income for the year	-	784,785	-	784,785		-	784,785
Total comprehensive income/(loss) for the year	-	784,785	(1,459,128)	(674,343)		(24,044)	(698,387)
Balance at 31 December 2017	19,737,880	1,937,594	(10,975,083)	10,700,391		364,885	11,065,276

The notes set out on pages 12 to 44 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	Total
	Share capital	Other components	Accumulated losses	Sub – total	interests	
		of equity (note 17)				
	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 44 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
OPERATING ACTIVITIES		
(Loss)/profit for the year from continuing operations	(1,483,172)	430,672
Adjustments for:		
Foreign exchange loss/(gain) on non-operating assets and liabilities	-	(66,006)
Depreciation	1,192	224
Interest and other income	(426)	(150,588)
Impairment of available for sale investments	488,805	3,710,520
Impairment of investment in associates	-	2,456,980
Impairment of goodwill of a subsidiary	-	1,573,097
Provision for doubtful debts	-	672,192
Provision for employees' end of service benefits	22,903	47,140
Dividend income	(223)	(6,527)
Loss on sale of available for sale investments	51,142	-
Share of results of associates	(62,224)	(333,312)
Loss on dilution in ownership/sale of associates	5,790	1,737,737
Finance costs	507,992	766,691
Loss on sale of subsidiary	-	62,528
Gain on settlement of term loan	-	(12,169,007)
	(468,221)	(1,267,659)
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	(703)	477,334
Receivables and other assets	(150,352)	(1,782,251)
Payables and other liabilities	688,248	1,293,071
Employees' end of service benefits paid	-	(20,365)
Net cash from/(used in) continuing operations	68,972	(1,299,870)
Net cash from discontinued operations	-	5,495
Net cash from/(used in) operating activities	68,972	(1,294,375)
INVESTING ACTIVITIES		
Purchase of available for sale investments	(227,531)	-
Proceeds from sale of available for sale investments	124,500	-
Net proceeds from sale of subsidiary	-	4,214,550
Dividend income received	223	6,527
Interest income received	426	99,961
Additions to property, plant and equipment	-	(265)
Proceeds from sale of investment in associates	-	2,126,600
Net cash (used in)/from investing activities	(102,382)	6,447,373

The notes set out on pages 12 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
FINANCING ACTIVITIES		
Settlement of term loan	-	(5,095,440)
Finance costs paid	-	(268,623)
Net cash used in financing activities	-	(5,364,063)
Net decrease in cash and cash equivalents	(33,410)	(211,065)
Cash and cash equivalents at beginning of the year	119,270	330,335
Cash and cash equivalents at end of the year	85,860	119,270
Non-cash transactions:		
Additions to available for sale investment	(1,441)	-
Dilution in ownership of an associate	1,441	-
Proceeds from sale of associate	-	1,320,000
Receivables and other assets	(342,439)	(1,320,000)
Proceeds from sale of available for sale investment	342,439	-

The notes set out on pages 12 to 44 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 2015 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 trademarks 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 parent company has amended its articles in accordance with Law No. (1) of 2016.

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

These consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the board of directors of the parent company on 29 March 2018 and are subject to the approval of the General Assembly of the shareholders.

2. Basis of preparation

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

3. Statement of compliance

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

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies

4.1 New and amended standards adopted by the group

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

Standard or Interpretation	Effective for annual periods beginning
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash 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
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
 - * changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
 - * a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

The application of the amendments did not have any material impact on the consolidated financial statements of the group.

Annual Improvements to IFRSs 2014-2016 Cycle

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

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

4.2 IASB Standards issued but not yet effective

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.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	Effective for annual periods beginning
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

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 (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

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

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

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the group's consolidated financial statements in future should such transactions arise.

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

IFRS 9 Financial Instruments: Classification and Measurement

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

The main areas of expected impact are as follows:

- the classification and measurement of the financial assets based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)

- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) will be recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

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

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

:Classification and measurement

Management holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost. However, certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

Equity investments are to be measured at FVTPL as well as FVTOCI as certain existing investments in equity instruments qualify for designation as FVTOCI category. The gains and losses on these investments will no longer be transferred to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

No material impact on the net equity balance of the group is expected as a result of the reclassification of the equity investments.

