



H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait





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

Board of Directors



Riyadh S. A. Edrees
Chairman



Mohammad A. Al-Asfor



Dr. Fahed S. Al-Khaled
Board Member



Dr. Meshal Al-Samhan
Board Member



Meshal Habib
Board Member



Chairman's Message

For the Fiscal Year Ended on
31st December 2017

Honorable Shareholders,

It gives me great pleasure to welcome you to the Ordinary General Assembly of Privatization Holding Company K.S.C (Closed), and to present the company's Annual Report for the fiscal year ended on 31/12/2017.

(An overview of the financial situation to be added by the Financial Department)

Privatization Holding Company realized Net Profits of KWD 3,150,506, compared with Net Loss of KWD (2,449,848) for the year end 2016.

The total shareholders Equity reached to KWD 97,340,927 at the end of 2017, compared to KWD 93,437,476 at the end of 2016.

Pursuant to its strategic plan for direct investments, the Company continued its focus of maintaining its investments in companies active in the sectors of interest (infrastructure, power, water, and renewable energy), and in investment opportunities in Brownfield and operating projects in the GCC and MENA regions with an emphasis on The State of Kuwait to mitigate regional risks.

The Company's total investment for 31 December 2017 was estimated at KD 106.3 million. The value of direct investments at 31 December 2017 amounted to KD 62.6 million. And in conformity with its strategy, the company during 2017 having met almost all of its outstanding commitments. Moreover, the company embarked upon a selective Exit/Divestiture policy, namely its Subsidiary GOFSCO, for KD 18,018,301, which resulted in the gain of KD 2,386,244.

During 2017, the company undertook additional investments in Kuwaiti company called "B & B", which is developing a four star hotel in Kuwait (PHC's holdings in B&B is 40%). In addition to another Investment in SELT MARINE GROUP, Food Additives Manufacturing Company in Tunisia (PHC's holdings in SELT is 12.5%).

The company continued its efforts to position itself to participate in the development projects in Kuwait (primarily within the BOT/PPP framework and the Kuwait Authority for Partnership Projects –KAPP), and selectively elsewhere, by concluding alliances /teaming consortia with International specialized partners, namely:

Schools Projects & Swimming Complex –Kuwait-PHC joined the Consortium of CCC Greece (Project Leader), Morganti of the United States of America and National Industries Group. The Consortium was selected by the Kuwait Authority for Partnership Projects as the preferred bidder in January 2017. The project is still pending By the Higher Committee.

South Al Jahra Labor City (Indirectly thru NIG) - Privatization Holding Company participated through the National Industries Group in association with Agility (the project leader) submitted the qualification documents in August 2017. Our alliance has been shortlisted to the second phase of the project (RFP) and is expected to issue tender documents in the second quarter of 2018.

Public Authority of Housing Welfare Jaber Al Ahmad City Investment Opportunity (J1, J2, J3, S1, S2)

Our alliance with the Group of Industries, Mabane (Project Leader) submitted the pre-qualification documents in September 2017. The Request of proposal documents expected to be issued in the second quarter of 2018.

And in this regard, the company is in the process of forging similar alliances/consortia with other international specialized partners for upcoming PPP/BOT projects in Kuwait; such as Kheiran and Kuwait Metro project, in addition to AzZour IWPP Phase II & III, which will be re-launched again after the cancellation of Azzour IWPP phase II.

Additionally, we have strengthened our corporate governance system by strengthening the concept of internal control, disclosure and other corporate governance applications. We have placed in your hands the Corporate Governance Report for 2017 to familiarize yourself with the governance standards followed by the company during the last year.

Looking forward, the Company recognizes its obligations and reaffirms that it shall exert continued efforts to enhance the Company's position in local and international markets, through varied and optimal investment instruments.

In conclusion, I would like to extend my thanks and appreciation to all those who contributed towards enhancing the Company's future path; and also extend our thanks to all the Company's staff for their diligent and continuous efforts for the progress and success of the Company.

May God almighty always guide our way towards serving our country and to crown our efforts with success.

Chairman of the Board
Riyadh S. Al-Edrees



Privatization Holding Company – KPSC and its
subsidiaries
State of Kuwait

Consolidated financial statements and independent auditor's report

For the year ended 31 December 2017

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Independent Auditor's Report

To the Shareholders of Privatization Holding Company - KPSC Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Privatization Holding Company - KPSC ("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 income, consolidated statement of 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) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

The Group recognizes revenue 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. This is an area of audit focus as management assumptions are required to apply the revenue recognition criteria to each separately identifiable component of revenue. This can result in circumstances which require careful consideration to determine how revenue should be recognised.

How our audit addressed such matters

Our audit procedures included testing the design effectiveness of associated internal controls and performing substantive audit procedures.

We performed analytical reviews and reviewed management accounts to identify any material new revenue streams. Our testing procedures included reviewing customer contracts, checking delivery records and price lists and checking that the recognition criteria of IFRSs were met. We also assessed the adequacy of the Group's disclosures of its revenue recognition policy, the judgements involved and other related disclosures. The Group's disclosures about revenue recognition are included in Note 5.2.

Key Audit Matters (continued)

Equity Method of Accounting

The Group has interests in number of associates which are significant to the Group's consolidated financial statements. The Group exercises significant influence over its associates and consequently accounts for under the equity method of accounting. Under the equity method, the Group's interests in the associates are initially stated at cost, and are adjusted thereafter for the post-acquisition changes in Group's share of the net assets of the associates less any impairment. The number of the associates involved increases the complexity of the Group's control environment and our ability as Group's auditors to obtain an appropriate level of understanding of these entities including any related party transactions. Due to these factors and the significance of the investment in associates to the Group's consolidated financial statements, we consider this as a key audit matter.

How our audit addressed such matters

Our audit procedures included, among others, determining the nature and extent of audit procedures to be carried out for associates and selecting significant associates based on the size and/or risk profile of these entities. During our audit, we communicated with the component auditors. We also provided detailed instructions to the component auditors covering the significant areas and risks to be addressed including the identification of related parties and transactions. Furthermore, we evaluated the Group's methodology and testing of the key assumptions used by the Group in determining the associates' recoverable amount based on value-in-use.

We also assessed the adequacy of the Group's disclosures in Notes 5.13 and 14 to the consolidated financial statements.

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2017.

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.

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

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

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.

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.

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

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

- 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.

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, nor 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.

Qais M. Al Nisf

License No. 38 "A"

BDO Al-Nisf and Partners

Kuwait: 28 March 2018

Consolidated statement of income

For the year ended 31 December 2017

	Notes	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
Revenues			
Revenue from sales and services		7,265,431	5,751,052
Change in fair value of investment properties	13	117,967	(486,215)
Gain/(loss) on sale of investment properties		9,025	(31,061)
Share of results of associates	14	1,885,391	1,580,057
Interest income	8	122,631	115,941
Gain/(loss) on sale of available for sale investments		152,144	(1,766,835)
Change in fair value of investments at fair value through profit or loss		703,552	237,868
Gain on sale of investments at fair value through profit or loss		-	3,777
Dividend income		1,283,744	1,294,750
Loss on sale of associates		(70,678)	-
Foreign exchange gains/(losses)		156,533	(639,260)
Other income		485,526	185,690
Total revenues		12,111,266	6,245,764
Expenses and other charges			
Cost of sales and services		(6,226,854)	(4,468,513)
General and administrative expenses	9	(3,119,418)	(2,805,042)
Portfolio management fees		(103,633)	(52,974)
Finance costs		(2,334,423)	(1,766,444)
Impairment of available for sale investments	15	-	(1,448,393)
Total expenses		(11,784,328)	(10,541,366)
Profit/(loss) for the year before taxation		326,938	(4,295,602)
Contribution to Kuwait Foundation for the Advancement of Sciences		(20,159)	-
National Labour Support Tax		(73,206)	-
Zakat		(19,883)	-
Profit/(loss) for the year from continuing operations		213,690	(4,295,602)
Profit from discontinued operations	7	3,065,667	2,302,835
Net profit/(loss) for the year		3,279,357	(1,992,767)
Attributable to:			
Shareholders of the Parent Company		3,150,506	(2,449,848)
Non-controlling interests		128,851	457,081
		3,279,357	(1,992,767)
Basic and diluted earnings/(losses) from continued and discontinued operations attributable to the Shareholder of Parent Company (fils)	10	5.16	(3.66)
From continuing operations attributable to the Shareholder of Parent Company (fils)	10	0.14	(7.11)
From discontinued operations attributable to the Shareholder of Parent Company (fils)	10	5.02	3.45

