Consolidated financial statements and Independent auditors' report

Privatization Holding Company – KPSC and Subsidiaries

Kuwait

31 December 2016

Contents

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Independent auditors' 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 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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.

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 IFRS 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.

Independent auditors' report to the shareholders of Privatization Holding Company – KPSC (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.

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 5.11 and 16 to the consolidated financial statements.

Other information included in the Group's 2016 Annual Report

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

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

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

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

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

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

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

Independent auditors' report to the shareholders of Privatization Holding Company – KPSC (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Independent auditors' report to the shareholders of Privatization Holding Company – KPSC (continued)

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

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

Report on Other Legal and Regulatory Requirements

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

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

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

Kuwait
30 March 2017

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Revenue			
Gain on sale of investments at fair value through profit or loss		3,777	76,491
Change in fair value of investments at fair value through profit or loss		238,490	(198,540)
(Loss)/gain on sale of available for sale investments		(1,766,835)	1,236,965
Change in fair value of investment properties	18	(486,215)	(9,525)
Dividend income		1,294,750	2,055,541
Interest income	8	144,274	284,694
Murabaha income		-	453,941
Share of results of associates	16	1,580,057	561,681
(Loss)/gain on sale of investment properties		(31,061)	16,823
Revenue from sales and services		32,545,549	13,288,433
Foreign exchange loss		(630,296)	(22,349)
Other income		187,426	571,485
Total revenue		33,079,916	18,315,640
Expenses and other charges			
Cost of sales and services		(26,623,113)	(9,998,221)
General and administrative expenses	9	(4,873,934)	(3,356,650)
Portfolio management fees		(52,974)	(100,069)
Finance costs		(2,074,269)	(2,889,567)
Impairment of available for sale investments	14.c	(1,448,393)	(1,399,875)
Impairment of investment in associates		-	(92,055)
Total expenses		(35,072,683)	(17,836,437)
(Loss)/profit for the year before taxation		(1,992,767)	479,203
Taxation		-	-
(Loss)/profit for the year		(1,992,767)	479,203
Attributable to:			
Owners of the parent company		(2,449,848)	109,795
Non-controlling interests		457,081	369,408
		(1,992,767)	479,203
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company	10	(3.7) Fils	0.2 Fils

The notes set out on pages 12 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Notes	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
(Loss)/profit for the year		**(1,992,767)**	479,203
Other comprehensive income/(loss)			
Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:			
Available for sale investments :			
- Change in fair value		**56,034**	(27,389)
- Transferred to consolidated statement of profit or loss on sale		**1,766,835**	(1,236,965)
- Transferred to consolidated statement of profit or loss on impairment	14	**1,448,393**	1,399,875
Exchange difference arising on translation of foreign operations		**44,321**	563
Share of other comprehensive income/(loss) of associates	16	**145,058**	(185,583)
Other comprehensive income/(loss) for the year		**3,460,641**	(49,499)
Total comprehensive income for the year		**1,467,874**	429,704
Attributable to:			
Owners of the parent company		**1,312,910**	(9,357)
Non-controlling interests		**154,964**	439,061
		1,467,874	429,704

The notes set out on pages 12 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2016 KD	31 Dec. 2015 KD
Assets			
Current assets			
Cash and cash equivalents	11	**5,275,996**	10,138,939
Fixed deposits	11	**1,277,431**	1,823,554
Inventory		**2,006,193**	502,532
Investments at fair value through profit or loss	12	**13,926,168**	13,710,220
Accounts receivable and other assets - current portion	13	**18,243,881**	17,087,228
		40,729,669	43,262,473
Non-current assets			
Accounts receivable and other assets - non-current portion	13	**5,043,423**	-
Available for sale investments	14	**39,891,196**	49,713,029
Held-to-maturity investment	15	**1,504,470**	1,506,983
Investment in associates	16	**45,107,752**	46,742,183
Intangible assets	17	**2,492,905**	2,160,176
Investment properties	18	**2,717,526**	3,384,974
Property, plant and equipment	19	**27,219,658**	11,394,201
		123,976,930	114,901,546
Total assets		**164,706,599**	158,164,019
Equity and liabilities			
Equity			
Share capital	20	**61,000,000**	73,828,000
Share premium	20	**24,761,544**	24,761,544
Statutory reserve	21	**1,497,548**	1,497,548
General reserve	21	**5,526,986**	1,072,302
Other reserves		**(574,267)**	(77,567)
Treasury shares	22	**-**	(2,865,881)
Treasury shares reserve	22	**-**	1,815,085
Fair value reserve		**2,849,238**	(820,748)
Foreign currency translation reserve		**710,340**	617,568
(Accumulated losses)/retained earnings		**(2,333,913)**	149,668
Equity attributable to the owners of the parent company		**93,437,476**	99,977,519
Non-controlling interests	7	**3,621,164**	2,015,905
Total equity		**97,058,640**	101,993,424
Liabilities			
Current liabilities			
Due to banks	11	**15,120**	803,614
Accounts payable and other liabilities	23	**13,572,928**	6,721,079
Term loans - current portion	24	**21,163,149**	37,103,832
		34,751,197	44,628,525
Non-current liabilities			
Term loans - non-current portion	24	**31,641,595**	10,680,512
Employees' end of service benefits		**1,255,167**	861,558
		32,896,762	11,542,070
Total liabilities		**67,647,959**	56,170,595
Total equity and liabilities		**164,706,599**	158,164,019