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

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

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)

Impairment:

The group expects to apply simplified approach to impairment for trade accounts receivable and other financial assets as required or permitted under the standard.

The management is in the process of assessing the impact of this approach and does not expect any material impact to the consolidated financial statements from applying this simplified approach.

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.

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

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2014-2016 Cycle

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

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in consolidated statement of profit or loss and other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the group has directly disposed of the related assets or liabilities.

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.

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 consolidated statement of 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 (i.e. gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.2 Business combinations (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of profit or loss or as change to consolidated statement of profit or loss and other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within consolidated statement of profit or loss and other comprehensive income.

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 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 associates' 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 consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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 profit or loss 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 2017, the parent company has no liability towards NLST, KFAS and Zakat due to losses incurred (2016: no liability towards KFAS). Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

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.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

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 de-recognition

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

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

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

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

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.1 Recognition, initial measurement and de-recognition (continued)

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

5.12.2 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 represents financial assets arising in the normal course of business that have no fixed or determinable payments and not quoted in an active market.

- **Receivable and other assets**

Receivable and other assets 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.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

- 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.

- 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 payables and other liabilities and due to related parties. 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. Payables and other liabilities and due to related parties are classified as financial liabilities other than at FVTPL.

- 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.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.3 Classification and subsequent measurement of financial liabilities (continued)

- Financial liabilities other than at fair value through profit or loss (continued)
- 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.

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 Kuwaiti Dinars
- Fair value reserve – comprises gains and losses relating to available for sale financial assets

Accumulated losses includes all current and prior period profits and 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.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

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.

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 re-measurement 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.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.20 Provision for employees' 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, in addition to the end of service benefits, 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 represent subsidiaries, associates, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management.

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.

Notes to the consolidated financial statements (continued)

6. Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

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 associates are impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.3 Impairment of available for sale equity investments

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

6.2.4 Impairment of 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.

Notes to the consolidated financial statements (continued)

7. Subsidiaries

7.1 Details of subsidiary companies are set out below:

Subsidiary	Country of incorporation	Percentage of ownership		Principal activity
		31 Dec. 2017 %	31 Dec. 2016 %	
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	99%	98%	General trading
Al-Deera REG Company – WLL	Kuwait	99%	98%	General trading
Al-Deera FG Company – WLL	Kuwait	98%	98%	General trading

7.1.1 During 2016, 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).

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.

7.1.3 The group has pledged 5% (2016: 48%) of the share capital of Al-Deera International Communication Company against balances due to related parties (note 18).

7.2 Interest in unconsolidated structured entities

The group has no interests in unconsolidated structured entities.

7.3 Goodwill

During previous year, the group recognised an impairment loss of KD 1,573,097 against the carrying amount of the goodwill of its subsidiaries: Fast Telecommunication Company-WLL and Univest Consultancy Group-WLL.

8. Sale of subsidiary

During the previous 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	10,385,038
Current assets	4,358,862
Total assets	14,743,900

Notes to the consolidated financial statements (continued)

8. Sale of subsidiary (continued)

	31 March 2016
	KD
Liabilities	
Non-current liabilities	1,755,684
Current liabilities	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)

	Period ended 31 March 2016
	KD
Revenue	868,259
Expenses and other charges	(711,939)
Profit for the period from discontinued operations	156,320

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

	Period ended 31 March 2016
	KD
Operating activities	597,137
Investing activities	(49,635)
Financing activities	(542,007)
	5,495

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. 2017	Year ended 31 Dec. 2016
	KD	KD
Interests and other income	16	150,588
Investments at fair value through profit or loss		
• Designated	(7,949)	(476,612)
Available for sale investments	(539,797)	(3,704,003)
Net realised and unrealised loss	(547,730)	(4,030,027)
Net unrealised loss recognised in equity	(376,476)	(3,524,870)
	(924,206)	(7,554,897)

Notes to the consolidated financial statements (continued)

10. Gain on settlement of term loan

During the previous year, the parent company settled the entire outstanding loan 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).