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
Net profit/(loss) for the year		3,279,357	(1,992,767)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to consolidated statement of income in subsequent periods:</i>			
Available for sale investments :			
- Change in fair value		1,233,140	56,034
- Transferred to consolidated statement of income on sale		(152,144)	1,766,835
- Transferred to consolidated statement of income on impairment		-	1,448,393
Reversal of reserve upon partial disposal of associate		289	-
Exchange differences arising on translation of foreign operations		(82,356)	44,321
Share of other comprehensive (loss)/income of associates	14	(121,054)	145,058
Other comprehensive income for the year		877,875	3,460,641
Total comprehensive income for the year		4,157,232	1,467,874
Attributable to:			
Shareholders of the Parent Company		4,085,353	1,312,910
Non-controlling interests		71,879	154,964
		4,157,232	1,467,874

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

31 December 2017

		31 December 2017	31 December 2016
Assets	Notes	KD	KD
Non-current assets			
Property, plant and equipment	11	11,921,687	27,219,658
Intangible assets	12	451,940	2,492,905
Investment properties	13	2,802,698	2,717,526
Investment in associates	14	47,225,855	45,107,752
Available for sale investments	15	40,146,931	39,891,196
Held-to-maturity investment	16	1,502,156	1,504,470
Accounts receivable and other debit balances	17	7,469,238	5,043,423
		<u>111,520,505</u>	<u>123,976,930</u>
Current assets			
Inventories		1,355,834	2,006,193
Accounts receivable and other debit balances	17	17,730,011	17,193,848
Investments at fair value through profit or loss	18	14,606,582	13,926,168
Fixed deposits	19	34,695	1,277,431
Cash and cash equivalents	19	6,983,487	6,326,029
		<u>40,710,609</u>	<u>40,729,669</u>
Total assets		<u>152,231,114</u>	<u>164,706,599</u>
Equity and liabilities			
Equity			
Share capital	20	61,000,000	61,000,000
Share premium	20	24,761,544	24,761,544
Statutory reserve	21	1,590,532	1,497,548
General reserve	21	5,619,970	5,526,986
Fair value reserve		3,998,906	2,849,238
Foreign currency translation reserve		495,519	710,340
Other reserves		(756,169)	(574,267)
Retained earnings/(accumulated losses)		<u>630,625</u>	<u>(2,333,913)</u>

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Equity attributable to Shareholders of the Parent Company

		97,340,927	93,437,476
Non-controlling interests	7	1,849,963	3,621,164
Total equity		99,190,890	97,058,640

Liabilities

Non-current liabilities

Employees' end of service benefits		976,099	1,255,167
Term loans	22	15,889,015	24,499,222
Accounts payable and other credit balances	23	6,045,592	7,142,373
		22,910,706	32,896,762

Current liabilities

Term loans	22	23,002,842	20,142,810
Accounts payable and other credit balances	23	7,066,659	14,593,267
Bank overdraft	19	60,017	15,120
		30,129,518	34,751,197

Total liabilities

Total equity and liabilities

53,040,224	67,647,959
152,231,114	164,706,599



Reyadh S. A. Edrees
Chairman



Mohammad Abdulmoshen Al-Asfor
Vice Chairman

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

Equity attributable to the Shareholders of the Parent Company

	Share capital	Share premium	Statutory reserve	General reserve	Treasury shares	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings/ losses	Sub-total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2017	61,000,000	24,761,544	1,497,548	5,526,986	-	-	2,849,238	710,340	(574,267)	(2,333,913)	93,437,476	3,621,164	97,058,640
Net profit for the year	-	-	-	-	-	-	-	-	-	3,150,506	3,150,506	128,851	3,279,357
Other comprehensive income/ (loss):													
Available for sale investments :													
- Change in fair value	-	-	-	-	-	-	1,290,113	-	-	-	1,290,113	(56,973)	1,233,140
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	(152,144)	-	-	-	(152,144)	-	(152,144)
Reversal of reserve upon partial disposal of associate	-	-	-	-	-	-	341	(52)	-	-	289	-	289
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(82,356)	-	-	(82,356)	-	(82,356)
Share of other comprehensive income of associates (Note 14)	-	-	-	-	-	-	11,358	(132,413)	-	-	(121,055)	1	(121,054)
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	1,149,668	(214,821)	-	-	934,847	(56,972)	877,875
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	1,149,668	(214,821)	-	3,150,506	4,085,353	71,879	4,157,232
Share of other reserves of associate (Note 14)	-	-	-	-	-	-	-	-	(269,640)	-	(269,640)	(88)	(269,728)
Disposal of a subsidiary (Note 7)	-	-	-	-	-	-	-	-	(402,854)	-	(402,854)	(3,126,051)	(3,528,905)
Reclassifying to associate (Note 14 b)	-	-	-	-	-	-	-	-	489,694	-	489,694	1,312,059	1,801,753
Reversal of reserve upon disposal of associate	-	-	-	-	-	-	-	-	898	-	898	-	898
Dividends distribution	-	-	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)
Arising on incorporation of subsidiary (Note 7)	-	-	-	-	-	-	-	-	-	-	-	21,000	21,000
Transferred to reserves	-	-	92,984	92,984	-	-	-	-	-	(185,968)	-	-	-
At 31 December 2017	61,000,000	24,761,544	1,590,532	5,619,970	-	-	3,998,906	495,519	(756,169)	630,625	97,340,927	1,849,963	99,190,890

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2016

Equity attributable to the Shareholders of the Parent Company													
	Share capital	Share premium	Statutory reserve	General reserve	Treasury shares	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings/ (accumulated losses)	Sub-total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2016	73,828,000	24,761,544	1,497,548	1,072,302	(2,865,881)	1,815,085	(820,748)	617,568	(77,567)	149,668	99,977,519	2,015,905	101,993,424
Net (loss) / profit for the year	-	-	-	-	-	-	-	-	-	(2,449,848)	(2,449,848)	457,081	(1,992,767)
Other comprehensive income/(loss):													
Available for sale investments :													
- Change in fair value	-	-	-	-	-	-	358,151	-	-	-	358,151	(302,117)	56,034
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	1,766,835	-	-	-	1,766,835	-	1,766,835
- Impairment losses	-	-	-	-	-	-	1,448,393	-	-	-	1,448,393	-	1,448,393
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	44,321	-	-	44,321	-	44,321
Share of other comprehensive income of associates	-	-	-	-	-	-	96,607	48,451	-	-	145,058	-	145,058
Other comprehensive income (loss) for the year	-	-	-	-	-	-	3,669,986	92,772	-	-	3,762,758	(302,117)	3,460,641
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	3,669,986	92,772	-	(2,449,848)	1,312,910	154,964	1,467,874
Capital reduction	(12,828,000)	-	-	4,454,684	2,865,881	(1,815,085)	-	-	-	-	(7,322,520)	-	(7,322,520)
Share of other reserves of associates	-	-	-	-	-	-	-	-	(443,593)	-	(443,593)	(150)	(443,743)
Net ownership changes in subsidiaries	-	-	-	-	-	-	-	-	(86,840)	-	(86,840)	86,840	-
Purchase of subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,377,724	1,377,724
Other movements	-	-	-	-	-	-	-	-	33,733	(33,733)	-	(14,119)	(14,119)
At 31 December 2016	61,000,000	24,761,544	1,497,548	5,526,986	-	-	2,849,238	710,340	(574,267)	(2,333,913)	93,437,476	3,621,164	97,058,640

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
OPERATING ACTIVITIES			
Net profit/(loss) for the year		3,279,357	(1,992,767)
Adjustments for:			
Depreciation	11	853,159	1,736,164
Amortization	12	122,539	-
Gain on sale of investment in subsidiaries	7	(2,809,098)	-
Change in fair value of investment properties	13	(117,967)	486,215
(Gain)/loss on sale of investment properties		(9,025)	31,061
Share of results of associates	14	(1,885,391)	(1,580,057)
Loss on partial sale of investment in associates		70,678	-
(Gain)/loss on sale of available of sale of investments		(152,144)	1,766,835
Impairment of available for sale investments		-	1,448,393
Dividend income		(1,283,744)	(1,294,750)
Interest income	8	(122,631)	(115,941)
Gain on sale of investments at fair value through profit or loss		-	(3,777)
Change in fair value of investments at fair value through profit or loss		(705,721)	(238,490)
Foreign exchange gains/(losses)		(156,533)	630,296
Finance costs		2,334,423	2,074,269
Provision for employees' end of service benefits		301,778	338,024
Changes in operating assets and liabilities:		(280,320)	3,285,475
Inventories		59,409	(1,369,000)
Accounts receivable and other debit balances		(2,529,175)	(3,924,544)
Investments at fair value through profit or loss		-	26,319
Accounts payable and other credit balances		(4,052,651)	10,579,237
Cash flows used in operating activities		(6,802,737)	8,597,487
Taxation paid		-	(56,653)
Employees' end of service benefits paid		(17,890)	(47,054)
Net cash flows used in operating activities		(6,820,627)	8,493,780
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(210,622)	(14,565,222)
Proceeds from sale of property, plant and equipment		-	7,210