Reyadh S. A. Edrees
Chairman

Mohammad Abdulmoshen Al-Asfor
Vice Chairman

The notes set out on pages 12 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company											Non-controlling interests	Total equity
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Other reserves KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings/ (accumulated losses) KD	Sub-total KD	KD	KD
At 1 January 2016	73,828,000	24,761,544	1,497,548	1,072,302	(77,567)	(2,865,881)	1,815,085	(820,748)	617,568	149,668	99,977,519	2,015,905	101,993,424
Loss 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 profit or loss on sale	-	-	-	-	-	-	-	1,766,835	-	-	1,766,835	-	1,766,835
- Impairment losses	-	-	-	-	-	-	-	1,448,393	-	-	1,448,393	-	1,448,393
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	44,321	-	44,321	-	44,321
Share of other comprehensive income of associates (note 16)	-	-	-	-	-	-	-	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 (note 20)	(12,828,000)	-	-	4,454,684	-	2,865,881	(1,815,085)	-	-	-	(7,322,520)	-	(7,322,520)
Share of other reserves of associates (Note 16)	-	-	-	-	(443,593)	-	-	-	-	-	(443,593)	(150)	(443,743)
Net ownership changes in subsidiaries (note 7)	-	-	-	-	(86,840)	-	-	-	-	-	(86,840)	86,840	-
Purchase of subsidiary (note 7)	-	-	-	-	-	-	-	-	-	-	-	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	(574,267)	-	-	2,849,238	710,340	(2,333,913)	93,437,476	3,621,164	97,058,640

The notes set out on pages 12 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company											Non-controlling interests	Total equity
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Other reserves KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	KD	KD
At 1 January 2015	73,828,000	24,761,544	1,486,581	1,061,335	5,336	(282,084)	1,801,684	(384,428)	300,400	3,742,501	106,320,869	988,704	107,309,573
Profit for the year	-	-	-	-	-	-	-	-	-	109,795	109,795	369,408	479,203
Other comprehensive income:													
Available for sale investments :													
- Change in fair value	-	-	-	-	-	-	-	(97,041)	-	-	(97,041)	69,652	(27,389)
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	-	-	(1,236,965)	-	-	(1,236,965)	-	(1,236,965)
- Impairment losses	-	-	-	-	-	-	-	1,399,875	-	-	1,399,875	-	1,399,875
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	563	-	563	-	563
Share of other comprehensive (loss)/income of associates (note 16)	-	-	-	-	-	-	-	(502,189)	316,605	-	(185,584)	1	(185,583)
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(436,320)	317,168	-	(119,152)	69,653	(49,499)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(436,320)	317,168	109,795	(9,357)	439,061	429,704
Purchase of treasury shares	-	-	-	-	-	(2,798,515)	-	-	-	-	(2,798,515)	-	(2,798,515)
Sale of treasury shares	-	-	-	-	-	214,718	13,401	-	-	-	228,119	-	228,119
Share of other reserves of associate (Note 16)	-	-	-	-	(69,962)	-	-	-	-	-	(69,962)	-	(69,962)
Ownership changes in equity of a subsidiary without loss of control	-	-	-	-	(12,941)	-	-	-	-	-	(12,941)	4,256	(8,685)
Purchase of subsidiary	-	-	-	-	-	-	-	-	-	-	-	583,884	583,884
Dividends paid	-	-	-	-	-	-	-	-	-	(3,680,694)	(3,680,694)	-	(3,680,694)
Transfer to reserves	-	-	10,967	10,967	-	-	-	-	-	(21,934)	-	-	-
At 31 December 2015	**73,828,000**	**24,761,544**	**1,497,548**	**1,072,302**	**(77,567)**	**(2,865,881)**	**1,815,085**	**(820,748)**	**617,568**	**149,668**	**99,977,519**	**2,015,905**	**101,993,424**