11. Finance costs

Finance costs relate to the group's borrowings activities represented by the balances due to related parties. All these financial liabilities are stated at amortised cost.

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

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit 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. 2017	Year ended 31 Dec. 2016
(Loss)/profit for the year attributable to the shareholders of the parent company from continuing operations (KD)	(1,459,128)	415,507
Profit for the year attributable to the shareholders of the parent company from discontinued operations (KD)	-	62,528
	(1,459,128)	478,035
Weighted average number of shares outstanding during the year	197,378,800	197,378,800
Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company		
- From continuing operations	(7.39)	2.10
- From discontinued operations	-	0.32
Total-Fils	(7.39)	2.42

13. Investment in associates

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

	Country of incorporation	Percentage of ownership		Principal activity
		31 Dec. 2017 %	31 Dec. 2016 %	
Al Bab Holding Company – WLL	Kuwait	20.00%	20.00%	Investment
Arzan Financial Group for Financing and Investment – KPSC	Kuwait	18.20%	18.20%	Financing and investment
Diwan Capital Limited – UAE	UAE	24.00%	24.00%	Investment
Abwab Capital Limited (13.1.1)	UAE	-	25.50%	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 for Arzan Financial Group for Financing and Investment – KPSC, are unquoted.

Notes to the consolidated financial statements (continued)

13. Investment in associates (continued)

13.1 Details of the group's investment in associates are given below: (continued)

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Balance at beginning of the year	19,423,538	25,643,387
De-recognition on dilution in ownership/disposal of associates	(5,790)	(3,853,957)
Share of results	62,224	333,312
Share of other comprehensive income/(loss) of associates	763,641	(317,754)
Impairment of investment in associates	-	(2,456,980)
Reclassification to available for sale investments	(1,441)	-
Reclassification from receivables and other assets	-	66,869
Effect of changes in ownership percentage of associate's subsidiary	-	8,661
	20,242,172	19,423,538

13.1.1 During the year, the group de-recognised its associate, Abwab Capital Limited, due to dilutive effect of the increase in its share capital in which the group did not participate. Accordingly, the group de-recognised its share of net assets of KD5,790 and the remaining balance of KD1,441 has been reclassified to available for sale investments. Loss on dilution impact of KD5,790 has been recognised in the consolidated statement of profit or loss.

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

13.1.3 During the previous year, and 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.

13.1.4 Investment in associates of KD1,569,475 (2016: KD1,622,678) is pledged against due to related parties (note 18).

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

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Non-current assets	123,507,400	156,767,365
Current assets	31,106,426	35,249,946
Total assets	154,613,826	192,017,311
Non-controlling interests	5,314,244	42,765,696
Non-current liabilities	19,182,252	22,692,737
Current liabilities	16,340,771	17,366,649
Total liabilities	35,523,023	82,825,082
Net assets	113,776,559	109,192,229

Notes to the consolidated financial statements (continued)

13. Investment in associates (continued)

13.2 Summarised financial information of group's material associate is set out below: (continued)

	Period ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue	11,533,504	8,020,910
Expenses and other charges	(10,401,781)	(4,404,919)
Profit for the period/year	1,131,723	3,615,991
Attributable to :		
– Shareholders of the parent company	387,970	1,988,264
– Non-controlling interests	743,753	1,627,727
Other comprehensive income/(loss) for the period/year	6,670,077	(5,296,082)
Total comprehensive income/(loss) for the period/year	7,801,800	(1,680,091)
Group's share of results	70,602	361,820

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Group's ownership interest	18.20%	18.20%
Net assets of the associate	113,776,559	109,192,229
Group's share of net assets	22,704,824	19,870,577
Goodwill	-	-
Other adjustments	(463,652)	(463,652)
Carrying amount	20,241,172	19,406,925
Market price of the associate's shares	4,310,154	4,529,314

The group accounted for its share of results in the above associate using 31 December 2017 audited financial statements (2016: 30 September 2017 reviewed financial information).