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Purchase of intangible assets	12	(574,479)	-
Proceeds from sale of investment property		41,820	150,172
Additions to investment in associates	14	(10,515)	(10,809)
Proceeds from disposal of associates		523,363	92,893
Dividend income received from associates	14	595,922	1,214,387
Dividend income received		1,283,745	1,294,750
Proceeds from sale of available for sale investments		1,967,042	10,509,392
Purchase of available for sale investments		(989,627)	(631,527)
Proceeds from redemption of held to maturity investment		3,529	3,529
Net movement in fixed deposits		(3,889)	546,123
Interest income received		121,415	134,377
Net cash from acquisition / disposal of investment in subsidiary		8,456,534	1,557,918
Net cash flows generated from investing activities		11,204,238	303,193
FINANCING ACTIVITIES			
Proceeds from term loans		14,094,893	30,153,123
Repayment of term loans		(15,063,309)	(33,379,245)
Finance costs paid		(2,333,965)	(2,088,642)
Share capital repayments		(368,848)	(6,098,320)
Movement in non-controlling interests		(29,000)	(14,119)
Net cash flows used in financing activities		(3,700,229)	(11,427,203)
Net increase/(decrease) in cash and cash equivalents		683,382	(2,630,230)
Foreign currency translation adjustments		(70,821)	(394,186)
Cash and cash equivalents at beginning of the year		6,310,909	9,335,325
Cash and cash equivalents at end of the year	19	6,923,470	6,310,909
Non-cash transactions			
Investment in associates		(1,801,754)	1,619,332
Investment in subsidiary		1,801,754	(1,619,332)

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Privatization Holding Company - KPSC (the “Parent Company”) is a Kuwaiti shareholding company registered on 10 October 1994 and is listed on the Kuwait Stock Exchange.

The Parent Company is licensed to:

- Invest in Kuwaiti and foreign shareholding companies and limited liability companies and to participate in the establishment and management of such entities,
- Lend to such entities and act as their guarantor,
- Utilization of excess funds in investment in financial portfolios or real estate portfolios through specialised parties inside or outside Kuwait,
- Invest in real estate, hold patents and copy rights, and advance loans to associates,
- Represent foreign consulting firms in local market.

The Group comprises the Parent Company and its subsidiaries. Details of subsidiaries are set out in Note 7.

Its registered office is located at Sharq, Ahmad Al-Jaber Street, Dar Al-Awadi Tower, 23 Floor, P.O. Box 4323, Safat 13104, Kuwait

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue by the Parent Company’s Board of Directors on 28 March 2018 and are subject to the approval of the General Assembly of the Shareholders.

2 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB. Summary of significant accounting policies is as follows:

3 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for investments at fair value through profit or loss, available for sale investments and investment properties 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.

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

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

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

Certain new and amended standards have been effective for the current period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

Amendments to IAS 7 Statement of cash flows: Disclosure initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the Group needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments require entities to apply them retrospectively. However on initial application thereof, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity as appropriate) without allocating the change between opening retained earnings and other components of equity. It is required that in case such relief is applied, this fact must be disclosed.

Annual improvements 2014-2016 Cycle

Amendments to IFRS 12 Disclosure of interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

b) Standards and interpretations issued but not yet effective

At the date of authorisation of this 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 interim consolidated financial information.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between 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
IFRS 16 Leases	1 January 2019
IAS 40 Investment Property – Amendments	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 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.

IFRS 9 Financial Instruments

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

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

- The classification and measurement of the financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

IFRS 9 Financial Instruments (continued)

- An expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- It will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- If the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 “Revenues”, IAS 11 “Construction Contract” and several revenues – 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 –
 - o non-cash consideration and asset exchanges
 - o contract costs
 - o rights of return and other customer options
 - o supplier repurchase options
 - o warranties
 - o principal versus agent
 - o licensing
 - o breakage
 - o non-refundable upfront fees, and
 - o consignment and bill-and-hold arrangements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- Performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- Deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- Assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- Determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- Assessing the additional disclosures that will be required.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

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.

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

5 Significant accounting policies

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

5.1 Basis of consolidation

The Group 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 during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

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

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

5.2 Revenue recognition

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 rendering of the services and it is measured by reference to fair value of consideration received or receivable. The Group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

Sale of goods

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from service

Revenue from service is recognised when services are rendered.

Construction contracts

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in consolidated statement of income.

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue recognised for each milestone is determined by estimating relative contract fair values of each contract phase, i.e. by comparing the Group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Dividend income

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

Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

Interest and similar income

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

5.3 Operating expenses

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

5.4 Finance costs

Finance costs are recognised in the consolidated statement of income on a time proportion basis over the period of related liabilities.

5.5 Taxation

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 after deducting Directors' fees for the year. 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.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group 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.

Zakat

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

Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior years is permitted.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.6 Segment reporting

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

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

5.7 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 income.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

5.8 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The following useful lives are applied:

- Leasehold land: 20 years
- Office building: 20-30 years
- Machinery and equipment: 6-20 years
- Furniture and fixtures: 4-10 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

5.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

	Goodwill	Other intangible assets
Useful lives	Indefinite	Finite
Amortisation method used	No amortisation	Amortised on a straight-line basis over a period of 1 to 4 years

5.10 Impairment testing of non financial assets

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 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.

5.11 Discontinued operations

Discontinued operations represent part of the Group's business, which their results and cash flows can be separated clearly from rest of the Group, which are also:

- Represent substantial activity or separate geographic segment.
- Represent part of a coordinated plan to exclude substantial activity or separate geographic segment.
- Include subsidiaries acquired principally for sale subsequently.

These operations are classified as discontinued operations at sale or when classification conditions are met as discontinued operations, whichever shall first occur.

Revenues and expenses related to discontinued operations are recognised separately from revenues and expenses related to continuing operations in the consolidated statement of income until the profitability level of the period ended at the date of the financial statements and comparative periods. This is even if the Group retains non-controlling interest in the subsidiary after sale, whereas profit or loss are recognised as separate item in the consolidated statement of income.

5.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Fair values are determined based on lower of two annual evaluations performed by accredited external, independent real estate valuers.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in consolidated statement of income.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

5.13 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 income and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

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

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of income.

5.14 Financial instruments

Recognition, initial measurement and derecognition

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

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:
 - (α) The Group has transferred substantially all the risks and rewards of the asset or
 - (β) The Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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

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

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments 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 investments (AFS)
- held to maturity investments (HTM)

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:

Accounts receivable and other debit balances

Receivables are stated at original invoice amount based on contractual agreement 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.

Due from related parties

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and saving accounts net of bank overdrafts that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

Fixed deposits

Fixed deposits are stated at the balance invested and do not include related accrual of profit.

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 consolidated statement of income in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of income. 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 income. 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 consolidated statement of income. 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 income 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 income.

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 income only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in statement of income.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include accounts payable and other credit balances, term loans and bank overdraft.

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

Accounts payable and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Term loans

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

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.

5.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Cost of finished goods is calculated using first-in first-out method. For other items of inventory, cost is calculated using the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.16 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.

5.17 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.

5.18 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.

5.19 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.

5.20 Equity, reserves and dividend payments

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

Statutory and general reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association.

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 investments.
- Treasury shares reserve – comprises gains and losses arising from sale of treasury shares.
- Other reserves – mainly comprises gains and losses arising from partial acquisition and disposal of subsidiaries.

Retained earnings/(accumulated losses) include all current and prior period retained profit/(accumulated losses).

Dividend distributions payable to equity Shareholders are included in accounts payable and other credit balances when the dividends have been approved in a General Assembly meeting.

5.21 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the “treasury shares reserve”), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the general reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.22 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, 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.

5.23 Foreign currency translation

Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions and balances

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

Foreign operations

In the Group’s financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional 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 consolidated statement of income and are recognised as part of the gain or loss on disposal.

5.24 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 are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.25 Related party transactions

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

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:

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.

Significant management judgments (continued)

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 consolidated statement of income in the management accounts, they are classified as 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.

The management classifies investments as held-to-maturity if they are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the management has the positive intention and ability to hold to maturity.

All other financial assets are classified as available for sale.