The notes set out on pages 12 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
OPERATING ACTIVITIES			
(Loss)/profit for the year		**(1,992,767)**	479,203
Adjustments for:			
Depreciation	19	**1,736,164**	1,305,246
Provision for employees' end of service benefits		**338,024**	287,660
Gain on sale of available of sale of investments		**1,766,835**	(1,236,965)
Gain on sale of investments at fair value through profit or loss		**(3,777)**	(76,491)
Change in fair value of investments at fair value through profit or loss		**(238,490)**	198,540
Dividend income		**(1,294,750)**	(2,055,541)
Interest income		**(144,274)**	(284,694)
Murabaha income		**-**	(453,941)
Finance costs		**2,074,269**	2,889,567
Foreign exchange loss		**630,296**	22,349
Share of results of associates	16	**(1,580,057)**	(561,681)
Loss/(gain) on sale of investment properties		**31,061**	(16,823)
Change in fair value of investment properties		**486,215**	9,525
Provision for doubtful debts		**-**	92,405
Impairment of available for sale investments	14	**1,448,393**	1,399,875
Impairment of investment in associates		**-**	92,055
Changes in operating assets and liabilities:		**3,257,142**	2,090,289
Inventory		**(1,369,000)**	(78,863)
Accounts receivable and other assets		**(4,946,244)**	(2,116,320)
Investments at fair value through profit or loss		**26,319**	548,523
Accounts payable and other liabilities		**2,416,525**	2,563,901
Cash flows (used in)/from operating activities		**(615,258)**	3,007,530
Taxation paid		**(56,653)**	(152,260)
Employees' end of service benefits paid		**(47,054)**	(69,040)
Net cash flows (used in)/from operating activities		**(718,965)**	2,786,230
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19	**(14,565,222)**	(613,364)
Proceeds from sale of property, plant and equipment		**7,210**	-
Additions to investment in associates	16	**(10,809)**	(566,564)
Proceeds from disposal of associates	16	**92,893**	-
Dividend received from associates	16	**1,214,387**	2,414,416
Proceeds from sale of investment properties		**150,172**	285,920
Net movement of murabaha receivable		**-**	14,935,715
Purchase of available for sale investments		**(631,527)**	(4,291,399)
Proceeds from sale of available for sale investments		**10,509,392**	12,139,195
Movement in fixed deposits with original maturity period exceeding three months		**546,123**	(1,823,554)
Murabaha income received		**-**	558,284
Interest income received		**134,377**	277,711
Dividend income received		**1,294,750**	2,055,541
Purchase of held to maturity investment		**-**	(1,500,000)
Proceeds from redemption of held to maturity investment		**3,529**	2,700,000
Net cash from/(used in) acquisition of investment in subsidiary	7	**1,557,918**	(300,000)
Net cash flows from investing activities		**303,193**	26,271,901

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015
FINANCING ACTIVITIES			
Purchase of treasury shares		-	(2,798,515)
Sale of treasury shares		-	228,119
Proceeds from term loans		40,044,116	8,408,830
Repayment of term loans		(35,107,526)	(29,098,916)
Dividends paid		-	(3,680,694)
Finance costs paid		(2,088,642)	(3,069,684)
Share capital repayments		(6,098,320)	-
Movement in non-controlling interests		(14,119)	4,256
Net cash flows used in financing activities		(3,264,491)	(30,006,604)
Net decrease in cash and cash equivalents		(3,680,263)	(948,473)
Foreign currency translation adjustments		(394,186)	563
Cash and cash equivalents at beginning of the year		9,335,325	10,283,235
Cash and cash equivalents at end of the year	11	5,260,876	9,335,325

Non-cash transactions			
Investment in associates	7	1,619,332	-
Investment in subsidiary	7	(1,619,332)	-

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

The consolidated financial statements of the group for the year ended 31 December 2016 were authorised for issue by the Parent company's board of directors on 30 March 2017 and are subject to the approval of the General Assembly of the shareholders.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for 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.