Management believes that current market price per share of its investment in Arzan Financial Group for Financing and Investment – KPSC is not indicative of its fair value. Management has also obtained an independent valuation on the same investment and concluded that there is no impairment of its equity investment in Arzan Financial Group for Financing and Investment – KPSC.

13.3 Set out below is the aggregate information for the individually immaterial associates, as at 31 December 2017 and 31 December 2016.

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Group's share of results	-	(28,508)
Group's share of total comprehensive loss	-	(28,508)
Aggregate carrying amount of group's interest in these associates	1,000	16,613

Notes to the consolidated financial statements (continued)

14. Available for sale investments

	31 Dec. 2017 KD	31 Dec. 2016 KD
Investment portfolios	317,451	305,290
Quoted investments	1,532,189	1,636,651
Equity participations	1,844,664	2,512,931
	3,694,304	4,454,872

- 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 (2016: KD43,299) which are stated at cost due to unavailability of reliable fair market value.
- Available for sale investments with a carrying value of KD212,278 (2016: KD302,337) are pledged as security against due to related parties (note 18).
- During the year, the group sold an available for sale investment to a related party for a total consideration of KD342,439. The transaction resulted in no gain or loss.
- During the year, the group recognised an impairment loss of KD488,805 (2016: KD3,710,520) 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.

15. Receivables and other assets

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial assets		
Due from associates	3,913,257	3,913,257
Due from other related parties	2,119,697	2,447,983
	6,032,954	6,361,240
Less: provision for doubtful debts	(4,592,142)	(5,227,946)
	1,440,812	1,133,294
Staff receivables	9,619	8,728
Other assets	1,463,428	1,279,046
	2,913,859	2,421,068
Current portion	2,492,921	1,727,879
Non-current portion	420,938	693,189
	2,913,859	2,421,068

The carrying values of the financial assets included above approximate their fair values.

Notes to the consolidated financial statements (continued)

16. Share capital

	Authorised, issued and fully paid	
	31 Dec. 2017	31 Dec. 2016
	KD	KD
197,378,800 authorised, issued and fully paid shares of KD0.100 each.	19,737,880	19,737,880

17. Other components of equity

	Fair value reserve	Foreign currency translation reserve	Total
	KD	KD	KD
Balance at 1 January 2017	1,182,807	(29,998)	1,152,809
Share of other comprehensive income of associates	728,488	35,153	763,641
AFS financial assets:			
- Net change in fair value arising during the year	(376,476)	-	(376,476)
- Transferred to consolidated statement of profit or loss on sale	(91,185)	-	(91,185)
- Transferred to consolidated statement of profit or loss on impairment	488,805	-	488,805
Total other comprehensive income for the year	749,632	35,153	784,785
Balance at 31 December 2017	1,932,439	5,155	1,937,594
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

18. Payables and other liabilities

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Financial liabilities		
Due to related parties – see note below	12,681,289	11,725,218
Accrued expenses	30,774	-
Dividend payable	62,360	62,810
National Labour Support Tax payable	1,502,892	1,502,892
KFAS payable	206,133	206,133
Zakat payable	50,225	50,225
Other payables	1,075,358	869,311
	15,609,031	14,416,589
Current portion	4,469,116	4,017,782
Non-current portion	11,139,915	10,398,807
	15,609,031	14,416,589

Notes to the consolidated financial statements (continued)

18. Payables and other liabilities (continued)

Due to related parties include balances amounting to KD1,812,256(2016: KD1,478,371) which carry interest rate of 5% (2016: 5%) per annum are secured against investment in associates (note 13) and available for sale investments (note 14).

Due to related parties include balances amounting to KD747,274 (2016: KD747,274) which carry interest rate of 4.5% to 4.75% (2016: 4.5% to 4.75%) and are secured against 5% of the share capital of Al-Deera International Communication Company (note 7.1.3).