Classification of real estate

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

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

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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.

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.

Impairment of associates

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

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.

Impairment of receivables

An estimate of the collectible amount of 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.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

Impairment of goodwill and other intangible assets

The Group determines whether goodwill and intangible assets are 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.

Fair value of financial instruments

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

7 Subsidiaries

Composition of the Group

Set out below are details of the subsidiaries held by the Group:

	Country of incorporation	Voting capital held		Activities
		31 Dec. 2017	31 Dec. 2016	
Held directly:				
Global Projects Holding Company - K.S.C. (Closed) (“GPHC”) (1 and 2)	Kuwait	96.0%	96.0%	Investment
Specialized Environmental Services Company - W.L.L. (“SES”) (1)	Kuwait	99.0%	99.0%	Investment
Global Commercial Privatization Company – W.L.L. (1) (a)	Kuwait	-	99.0%	Import and export
Global Professional General Trading Company -W.L.L.	Kuwait	62.0%	62.0%	General trading and investment
Combined Trust Real Estate Company - W.L.L. (b)	Kuwait	-	51.0%	Real estate
Privatisation Agriculture Contracting Company –W.L.L. (1)	Kuwait	99.0%	99.0%	General trading and contracting
Global Privatisation for Medical Services Company – W.L.L. (1)	Kuwait	99.0%	99.0%	General trading and contracting
Global Specialised Electrical Company – W.L.L. (1)	Kuwait	99.0%	99.0%	Electric power generation
Specialized Education Company – W.L.L. (1)	Kuwait	99.0%	99.0%	Educational services
Wuduh Financial and Economic Consulting Company – K.S.C. (Closed) (1)	Kuwait	99.0%	99.0%	Consultancy services
Daytona Production Company – W.L.L. (1)	Kuwait	99.0%	99.0%	Advertising and publishing
Privatization Holding Company – W.L.L. Jordan	Jordan	100%	100%	Manufacturing
PHC Renovation – LLC	USA	100%	100%	Real estate
Skills Entertainment Company – W.L.L.	Kuwait	100%	100%	Organizing exhibitions, conferences and theatre production
Abyar Gulf Company for General Trading and Contracting - W.L.L. (“Abyar”) (3)	Kuwait	50.0%	50.0%	General trading and contracting
Fairy Hub General Trading Company - W.L.L. (4)	Kuwait	85.0%	-	General trading and contracting
Leader Plus General Trading Company – W.L.L.	Kuwait	99.0%	99.0%	General trading and contracting
Al Takhsis Al Mutamada General Trading and Contracting Company (formerly SNC-Lavalin Kuwait for General Trading and Contracting Company – W.L.L.) (5)	Kuwait	99.0%	-	General trading and contracting
Held through GPHC:				
Gas and Oil Fields Services Company - K.S.C. (Closed) (“GOFSCO”) (c)	Kuwait	-	90.1%	Maintenance of oil and gas wells and related installations
Held through GOFSCO:				
Grand Oil for Oil Activities Company - K.S.C. (Closed)	Kuwait	-	99.0%	Oil and gas sludge cleaning activities
Eastern United Petroleum Services Company -KSC (Closed) (“EUPS”) (d)	Kuwait	-	91.1%	Oil and gas activities
Noor Gazprom Geophysics for Drilling and Maintenance of Oil and Non-Oil Wells Company –W.L.L. (“Gazprom”)	Kuwait	-	51.0%	Drilling and maintenance of oil and non-oil wells
Held through Abyaar:				
Privatization Engineering Company for General Contracting - W.L.L. (3)	Kuwait	50.0%	50.0%	General trading and contracting

1. An insignificant holding of shares are held by nominees who have confirmed in writing that the Parent Company has the beneficial ownership interest in the subsidiary through a letter of assignment.
2. The Parent Company holds 50% and the subsidiary SES holds 46%.
3. The Group classified its 50% investment in “Privatization Engineering Company for General Contracting - W.L.L.” and “Abyar Gulf Company for General Trading and Contracting - W.L.L. (“Abyar”)” as investment in subsidiary since the management believes the Group has the power to control the investee through key management which is also a significant owner of those companies.
4. During the year, the Group incorporated an 85% owned subsidiary in Kuwait named Fairy Hub General Trading Company – W.L.L. with a total share capital of KD 140,000.
5. During the year, the Group acquired additional ownership interest of 69% in Al Takhsis Al Mutamada General Trading and Contracting Company (formerly SNC-Lavalin Kuwait for General Trading and Contracting Company – W.L.L.) which resulted in obtaining a control over the Company, consequently the Group reclassified the Company as investments in subsidiaries from investment in associate. The name of the subsidiary has been changed to Al Takhsis Al Mutamada General Trading and Contracting Company – W.L.L. (14 c)

Discontinued operations

- (a) During the year, the Parent Company disposed Global Commercial Privatization Company –W.L.L. (99% direct subsidiary). The disposal of this subsidiary resulted in a gain amounting to KD 10,000.
- (b) During the year, the Parent Company disposed Combined Trust Real Estate Company –W.L.L. (51% direct subsidiary). The disposal of this subsidiary resulted in a gain amounting to KD 10,000.
- (c) During the year, Board of Directors of the Parent Company disposed of Gas and Oil Services Company (GOFSCO) K.S.C. (Closed) (90.09%)

Income information related to the discontinued operations are restated to include as discontinued operations in the current year.

Below is a summary of business results related to the discontinued operation:

	GOFSCO	
	31 Dec. 2017	31 Dec. 2016
	KD	KD
Revenues	3,901,673	26,834,152
Expenses	(3,645,104)	(24,531,317)
Net profit for the year related to discontinued operations	256,569	2,302,835
Gain on sale of subsidiaries (7 c)	2,789,098	-
	3,045,667	2,302,835

Discontinued operations (continued)

The most significant items related to GOFSCO disposed that represent discontinued operations are as follows:

GOFSCO

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Assets		
Property, plant and equipment	14,655,435	15,043,189
Goodwill (Note 12)	342,734	342,734
Inventories	590,950	581,395
Due to related parties	3,500,000	3,504,060
Accounts receivables and other debit assets	8,650,807	7,258,239
Investment at fair value though profit or loss	25,307	23,139
Fixed deposit	1,246,625	1,246,625
Bank balances and cash*	879,186	1,296,931
Total assets designated as discontinued operations	29,891,044	29,296,312
Liabilities		
Employees' end of services benefits	479,546	464,783
Term Loans	4,639,982	4,867,975
Bank overdraft*	397,419	-
Accounts payables and other credit balances	7,785,759	7,631,786
Total liabilities designated as discontinued operations	13,302,706	12,964,544
Net assets related to the subsidiary subjects to disposal	16,588,338	16,331,768
Net assets attributable to non controlling interest	1,623,678	1,620,750
Net assets attributable to the owners of Company	14,964,660	14,711,018
Ownership interest held by the Group	90.09%	90.09%
Net assets attributable to the Group	13,481,887	13,253,378
Goodwill (Note 12)	2,150,171	2,150,171
Net assets directly associated with discontinued operation	15,632,058	15,403,549
Sales consideration		18,018,302
Net assets directly associated with discontinued operation		(15,632,058)
Gain on sale of subsidiaries 2017		2,386,244
Reclassified gain from equity arose from partial deposal in 2016		402,854
Total gain on sale of subsidiaries (Note 7 c)		2,789,098

*Net cash out flow from disposal is KD 481,768. Consideration of KD 18,018,302 is to be settled as described in Note 17.

Earnings per share from discontinued operations are as follows:

Basic Earnings per share (fils) (Note 10)	5.02	3.45
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Discontinued operations (continued)

Net cash flows related to discontinued operations as follows:

	GOFSCO	
	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Net cash flows from operating activities	(581,441)	7,548,622
Net cash flows used in investing activities	(5,730)	(2,321,572)
Net cash flows used in financing activities	(227,942)	(6,311,335)
Net cash outflows	(815,113)	(1,084,285)

- (d) Subsequent to GOFSCO disposal, the Group reclassified 42.78% stake (Directly held) in Eastern United Petroleum Company – K.S.C. (Closed) to investment in associate along with goodwill that arose from step acquisition during 2016 amounting to KD 489,694 which was recognized in equity.