3 Statement of compliance

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

4 Changes in accounting policies

4.1 New and amended standards adopted by the group

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

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

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception – Amendments'

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Annual Improvements to IFRSs 2012–2014 Cycle

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

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

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

4.2 IASB Standards issued but not yet effective

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017 and 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IAS 7 Statement of Cash Flows- Amendments

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

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
    - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
    - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

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

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

The five steps in the model are as follows:

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

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- Specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

5 Significant accounting policies

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

5.1 Basis of consolidation

The 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 profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed 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 profit or loss .

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 owners of the Parent company.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

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.

5.2.1 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.

5.2.2 Revenue from service

Revenue from service is recognised when services are rendered.

5.2.3 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 profit or loss.

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).

5.2.4 Dividend income

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

5.2.5 Rental income

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

5.2.6 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 profit or loss upon utilisation of the service or at the date of their origin.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.4 Finance costs
Finance costs are recognised in the consolidated statement of profit or loss on a time proportion basis over the period of related liabilities.

5.5 Taxation

5.5.1 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group 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.

5.5.2 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.

5.5.3 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.

5.5.4 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.7 Business combinations (continued)

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

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

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

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

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 profit or loss in the year in which the expenditure is incurred.

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.9 Intangible assets (continued)

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 profit or loss.

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 profit or loss 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 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 profit or loss.

Transfers are made to or from investment property 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 company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

5.11 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Investment in associates (continued)

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 profit or loss.

5.12 Financial instruments

5.12.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either.

  (a) the group has transferred substantially all the risks and rewards of the asset or
  (b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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

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

5.12.2 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:

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

- 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 assets

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 profit or loss 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

- ***Financial assets at* FVTPL (continued)**

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

- ***AFS financial assets***

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

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

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

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

- ***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 profit or loss.

5.12.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include accounts payable and other liabilities, amount due to related parties and term loans.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.3 Classification and subsequent measurement of financial liabilities (continued)

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

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

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.18 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.

5.19 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 gain and losses arising from partial acquisition and disposal of subsidiaries.

Retained earnings/(accumulated losses) include all current and prior period retained profit/(accumulated losses). All transactions with owners of the Parent company are recorded separately within equity.

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

5.20 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 voluntary 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.21 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.

5.22 Foreign currency translation

5.22.1 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.

5.22.2 Foreign currency transactions and balances

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

5.22.3 Foreign operations

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

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

5.23 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.23 Provisions, contingent assets and contingent liabilities (continued)
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.

5.24 Related party transactions
Related parties consist of major shareholders, associates, directors, executive officers, their close family members and companies of which they are principal owners. 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.

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

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

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

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

6.1.2 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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.2 Classification of real estate (continued)
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.

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

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

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

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

6.2.3 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.

6.2.4 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.

6.2.5 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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.6 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

7.1 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. 2016	31 Dec. 2015	
Held directly:				
Global Projects Holding Company - K.S.C. (Closed) ("GPHC") (7.1.1 and 7.1.2)	Kuwait	**96.0%**	96.0%	Investment
Specialized Environmental Services Company - WLL ("SES") (7.1.1)	Kuwait	**99.0%**	99.0%	Investment
Global Commercial Privatization Company – WLL (7.1.1)	Kuwait	**99.0%**	99.0%	Import and export
Global Professional General Trading Company - WLL	Kuwait	**62.0%**	62.0%	General trading and investment
Combined Trust Real Estate Company - WLL	Kuwait	**51.0%**	51.0%	Real estate
Privatisation Agriculture Contracting Company – WLL (7.1.1)	Kuwait	**99.0%**	99.0%	General trading and contracting
Global Privatisation for Medical Services Company – WLL (7.1.1)	Kuwait	**99.0%**	99.0%	General trading and contracting
Global Specialised Electrical Company – WLL (7.1.1)	Kuwait	**99.0%**	99.0%	Electric power generation
Specialized Education Company – WLL (7.1.1)	Kuwait	**99.0%**	99.0%	Educational services
Wuduh Financial & Economic Consulting Company – WLL (7.1.1)	Kuwait	**99.0%**	99.0%	Consultancy services
Daytona Production Company – WLL (7.1.1)	Kuwait	**99.0%**	99.0%	Advertising and publishing
Privatization Holding Company – WLL Jordan	Jordan	**100%**	100%	Manufacturing
PHC Renovation - LLC (7.1.3)	USA	**100%**	-	Real estate
Skills Entertainment Company - WLL (7.1.3)	Kuwait	**100%**	-	Organizing exhibitions, conferences and theatre production
Abyar Gulf Company for General Trading and Contracting - WLL ("Abyar")	Kuwait	**50.0%**	-	General trading and contracting
Leader Plus General Trading Company - WLL	Kuwait	**99.0%**	-	General trading and contracting