Due to related parties include a balance of KD5,633,702 (2016: KD 5,633,702) which carries interest rate of 7% (2016: 7%) and is secured against investment in associates (note 13), available for sale investments (note 14) and investments at fair value through profit or loss (2016: including 43% of share capital of Al-Deera International Communication Company - note 7.1.3).

19. Annual general assembly of shareholders and dividends

Subject to the requisite consent of the relevant authorities and approval of the shareholders' general assembly, the directors of parent company proposed not to distribute any dividends for the year ended 31 December 2017.

The annual general assembly of the shareholders held on 30 July 2017 approved the consolidated financial statements of the group for the year ended 31 December 2016 and directors' proposal not to distribute any dividends.

20. Related party balances and transactions

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

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Balances included in consolidated statement of financial position:		
Due from related parties-(note 15)- net of provision	1,439,797	1,125,987
Due from associates- (note 15)- net of provision	1,015	7,307
Due to related parties (note 18)	12,681,289	11,725,218
	Year ended	Year ended
	31 Dec. 2017	31 Dec. 2016
	KD	KD
Transactions included in consolidated statement of profit or loss:		
Finance costs (other related parties)	394,359	498,068
Management and advisory fees	131,050	165,667
Provision for doubtful debts	-	448,885
Compensation of key management personnel:		
Salaries and other short-term benefits	137,887	70,000
End of service benefits	11,888	34,313
	149,775	104,313

Notes to the consolidated financial statements (continued)

21. Segmental information

The group's reportable segments under IFRS 8 are Telecommunication and Investments. The information relating to these segments are as follows:

	Telecommunication		Investments		Total	
	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
	KD	KD	KD	KD	KD	KD
Segment revenue						
From continuing operations	-	-	(2,081)	10,448,553	(2,081)	10,448,553
From discontinued operations	-	2,883,698	-	-	-	2,883,698
	-	2,883,698	(2,081)	10,448,553	(2,081)	13,332,251
Segment profit/(loss):						
From continuing operations	-	-	(1,483,172)	430,672	(1,483,172)	430,672
From discontinued operations	-	156,320	-	-	-	156,320
Profit/(loss) for the year	-	156,320	(1,483,172)	430,672	(1,483,172)	586,992
Total segment assets	-	-	26,948,900	26,431,942	26,948,900	26,431,942
Total segment liabilities	-	-	15,883,624	14,668,279	15,883,624	14,668,279

22. Risk management objectives and policies

The group's principal financial liabilities comprise 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 for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance. Long term financial investments are managed to generate lasting returns.

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

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

Notes to the consolidated financial statements (continued)

22. Risk management objectives and policies (continued)

22.1 Market risk (continued)

a) Foreign currency risk (continued)

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
US Dollar	1,294,718	1,619,274

The foreign currency sensitivity is determined on the following assumptions:

	Exchange rate sensitivity %	
	31 Dec. 2017	31 Dec. 2016
US Dollar	0.61%	0.73%

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 US Dollar 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. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	KD	KD	KD	KD
US Dollar	±7,898	±11,820	-	-

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.

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 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% (2016: +1% and -1% basis points) for LIBOR and +1% and -1% (2016: +1% and -1%) for Kuwaiti Dinar interest rates.

Notes to the consolidated financial statements (continued)

22. Risk management objectives and policies (continued)

22.1 Market risk (continued)

b) Foreign currency risk (continued)

The calculation is based on the group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on group's equity.

	Increase in interest rate		Decrease in interest rate	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Results for the year	(7,947)	(7,666)	7,947	7,666

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

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. 2017	31 Dec. 2016
Kuwait market	10.95%	2.37%
London market	7.63%	14.43%
USA market	19.42%	9.54%
Dubai market	(4.76)%	0.07%

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. 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. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Investments at fair value through profit or loss	(1,390)	(284)	-	(284)
Available for sale investments	-	-	(202,536)	(45,755)

Notes to the consolidated financial statements (continued)

22. Risk management objectives and policies (continued)

22.1 Market risk (continued)

c) Price risk (continued)

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:

	Results for the year		Equity	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Investments at fair value through profit or loss	1,390	284	-	284
Available for sale investments	-	-	202,536	45,755

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 reporting date, as summarized below:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Receivables and other assets (note 15)	2,913,859	2,421,068
Balances with banks and other financial institutions	85,360	119,270
	2,999,219	2,540,338

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.