Subsidiaries with material non-controlling interests

The Group's following subsidiaries have material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit(loss) allocated to NCI		Accumulated NCI	
	2017	2016	2017	2016	2017	2016
			KD	KD	KD	KD
Gas and Oil Fields Services Company -KSC (Closed) ("GOFSCO")	-	9.9%	-	228,528	-	1,768,720
Abyar Gulf Company for General Trading and Contracting - W.L.L. ("Abyar")	50%	50%	78,080	249,531	1,996,909	1,968,828
Individual immaterial subsidiaries with non controlling interest	-	-	50,771	(20,978)	(146,946)	(116,384)
			128,851	457,081	1,849,963	3,621,164

Summarised consolidated financial statements of material non-controlling interests, before inter-group eliminations, is set out below:

Abyar Gulf Company for General Trading and Contract – W.L.L.

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Non-current assets	1,574,674	1,680,627
Current assets	5,713,069	5,403,717
Total assets	7,287,743	7,084,344

Subsidiaries with material non-controlling interests (continued)

Abyar Gulf Company for General Trading and Contract – W.L.L. (continued)

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Non-current liabilities	170,652	235,970
Current liabilities	3,881,454	2,749,252
Total liabilities	4,052,106	2,985,222
Net assets	3,235,637	4,099,122
Ownership interest held by the Group	50 %	50 %
Ownership interest held by non-controlling interests	50 %	50 %
Net assets attributable to the owners of Parent Company	2,477,456	3,340,437
Net assets attributable to non-controlling interests	758,181	758,685
Total equity	3,235,637	4,099,122
Revenues	3,730,758	4,186,659
Expenses	(3,574,093)	(3,814,486)
Net profit	156,665	372,173

8 Interest income

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Fixed deposits	49,958	47,286
Held-to-maturity investments	69,223	63,563
Other cash balances	3,450	5,092
	122,631	115,941

9 General and administrative expenses

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Staff costs	1,939,596	1,629,523
Other expenses	1,179,822	1,175,519
	3,119,418	2,805,042

10 Basic and diluted earnings/(losses) per share attributable to the Shareholders of the Parent Company

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to Shareholders of the Parent Company by the weighted average number of shares outstanding during the year, less treasury shares as follows:

	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
Profit/(loss) for the year attributable to Shareholders of the Parent Company (KD)	3,150,506	(2,449,848)
Net profit/(loss) for the year from continuing operations (KD)	84,839	(4,752,683)
Discontinued operations (KD)	3,065,667	2,302,835
Weighted average number of shares outstanding less treasury shares (No's)	610,000,000	668,420,104
Basic and diluted earnings/(loss) per share attributable to Shareholders of the Parent Company (fils)	5.16	(3.66)
From continuing operations (fils)	0.14	(7.11)
From discontinued operations (fils)	5.02	3.45

11 Property, plant and equipment

	Leasehold land KD	Office building KD	Machinery and equipment KD	Furniture and fixtures KD	Capital work in progress KD	Total KD
Cost:						
At 1 January 2017	2,307,486	2,630,924	26,924,467	810,735	1,789,902	34,463,514
Subsidiary derecognition	(816,479)	(578,830)	(17,225,637)	(260,432)	(1,592,373)	(20,473,751)
Additions	-	38,642	134,397	37,583	-	210,622
Transfers	-	-	196,679	-	(196,679)	-
Reclassification	-	24,842	(18,289)	(28,340)	(850)	(22,637)
Disposals	-	-	-	(1,998)	-	(1,998)
At 31 December 2017	1,491,007	2,115,578	10,011,617	557,548	-	14,175,750
Depreciation:						
At 1 January 2017	51,000	162,748	6,440,072	590,036	-	7,243,856
Subsidiary derecognition	-	(68,108)	(5,581,454)	(168,751)	-	(5,818,313)
Charge for the year	17,000	69,898	712,329	53,932	-	853,159
Reclassification	-	(113)	(15,782)	(6,747)	-	(22,642)
Disposals	-	-	-	(1,997)	-	(1,997)
At 31 December 2017	68,000	164,425	1,555,165	466,473	-	2,254,063
Net book value:						
At 31 December 2017	1,423,007	1,951,153	8,456,452	91,075	-	11,921,687

Leasehold rights of KD 340,000 is related to 20 years leasehold right contract signed with the Public Authority for Industry. The leasehold right is registered under the name of a related party (“the nominee”). The nominee has confirmed in writing that Abyar Gulf Company for General Trading and Contract – W.L.L. (subsidiary) is the beneficial owner of the leasehold right. The leasehold right is amortised over the contract period. Remaining amounts represent leasehold land rented from the government of Kuwait for a period of 5 years renewable for similar periods.

Property, plant and equipment amounting to KD 9,780,616 (31 December 2016: KD 12,001,888) have been mortgaged against fixed assets payable (Note 23).

11. Property, plant and equipment (Continued)

	Leasehold land	Office building	Machinery and equipment	Furniture and fixtures	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD
Cost:						
At 1 January 2016	1,156,479	284,418	13,962,939	613,234	34,261	16,051,331
Arising on acquisition of subsidiary	-	355,965	3,423,888	76,352	-	3,856,205
Additions	1,151,007	1,990,541	9,508,731	124,019	1,790,924	14,565,222
Transfers	-	-	35,283	-	(35,283)	-
Disposals	-	-	(6,374)	(2,870)	-	(9,244)
At 31 December 2016	2,307,486	2,630,924	26,924,467	810,735	1,789,902	34,463,514
Depreciation:						
At 1 January 2016	34,000	122,627	4,104,523	395,980	-	4,657,130
Arising on acquisition of subsidiary	-	2,626	801,160	48,810	-	852,596
Charge for the year	17,000	37,495	1,535,343	146,326	-	1,736,164
Disposals	-	-	(954)	(1,080)	-	(2,034)
At 31 December 2016	51,000	162,748	6,440,072	590,036	-	7,243,856
Net book value:						
At 31 December 2016	2,256,486	2,468,176	20,484,395	220,699	1,789,902	27,219,658

12 Intangible assets

	Goodwill	Other intangible assets	Total
	KD	KD	KD
Cost:			
At 1 January 2017	2,492,905	1,167,502	3,660,407
Additions*	-	574,479	574,479
Disposal of subsidiary (Note 7 c)	(2,492,905)	(1,167,502)	(3,660,407)
At 31 December 2017	-	574,479	574,479
Amortisation:			
At 1 January 2017	-	1,167,502	1,167,502
Charge for the year	-	122,539	122,539
Disposal of subsidiary (Note 7 c)	-	(1,167,502)	(1,167,502)
At 31 December 2017	-	122,539	122,539
Net book value:			
At 31 December 2017	-	451,940	451,940
Cost:			
At 1 January 2016	2,160,176	1,167,502	3,327,678
Additions	332,729	-	332,729
At 31 December 2016	2,492,905	1,167,502	3,660,407
Amortisation:			
At 1 January 2016	-	1,167,502	1,167,502
At 31 December 2016	-	1,167,502	1,167,502
Net book value:			
At 31 December 2016	2,492,905	-	2,492,905

*Additions represent cost incurred in producing TV serials during the year 2017.

13 Investment properties

	31 Dec. 2017	31 Dec. 2016
	KD	KD
As at 1 January	2,717,526	3,384,974
Disposals	(32,795)	(181,233)
Change in fair value	117,967	(486,215)
At 31 December	2,802,698	2,717,526

The investment properties amounting to KD 296,147 are in the name of key management personnel (Note 25).

Fair value hierarchy disclosures for investment properties are given in Note 29.3.

14 Investment in associates

The details of the Group's investment in associates are as follows:

Name of the company	Country of incorporation	Equity interest		Activities
		2017	2016	
Kuwait Building Materials Manufacturing Company - KPSC ("KBMMC")	Kuwait	46.99%	47.4%	Building materials
First Equilease for Equipment and Transportation - K.S.C. (Closed) ("FTC") (a)	Kuwait	16%	16.0%	Transportation services
Kingdom Electricity Company – J.S.C.C ("KEC")	Jordan	30%	30.0%	Energy and industrial projects
Nawand Communications Holding Company - BSC (Closed) ("Nawand") (a)	Kingdom of Bahrain	17.3%	17.3%	Telecom services
Al Takhsis Al Mutamada General Trading and Contracting Company (formerly SNC-Lavalin Kuwait for General Trading and Contracting Company – W.L.L.) (c)	Kuwait	-	30.0%	General trading and contracting
Kuwait Pillars for Financial Investment Company – K.S.C.C. ("KPFI") [Formerly Strategia Investment Company - KPSC ("Strategia")]	Kuwait	42.98%	43.0%	Investments
National Industries Company – KPSC and subsidiaries ("NIC") (a)	Kuwait	14.13%	14.2%	Manufacturing and marketing building materials
Canarde Group Consortium S.A.E.	Egypt	30%	30.0%	Generating and maintaining electricity and electricity plant
Eastern United Petroleum Services Company – KSC (Closed) ("EUPS") (b)	Kuwait	42.78%	-	Oil and gas activities

- (e) The investment in FTC, Nawand and NIC have been classified as associates because the Parent Company exercises significant influence over the investee companies through representations on their Board of Directors and participation in their decision making process in relation to their financial and operating policies.
- (f) During the year and subsequent to GOFSCO disposal, the Group reclassified 42.78% stake (Directly held) in Eastern United Petroleum Company – K.S.C. (Closed) to investment in associate along with goodwill that arose from step acquisition during 2016 amounting to KD 489,694 which was recognized in equity.
- (g) Al Takhsis Al Mutamada General Trading and Contracting Company (formerly SNC-Lavalin Kuwait for General Trading and Contracting Company – W.L.L.) have been reclassified into investment subsidiaries upon gaining control.