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.1 Composition of the group (continued)

	Country of incorporation	Voting capital held 31 Dec. 2016	Voting capital held 31 Dec. 2015	Activities
Held through GPHC:				
Gas and Oil Fields Services Company - K.S.C. (Closed) ("GOFSCO") (7.1.4)	Kuwait	**90.1%**	99.7%	Maintenance of oil and gas wells and related installations
Held through GOFSCO:				
Abyar Gulf Company for General Trading and Contracting - WLL ("Abyar")	Kuwait	**-**	50.0%	General trading and contracting
Leader Plus General Trading Company - WLL	Kuwait	**-**	99.0%	General trading and contracting
Grand Oil for Oil Activities Company - K.S.C. (Closed)	Kuwait	**99.0%**	99.0%	Oil and gas sludge cleaning activities
Eastern United Petroleum Services Company - KSC (Closed) ("EUPS") (7.1.4)	Kuwait	**91.1%**	-	Oil and gas activities
Noor Gazprom Geophysics for Drilling and Maintenance of Oil and Non-Oil Wells Company –WLL ("Gazprom")	Kuwait	**51.0%**	51.0%	Drilling and maintenance of oil and non-oil wells
Held through Abyaar:				
Privatization Engineering Company for General Contracting - WLL	Kuwait	**50.0%**	50.0%	General trading and contracting

7.1.1 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.

7.1.2 The parent company holds 50% and the subsidiary SES holds 46%.

7.1.3 During the year, the parent company incorporated a 100% owned subsidiary in USA named PHC Renovation LLC and a 100% owned subsidiary in Kuwait named Skills Entertainment Company - WLL. Up to date, the two subsidiaries have not commenced the operations.

7.1.4 The parent company holds 42.8% and the subsidiary GOFSCO holds 48.3%

7.1.4.1 Effective 1 January 2016, the group reclassified its 48.29% investment in "Eastern United Petroleum Services Company -KSC (Closed) ("EUPS")" from investment in associate to 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 EUPS. The carrying value at 1 January 2016 of the associate was accounted for as fair value consideration for investment in subsidiary amounting to KD1,619,332. The reclassification resulted in a goodwill of KD332,729.

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.1 Composition of the group (continued)
Goodwill on reclassification of EUPS as at 1 January 2016 is detailed below:

	KD
Total assets	6,049,401
Total liabilities	(3,385,074)
Total identifiable net assets	2,664,327
Purchase consideration	1,619,332
Share of net assets acquired – 48.29%	(1,286,603)
Goodwill	332,729

Cash and bank balances acquired from subsidiary amounted to KD1,557,918.

7.1.4.2 Effective 1 October 2016, the group acquired another 42.78% of equity interest in EUPS from a related party by swapping 9.61% equity interest of GOFSCO with the same related party. This transaction resulted into a net loss of KD 86,840 which is recognised within equity.

Equity loss on acquisition of EUPS on 1 October 2016 is detailed below:

	KD
Total assets	8,409,536
Total liabilities	(5,354,197)
Net assets	3,055,339
Share of net assets acquired – 42.78%	1,307,094
Purchase consideration - fair value of 9.61% equity interest in GOFSCO	(1,796,788)
Goodwill on purchase of additional interest of the subsidiary	(489,694)

Gain on disposal of GOFSCO on 1 October 2016:

	KD
Total assets	29,602,820
Total liabilities	(15,095,506)
Net assets	14,507,314
Share of net assets disposed – 9.61%	(1,393,934)
Sale consideration of equity disposed – 9.61%	1,796,788
Gain on partial disposal of the subsidiary without loss of control	402,854

7.1.5 On 19 October 2016, a subsidiary of the group, GOFSCO received an amount of KD 1 million as an advance to sell its 48.29% ownership interest in EUPS. The sale transaction has not been consummated and is currently under negotiation (note 23).