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.

Notes to the consolidated financial statements (continued)

22. Risk management objectives and policies (continued)

22.3 Liquidity risk (continued)

	Up to 3 months KD	3-12 months KD	Over 1 year KD	Total KD
31 December 2017				
Liabilities				
Payables and other liabilities	789,799	3,679,317	11,139,915	15,609,031
	789,799	3,679,317	11,139,915	15,609,031
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

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

	Up to 3 months KD	3-12 months KD	Over 1 year KD	Total KD
31 December 2017				
Financial liabilities				
Payables and other liabilities	789,799	3,679,317	11,671,162	16,140,278
	789,799	3,679,317	11,671,162	16,140,278
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

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 (unadjusted) 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).

Notes to the consolidated financial statements (continued)

23. Fair value measurement (continued)

23.2 Fair value measurement of financial instruments

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial assets:		
Loans and receivables at amortised cost:		
Receivables and other assets (note 15)	2,913,859	2,421,068
Balances with banks and other financial institutions	85,860	119,270
Investments at fair value through profit or loss:		
Investments at fair value through profit or loss	12,693	11,990
Available for sale investments:		
Available for sale investments – at fair value	3,651,005	4,411,573
Available for sale investments – at cost	43,299	43,299
	6,706,716	7,007,200
Financial liabilities:		
Financial liabilities at amortised cost:		
Payables and other liabilities	15,609,031	14,416,589
	15,609,031	14,416,589

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values. Certain available for sale investment is carried at cost for reason specified in note 14.

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

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

31 December 2017	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Designated on initial recognition					
Investment portfolios	b	12,693	-	-	12,693
Available for sale investments					
Investment portfolios	b	317,451	-	-	317,451
Quoted investments	a	1,532,189	-	-	1,532,189
Equity participations	c	-	623,740	1,177,625	1,801,365
Net fair value		1,862,333	623,740	1,177,625	3,663,698

Notes to the consolidated financial statements (continued)

23. Fair value measurement (continued)

23.2 Fair value measurement of financial instruments (continued)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2016					
Investments at fair value through profit or loss					
Designated on initial recognition					
Investment portfolios	b	11,990	-	-	11,990
Available for sale investments					
Investment portfolios	b	305,290	-	-	305,290
Quoted investments	a	1,636,651	-	-	1,636,651
Equity participations	c	-	1,181,559	1,288,073	2,469,632
Net fair value		1,953,931	1,181,559	1,288,073	4,423,563

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

Measurement at fair value

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

a) Quoted securities

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

b) 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.

c) Equity participations

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

d) 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.2017		31 Dec. 2016	
	Investments at FVTPL KD	Available for sale investments KD	Investments at FVTPL KD	Available for sale investments KD
Opening balance	-	1,288,073	476,082	3,866,034
Change in fair value	-	198,965	(476,082)	(2,577,961)
Disposal	-	(536,263)	-	-
Additions during the year	-	226,850	-	-
Closing balance	-	1,177,625	-	1,288,073

Notes to the consolidated financial statements (continued)

23. Fair value measurement (continued)

23.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (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:

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 (loss)/gain 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%.

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.

Notes to the consolidated financial statements (continued)

24. Capital management objectives (continued)

The net debt consists of the following:

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Due to related parties (note 18)	12,681,289	11,725,218
Less: Cash and cash equivalents	(85,860)	(119,270)
<u>Net debt</u>	12,595,429	11,605,948
<u>Equity</u>	11,065,276	11,763,663

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Net debt	12,595,429	11,605,948
Equity	11,065,276	11,763,663
Net debt to equity ratio	114%	99%

25. Contingent liabilities

As at 31 December 2017, the group has contingent liabilities in respect of outstanding bank guarantees amounting to KD Nil (2016: KD2,342,000).