The movement in investment in associates is as follows:

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Balance at beginning of the year	45,107,752	46,742,183
Additions	10,515	10,809
Reclassified from/(to) investment in subsidiary	1,746,914	(1,619,332)
Disposal	(538,013)	(92,893)
Dividends	(595,922)	(1,214,387)
Share of results	1,885,391	1,580,057
Cumulative changes in fair values	11,359	96,607
Foreign currency translation adjustment	(132,413)	48,451
Other reserves	(269,728)	(443,743)
Balance at end of the year	47,225,855	45,107,752

Investment in associates include quoted associates with a carrying value of KD 16,792,487 (2016: KD 20,013,780) having a market value of KD 10,194,317(2016: KD 13,032,971).

Management has performed a review of investments in associates to assess whether impairment has occurred and concluded that there are no indications of impairment (2016: KD nil).

14. Investment in associates (Continued)

Summarised financial statements of Group's material associates are set out below:

31 December 2017	KBMMC	FTC	KEC	KPFI	NIC	EUPS	Non-material	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Assets								
Current	4,286,725	10,148,835	150,293,260	4,108,849	45,460,612	1,680,498	80,416	
Non-current	2,349,425	1,363,869	194,899,038	29,636,273	68,260,650	5,885,497	-	
Liabilities								
Current	(399,365)	(224,854)	(172,657,974)	(669,266)	(14,488,615)	(1,794,180)	-	
Non-current	(549,972)	-	(145,715,555)	-	(8,944,191)	(2,398,575)	-	
Non-controlling interests	5,686,813	11,287,850	26,818,769	33,075,856	90,288,456	3,373,240	80,416	
	-	(238,854)	(7,385,610)	-	(5,164,033)	-	-	
Group's holding	5,686,813	11,048,996	19,433,159	33,075,856	85,124,423	3,373,240	80,416	
Group's share of net assets	46.99%	16%	30%	42.98%	14.13%	42.78%		
Goodwill	2,672,636	1,767,839	5,829,948	14,215,604	12,028,554	1,443,095	24,126	37,981,802
Carrying amount	439,867	-	3,419,295	131,264	4,763,933	489,694	-	9,244,053
	3,112,503	1,767,839	9,249,243	14,346,868	16,792,487	1,932,789	24,126	47,225,855
Revenues	2,412,947	758,960	187,376,317	2,043,607	45,141,856	2,809,013	-	
Expenses and other charges	(2,210,173)	(1,475,227)	(184,559,432)	(1,010,740)	(42,042,750)	(2,497,137)	-	
Net profit/(loss) attributable to Shareholders	202,774	(716,267)	2,816,885	1,032,867	3,099,106	311,876	-	
Total comprehensive (loss)/income	202,774	(771,256)	2,816,885	1,028,018	3,118,107	311,876	-	
Group's share of total comprehensive income/(loss)	95,458	(123,401)	845,065	442,321	486,717	131,035	(112,858)	1,764,337
Dividend received	100,552	-	-	-	495,370	-	-	595,922

14. Investment in associates (Continued)

31 December 2016	KBMMC	FTC	KEC	KPFI	NIC	Non-material	Total
	KD	KD	KD	KD	KD	KD	KD
Assets							
Current	4,167,104	10,048,909	109,780,553	6,803,005	£1,843,1W	288,849	
Non-current	2,516,409	2,457,569	180,346,864	26,433,364	70,069,125	-	
Liabilities							
Current	(456,439)	(284,773)	(122,687,490)	(609,502)	(16,411,256)	(750)	
Non-current	(530,803)	(43,874)	(141,347,639)	-	(5,938,122)	-	
Non-controlling interests	5,696,271	12,177,831	26,092,288	32,626,867	90,563,424	288,099	
	-	(357,575)	(7,862,652)	-	(5,466,435)	-	
Net assets	5,696,271	11,820,256	18,229,636	32,626,867	84,091,989	288,099	
Group's holding	47.4%	16%	30%	43.0%	14.2%		
Group's share of net assets	2,698,799	1,891,241	5,468,891	14,048,736	12,070,143	86,430	36,264,240
Goodwill	463,846	-	3,467,941	130,733	4,780,992	-	8,843,512
Carrying amount	3,162,645	1,891,241	8,936,832	14,179,469	16,851,135	86,430	45,107,752
Revenues	2,727,872	2,579,119	237,036,427	1,994,098	42,894,486	-	
Expenses and other charges	(2,600,367)	(3,443,113)	(232,963,279)	(1,195,260)	(42,243,713)	(1,111)	
Net profit/(loss) attributable to Shareholders	127,505	(863,994)	4,073,148	798,838	650,773	(1,111)	
Total comprehensive income/(loss)	127,505	(833,436)	4,073,148	583,011	2,060,661	(1,111)	
Group's share of total comprehensive income/(loss)	60,410	(133,350)	1,221,944	251,038	292,284	32,789	1,725,115
Dividend received	143,645	80,000	-	-	990,742	-	1,214,387

15 Available for sale investments

	31 Dec. 2017 KD	31 Dec. 2016 KD
Quoted equity securities	16,356,863	21,072,781
Unquoted equity securities	13,553,801	8,688,031
Mutual funds	10,236,267	10,130,384
	40,146,931	39,891,196

Mutual funds are carried at net asset values provided by the fund managers.

Unquoted equity securities of KD 377,000 (2016: KD 3,553,290) are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term.

Management has performed a review of available for sale investments to assess whether impairment has occurred and recorded impairment loss on quoted equity securities of KD Nil, unquoted equity securities KD Nil (2016: quoted equity shares KD 817,093, unquoted equity shares KD 631,300), in the consolidated statement of income.

Certain equity securities classified as available for sale investments are registered in the name of a major shareholder (Note 25).

At 31 December 2017, the Group also held equity securities of related parties with a carrying value of KD 8,512,602 (2016: KD 9,538,778) (Note 25).

Available for sale investments amounting to KD 22,731,753 (2016: KD 22,002,386) are secured against certain term loans (Note 22).

16 Held-to-maturity investment

Held to maturity investment represents the amount invested in SUKUK with a local Islamic financial institution amounting KD 1,500,000 carrying profit rate of 2 % (2016: 2%) above Central Bank Kuwait discount rate, which matures on 12 August 2018.

17 Accounts receivable and other debit balances

	31 Dec. 2017 KD	31 Dec. 2016 KD
Trade receivables	6,224,857	10,832,769
Amounts due from related parties (Note 25)	8,060,787	5,509,529
Interest receivable	3,000,000	3,000,000
Prepaid expenses and accrued income	94,849	379,671
Due from sale of subsidiary	5,600,000	-
Advances to supplier	1,556,815	869,004
Other receivables	661,941	1,646,298
	25,199,249	22,237,271
Collections after next twelve months	7,469,238	5,043,423
Collections within next twelve months	17,730,011	17,193,848
	25,199,249	22,237,271

Due from sale of subsidiary represents, the balance from disposal of GOFSCO (90.09%) for total consideration of KD 18,018,302 (Under note 7c). Under terms of agreement, KD 8,918,302 was received during 2017, KD 3,500,000 was paid through settlement of related party loan and KD 5,600,000 to be settled in subsequent to year end.

Interest receivable of KD 3,000,000 (2016: KD 3,000,000) is past due and the Parent Company intends to reschedule the repayment date.

As at 31 December the aging analysis of trade receivables is as follows:

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	KD	KD
Neither past due nor impaired	3,045,132	5,723,623
- 3 – 6 months	842,477	2,486,227
- over 6 months	2,337,248	2,622,919
Total trade receivables	6,224,857	10,832,769

18 Investments at fair value through profit or loss

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	KD	KD
Held for trading		
Quoted equity securities	3,486,511	3,197,488
Designated upon initial recognition		
Unquoted equity securities	11,064,035	10,672,634
Mutual funds	56,036	56,046
	14,606,582	13,926,168

At 31 December 2017, the Group also held shares of related parties with a carrying value of KD 142,943 (2016: KD 146,573) (Note 25).