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 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	
	31 Dec. 2016	31 Dec. 2015	**31 Dec. 2016 KD**	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Gas and Oil Fields Services Company -KSC (Closed) ("GOFSCO")	**9.9%**	0.3%	**228,528**	8,380	**1,768,720**	1,101,059
Abyar Gulf Company for General Trading and Contracting - WLL ("Abyar")	**50%**	50%	**249,531**	341,584	**1,968,828**	707,986
Individual immaterial susbsidiaries with non controlling interest			**(20,978)**	19,444	**(116,384)**	206,860
			457,081	369,408	**3,621,164**	2,015,905

No dividends were paid to the NCI during the years 2016 and 2015.

Summarised consolidated financial information of material non-controlling interests, before intergroup eliminations, is set out below:

GOFSCO

	31 Dec. 2016 KD	31 Dec.* 2015 KD
Non-current assets	**15,385,923**	15,432,614
Current assets	**13,910,389**	16,279,206
Total assets	**29,296,312**	31,711,820
Non-current liabilities	**1,890,433**	925,789
Current liabilities	**11,074,111**	11,708,017
Total liabilities	**12,964,544**	12,633,806
Total equity attributable to the owners	**14,711,018**	17,319,824
Non-controlling interests	**1,620,750**	1,758,190
Total equity	**16,331,768**	19,078,014

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

GOFSCO (continued)

	Year ended 31 Dec. 2016 KD	Year ended* 31 Dec. 2015 KD
Profit for the year attributable to the owners	**2,097,566**	1,994,397
Profit for the year attributable to NCI	**205,239**	344,491
Profit for the year	**2,302,805**	2,338,888
Total comprehensive income for the year attributable to the owners	**2,097,566**	1,994,397
Total comprehensive income for the year attributable to NCI	**205,239**	344,491
Total comprehensive income for the year	**2,302,805**	2,338,888

	Year ended 31 Dec. 2016 KD	Year ended* 31 Dec. 2015 KD
Net cash flow from operating activities	**7,548,622**	695,539
Net cash flow used in investing activities	**(2,321,572)**	(901,342)
Net cash flow (used in)/from financing activities	**(6,311,335)**	1,283,056
Net cash (outflow)/inflow	**(1,084,285)**	1,077,253

Comparative amounts include balances of Abyar and Leader Plus which were held by GOFSCO. During 2016, Abyar and Leader Plus ownerships were transferred to the parent company.

Abyar

	31 Dec. 2016 KD	31 Dec. 2015 KD
Non-current assets	**1,680,627**	1,530,470
Current assets	**5,403,717**	4,771,691
Total assets	**7,084,344**	6,302,161
Non-current liabilities	**235,970**	516,706
Current liabilities	**2,749,252**	2,729,026
Total liabilities	**2,985,222**	3,245,732
Total equity attributable to the owners	**3,340,437**	2,348,443
Non-controlling interests	**758,685**	707,986
Total equity	**4,099,122**	3,056,429
Profit for the year attributable to the owners	**321,474**	365,039
Profit for the year attributable to NCI	**50,699**	64,386
Profit for the year	**372,173**	429,425
Total comprehensive income for the year attributable to the owners	**321,474**	365,039
Total comprehensive income for the year attributable to NCI	**50,699**	64,386
Total comprehensive income for the year	**372,173**	429,425

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Abyar (continued)

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Net cash flow used in operating activities	**(58,924)**	(11,043)
Net cash flow (used in)/from investing activities	**(373,614)**	41,923
Net cash flow from financing activities	**314,975**	77,764
Net cash (outflows)/ inflows	**(117,563)**	108,644

8 Interest income

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Fixed deposits	**75,618**	182,979
Held-to-maturity investments	**63,563**	89,215
Due from related parties (Note 26)	**-**	11,690
Other cash balances	**5,093**	810
	144,274	284,694

9 General and administrative expenses

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Staff costs	**2,750,493**	2,326,357
Administrative expenses	**2,123,441**	1,030,293
	4,873,934	3,356,650

10 Basic and diluted (loss)/earnings per share attributable to the owners of the parent company

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

	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015
(Loss)/profit for the year attributable to the owners of the parent company (KD)	**(2,449,848)**	109,795
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**668,420,104**	722,420,525
Basic and diluted (loss)/earnings per share	**(3.7) Fils**	0.2 Fils

Notes to the consolidated financial statements (continued)