Investments at fair value through profit or loss amounting to KD 14,444,689 (31 December 2016: KD 13,741,723) are secured against certain term loans (Note 22).

19 Cash and cash equivalents and fixed deposits

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following:

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	KD	KD
Cash and bank balances	3,715,732	4,825,138
Cash with portfolio managers	1,724,548	250,755
Fixed deposits with original maturity less than three months	550,423	200,103
Restricted cash*	992,784	1,050,033
	6,983,487	6,326,029
Less: Bank overdraft	(60,017)	(15,120)
Cash and cash equivalents as per statement of cash flow	6,923,470	6,310,909
Fixed deposits with original maturity exceeding three months	34,695	1,277,431

* This balance represents cash restricted against bank facilities.

Fixed deposits are held with local and foreign commercial banks and yield an effective interest rate ranging from 0.6 to 13.5% (2016: 0.6% to 7%) per annum.

Bank overdraft includes a bank overdraft facility which bears an effective interest rate of 2.5% (2016: 2.5%) per annum above Central Bank of Kuwait ("CBK") discount rate.

20 Share capital and share premium

The authorised, issued and fully paid capital is KD 61,000,000 divided into 610,000,000 shares as at 31 December 2017, 2016 each of a nominal value of 100 fils. All shares are paid in cash.

Share premium is not available for distribution.

21 Reserves

Statutory reserve

The Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association require that 10% of the profit for the year before KFAS, NLST, Zakat and Board of Directors' remuneration to be transferred to the statutory reserve. The Shareholders of Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

General reserve

The Parent Company's Articles of Association and the Companies Law require that 10% of the profit for the year before KFAS, NLST, Zakat and Board of Directors' remuneration to be transferred to the general reserve. There are no restrictions on distribution of general reserve. Such transfer may be discontinued by a resolution of the Shareholders' General Assembly meeting upon recommendation by Board of Directors

22 Term loans

	31 Dec. 2017 KD	31 Dec. 2016 KD
Term loan (a)	10,343,737	10,909,394
Term loan (b)	9,000,000	9,000,000
Term loan (c)	2,325,648	6,993,723
Term loan (d)	11,500,000	12,000,000
Term loan (e)	1,455,722	1,455,722
Term loan (f)	4,266,750	4,320,700
	<u>38,891,857</u>	<u>44,679,539</u>
Installments due after next twelve months	15,889,015	24,499,222
Installments due within next twelve months	23,002,842	20,142,810
	<u>38,891,857</u>	<u>44,642,032</u>

Term loan (a) represents short-term credit facilities of KD 2,633,017 (2016: KD 1,179,170) and long term credit facilities of KD 7,710,720 (2016: KD 9,730,224) obtained from a local bank which are subject to interest rates ranging between 2.5% to 4% (2016: 2.5% to 4%) per annum over the CBK discount rate or 3 months LIBOR. The term loan is payable on different installments starting from 2017 till 2020. These term loans are secured against certain securities classified as available for sale (Note 15) and investments at fair value through profit or loss (Note 18).

Term loan (b) represents short-term credit facility from a local financial institution which carries interest at the rate of 5% per annum. The term loan is secured against certain portfolios maintained by a third party classified as available for sale (Note 15) and investments at fair value through profit or loss (Note 18).

Term loan (c) represents short-term credit facilities KD 2,325,648 (2016: KD 5,545,425) and long term credit facilities of KD Nil (2016: KD 1,448,298) from local and foreign banks and are subject to interest rates ranging from 5% to 6% per annum.

Term loan (d) represents long-term credit facilities obtained from a local bank which are subject to interest rates of 2.5% (2016: 2.5%) per annum above the CBK discount rate. The term loan is payable in equal semi annual installments of KD 1,500,000 ending 31 December 2020. This term loan is secured against certain securities classified as available for sale (Note 15).

Term loan (e) represents short term credit facility of JOD 3.4 million (equivalent to KD 1.5 million).

Term loan (f) represents long term credit facility of JOD 10 million (equivalent to KD 4.2 million) from a foreign bank which will be paid in eight equal quarterly installments starting 31 March 2018 and carries interest rate of 8.5%.

23 Accounts payable and other credit balances

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Accounts payable	503,572	2,322,765
Amounts due to related parties (Note 25)	2,098,633	2,726,922
Fixed assets Payable*	7,053,191	8,162,712
Accrued expenses and other liabilities	3,456,855	8,523,241
	13,112,251	21,735,640
Payments due after next twelve months	6,045,592	7,142,373
Payments due within next twelve months	7,066,659	14,593,267
	13,112,251	21,735,640

*Property, plant and equipment amounting to JOD 22.9 million (equivalent to KD 9.8 million) are secured against fixed assets payable (Note 11). This balance is payable in 8 installments on annual basis.

24 Annual General Assembly

The Board of Directors' meeting of the Parent Company held on 28 March 2018 recommended cash dividends of 5 fils per share for the year ended 31 December 2017. This recommendation is subject to the approval of the Shareholders' Annual General Assembly. The proposed dividend, if approved, shall be distributed to the shareholders registered in the Parent Company's records as of the date of the Shareholders' Annual General Assembly.

The Annual General Assembly of the Parent Company for the year ended 31 December 2016 held on 26 July 2017 approved the consolidated financial statements for the year ended 31 December 2016 without any dividends.

25 Related party transactions and balances

Related parties represent major Shareholders, associates, 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 and balances with related parties included in the consolidated financial statements are as follows:

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	KD	KD
Transactions included in consolidated statement of income:		
Dividend Income	1,000	33,705
Interest Expense	(35,915)	-
Portfolio management fees	(111)	(161)
Consolidated statement of financial position		
Cash with portfolio manager	2,260	1,738
Available for sale investments (Note 15)	8,512,602	9,538,778
Investments at fair value through profit or loss (Note 18)	142,943	146,573
Due from related parties (Note 17)	8,060,787	5,509,529
Due to related parties (Note 23)	2,098,633	(2,726,922)

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

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year was as follows:

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	KD	KD
Compensation of key management personnel:		
Short-term benefits	557,021	890,923
End of service benefits	156,923	191,868
	<u>713,944</u>	<u>1,082,791</u>

25. Related party transactions and balances (Continued)

The following financial assets are managed by related parties:

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Available for sale investments		
Quoted equity securities	138,961	111,444
Unquoted equity securities	316,456	301,100
Mutual funds	86,895	88,131

Investments at fair value through profit or loss

Quoted equity securities	18,950	37,872
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The equity securities classified as available for sale investments with a carrying value of KD 2,896,101 (quoted KD 221,771, unquoted KD 2,674,330, (31 December 2016: KD 2,914,820 quoted KD 240,490, unquoted KD 2,674,330) are registered in the name of major shareholder of the Parent Company who has confirmed in writing that they hold these equity securities on behalf of the Parent Company (Note 15).

The real estate properties in Egypt classified as investment properties with a carrying value of KD 296,147 (31 December 2016: KD 333,267) are registered in the name of a key management personnel who has confirmed in writing that he holds the investment properties on behalf of the Parent Company (Note 13).

26. Capital commitments and contingencies

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Commitments		
Purchase of available for sale investments	3,156,869	2,808,269
Other commitments	4,232,701	1,616,681

Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 4,518,766 (31 December 2016: KD 5,262,141) from which it is anticipated that no material liabilities will arise.

The Parent Company and Al Khair National for Stocks and Real Estate Company have provided a guarantee to National Bank of Kuwait against a loan of KD 36,880,529 (2016: KD 57,387,502) assigned to a third party during 2012. This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual installments commencing 15 June 2016.

27 Segmental information

For management purposes, the Group is organised into business units based on nature of business and has two reportable operating segments as follows:

- Investment segment represents trading in equities including certain investment in associates and other strategic investments; and
- Other segment represents rendering of non-investment services and general trading and contracting.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments.

	Investment		Other		Total	
	2017	2016	2017	2016	2017	2016
	KD	KD	KD	KD	KD	KD
Revenues	4,438,904	465,452	7,672,360	5,780,312	12,111,264	6,245,764
Segment profit/(loss)	981,623	(4,033,579)	(767,933)	(262,023)	213,690	(4,295,602)

Other disclosures:

Depreciation (Note 11)	(20,659)	(24,232)	(832,500)	(1,711,932)	(853,159)	(1,736,164)
Impairments losses	-	(1,448,393)	-	-	-	(1,448,393)
Share of results of associates (Note 14)	1,885,391	1,580,057	-	-	1,885,391	1,580,057

Assets	121,237,999	109,209,561	30,993,115	55,497,038	152,231,114	164,706,599
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Liabilities	35,476,054	36,460,927	17,564,170	31,187,032	53,040,224	67,647,959
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Other disclosures:

Investment in associates (Note 14)	47,225,855	45,107,752	-	-	47,225,855	45,107,752
Additions to property, plant and equipment (Note 11)	9,516	41,843	201,106	14,523,379	210,622	14,565,222

Geographic information

The Group operates in two geographic regions; Kuwait and Non-Kuwait. The following table shows the distribution of the Group's segment revenue and non-current assets by region:

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Revenues		
Kuwait	7,711,703	4,736,414
Non-Kuwait	4,399,561	1,509,350
	<u>12,111,264</u>	<u>6,245,764</u>

The revenue information above is based on the location of the assets generating the income.

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Non-current assets		
Kuwait	60,566,611	79,360,078
Non-Kuwait	50,953,894	44,616,852
	<u>111,520,505</u>	<u>123,976,930</u>

28 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risk (including currency risk, equity price risk and interest rate 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.

28.1 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 and the Middle East and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Euro, Jordanian Dinar and Egyptian Pound. The Group's financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
US Dollar	1,434,017	95,510
Euro	3,056,359	2,734,862
Jordanian Dinar	3,473,570	2,441,306
Egyptian Pound	510,075	399,024
Others	44,187	19,304

The foreign currency sensitivity is determined based on 5% (2016: 5%), increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

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

	31 December 2017		31 December 2016	
	Effect on profit	Effect on other comprehensive income	Effect on profit	Effect on other comprehensive income
	KD	KD	KD	KD
US Dollar	±472,119	±400,418	±429,915	±434,690
Euro	±130	±152,688	±1,040	±135,703
Jordanian Dinar	±409	±173,270	±1,026	±121,040
Egyptian Pound	±25,504	-	±19,951	-
Others	±948	±1,261	±754	±212

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) Equity price risk

Equity price risk is the risk that fair values of equity securities decrease as a result of changes in the level of equity indices and the value of the individual stocks.

The Group is exposed to equity price risk mainly to its quoted investments. To manage its equity price risk the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If prices had been 5% higher/lower, the effect on the changes in profit and other comprehensive income for the years ended 31 December 2017 and 2016 and equity would have been as follows:

	Profit for the year		Other comprehensive income	
	2017	2016	2017	2016
	KD	KD	KD	KD
Available for sale investments	-	-	±646,408	±850,213
Investments at fair value through profit or loss	±130,444	±121,661	-	-

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's term loans and bank overdrafts with floating interest rates as well as fixed deposits. The effect on Group's profit due to (increase)/decrease in the interest rate by 25 basis points, with all variables held constant is as follows

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Effect on profit	±35,566	±127,981

There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis

28.2 Credit risk

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

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Cash and cash equivalents (excluding cash)	6,952,647	6,310,034
Fixed deposits	34,695	1,277,431
Accounts receivable (excluding prepayments and advances)	23,547,585	20,988,596
Held-to-maturity investments	1,502,156	1,504,470
	32,037,083	30,080,531

Bank balances are maintained with high credit quality financial institutions. Accounts receivable and other debit balances are neither past due nor impaired.

28.3 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 assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date. The maturity profile for available for sale investments is determined based on management's estimate of liquidation of those investments.

The contractual maturity profile of the financial liabilities based on undiscounted cash flow is as follows:

	Less than 3 months	3 to 12 months	Over 1 year	Total
	KD	KD	KD	KD
31 December 2017				
Term loans	2,003,966	20,421,317	19,424,452	41,849,735
Accounts payable and accruals	5,814,141	1,205,684	6,182,131	13,201,956
Bank overdraft	60,176	-	-	60,176
	7,878,283	21,627,001	25,606,583	55,111,867
Commitments	-	7,389,569	-	7,389,569
Contingency – guarantee	-	4,518,766	36,880,529	41,399,295
	7,878,283	33,535,336	62,487,112	103,900,731
31 December 2016				
Term loans	2,660,130	19,287,076	26,973,457	48,920,663
Accounts payable and accruals	6,113,572	7,345,699	7,520,435	20,979,706
Bank overdraft	15,120	-	-	15,120
	8,788,822	26,632,775	34,493,892	69,915,489
Commitments	-	4,424,950	-	4,424,950
Contingency – guarantee	-	8,204,791	57,387,502	65,592,293
	8,788,822	39,262,516	91,881,394	139,932,732

9 Fair value measurement

29.1 Fair value hierarchy

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

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are Grouped into three Levels of a fair value hierarchy.

The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

29.2 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	31 Dec. 2016
	KD	KD
Financial assets:		
<i>Available for sale investments:</i>		
Available for sale investments at cost	377,000	3,553,290
Available for sale investments at fair value	39,769,931	36,337,906
<i>Held-to-maturity investment at amortised cost:</i>		
Held-to-maturity investment	1,502,156	1,504,470
<i>Loans and receivables at amortised cost:</i>		
Accounts receivable and other debit balances	23,547,585	20,988,596
Fixed deposits	34,695	1,277,431
Cash and cash equivalents	6,983,487	6,326,029
<i>Investments at fair value through profit or loss at fair value:</i>		
Investments at fair value through profit or loss	14,606,582	13,926,168
	86,821,436	83,913,890
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
Term loans	38,891,857	44,642,032
Accounts payable and other credit balances	13,042,661	20,547,635
Bank overdraft	60,017	15,120
	51,994,535	65,204,787

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

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

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

		Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Available for sale investments					
Quoted securities	(a)	13,937,995	-	2,418,868	16,356,863
Managed funds	(b)	-	10,236,268	-	10,236,268
Unquoted securities	(c)	-	3,838,575	9,338,225	13,176,800
Investments at fair value through profit or loss					
Quoted securities	(a)	3,486,511	-	-	3,486,511
Managed funds	(b)	-	56,036	-	56,036
Unquoted securities	(c)	-	-	11,064,035	11,064,035
		<u>17,424,506</u>	<u>14,130,879</u>	<u>22,821,128</u>	<u>54,376,513</u>

31 December 2016

		Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Available for sale investments					
Quoted securities	(a)	9,811,451	-	11,261,330	21,072,781
Managed funds	(b)	-	10,130,384	-	10,130,384
Unquoted securities	(c)	-	4,803,544	331,197	5,134,741
Investments at fair value through profit or loss					
Quoted securities	(a)	2,244,457	-	953,031	3,197,488
Managed funds	(b)	-	56,046	-	56,046
Unquoted securities	(c)	-	-	10,672,634	10,672,634
		<u>12,055,908</u>	<u>14,989,974</u>	<u>23,218,192</u>	<u>50,264,074</u>

Measurement at fair value

a) Quoted securities

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques (Level 3).

Measurement at fair value (continued)

a) Managed funds

The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

a) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

a) Financial liabilities

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

Level 3 fair value measurements

The Group's financial assets classified in Level 3 use 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
	KD	KD
Opening balance	23,218,192	16,217,594
Transfer (to)/from level 1	(5,153,197)	12,214,361
Additions	3,640,359	612,500
Transfer to level 2	-	(5,544,960)
(Loss)/gain recognised in:		
- Profit or loss	850,145	(281,303)
Other comprehensive income	265,629	-
Closing balance	22,821,128	23,218,192

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

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

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

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

Available for sale investments and investments at fair value through profit or loss (continued)

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.

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

29.3 Non-financial instruments

Investment properties were fair valued at 31 December 2017 and are classified under level 3 fair value hierarchy and reconciliation is provided in (Note 13).

Description of significant unobservable inputs to valuation of non-financial assets:

Fair value of investment properties were determined using Mark to Market method, conducted by independent valuers considering transaction prices of the property and similar properties. The significant unobservable valuation input used for the purpose of valuation is the market price per square foot / meter and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

30 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 gearing ratio.

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

	31 Dec. 2017	31 Dec. 2016
	KD	KD
Interest bearing loans and borrowings	38,891,857	44,642,032
Bank overdraft	60,017	15,120
Fixed assets payable	7,053,191	8,162,712
Less: Cash and cash equivalents and fixed deposits	(7,018,182)	(7,603,460)
Net debt	38,986,883	45,216,404
Equity attributable to Shareholders of the Parent Company	97,340,927	93,437,476
Total capital and net debt	136,327,810	138,653,880
Gearing ratio	29%	33%

31 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity or net results for the year.