11 Cash and cash equivalents and fixed deposits

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

	31 Dec. 2016 KD	31 Dec. 2015 KD
Cash and bank balances	**4,825,138**	5,733,369
Cash with portfolio managers	**250,755**	1,392,103
Fixed deposits with original maturity less than three months	**200,103**	3,013,467
	5,275,996	10,138,939
Less: Due to banks	**(15,120)**	(803,614)
Cash and cash equivalents as per statement of cash flow	**5,260,876**	9,335,325
Fixed deposits with original maturity exceeding three months	**1,277,431**	1,823,554

Fixed deposits are held with local and foreign commercial banks and yield an effective interest rate ranging from 0.6% to 7% (2015: 0.6% to 7%) per annum.

Due to banks include a bank overdraft facility which bears an effective interest rate of 2.5% (2015: 2.25%) per annum above Central Bank of Kuwait ("CBK") discount rate.

12 Investments at fair value through profit or loss

	31 Dec. 2016 KD	31 Dec. 2015 KD
Held for trading		
Quoted equity securities	**3,197,488**	2,904,006
Designated upon initial recognition		
Unquoted equity securities	**10,672,634**	10,672,634
Mutual funds	**56,046**	133,580
	13,926,168	13,710,220

At 31 December 2016, the group also held shares of related parties with a carrying value of KD146,573 (2015: KD126,306) (Note 26).

Investments at fair value through profit or loss amounting to KD13,741,723 (31 December 2015: KD11,138,787) are secured against certain term loans (Note 24). Management considers that the fair value of these financial assets has not materially changed compared to previous year.

13 Accounts receivable and other assets

	31 Dec. 2016 KD	31 Dec. 2015 KD
Trade receivables	**10,832,769**	5,762,007
Amounts due from related parties	**5,509,529**	3,172,959
Interest receivable	**3,000,000**	3,000,000
Prepaid expenses and accrued income	**379,671**	169,971
Advances to supplier	**869,004**	3,238,423
Other receivables	**2,696,331**	1,743,868
	23,287,304	17,087,228

Notes to the consolidated financial statements (continued)

13 Accounts receivable and other assets (continued)

Interest receivable of KD3,000,000 (2015: KD3,000,000) is past due and the parent company intends to reschedule the repayment date to be during the year 2017.

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

	31 Dec. 2016 KD	31 Dec. 2015 KD
Neither past due nor impaired	**5,723,623**	4,104,332
Past due but not impaired		
- 3 – 6 months	**2,486,227**	1,069,780
- over 6 months	**2,622,919**	587,895
Total trade receivables	**10,832,769**	5,762,007

14 Available for sale investments

	31 Dec. 2016 KD	31 Dec. 2015 KD
Quoted equity securities	**21,072,781**	28,721,641
Unquoted equity securities	**8,688,031**	13,351,547
Mutual funds	**10,130,384**	7,639,841
	39,891,196	49,713,029

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

(b) Unquoted equity securities of KD3,553,290(2015: KD7,806,587) 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.

(c) 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 KD817,093, unquoted equity securities KD631,300 (2015: quoted equity shares KD 1,399,875, unquoted equity shares KD Nil), in the consolidated statement of profit or loss.

(d) Certain equity securities classified as available for sale investments are registered in the name of a major shareholder (Note 26).

(e) At 31 December 2016, the group also held equity securities of related parties with a carrying value of KD9,538,778 (2015: KD9,480,503) (Note 26).

(f) Available for sale investments amounting to KD22,002,386 (2015: KD29,141,629) are secured against certain term loan (Note 24).

Notes to the consolidated financial statements (continued)

15 Held-to-maturity investment

Held to maturity investment represents the amount invested in SUKUK with a local Islamic financial institution amounting KD1,500,000 carrying profit rate of 2% (2015: 2%) above Central Bank Kuwait discount rate, which matures on 12 August 2018.

16 Investment in associates

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

Name of the company	Country of incorporation	Equity interest 2016	Equity interest 2015	Activities
Kuwait Building Materials Manufacturing Company - KPSC ("KBMMC")	Kuwait	**47.4%**	47.4%	Building materials
First Equilease for Equipment and Transportation - K.S.C. (Closed) ("FTC") (Note 16.1.1)	Kuwait	**16.0%**	16.0%	Transportation services
Kingdom Electricity Company – J.S.C.C ("KEC")	Jordan	**30.0%**	30.0%	Energy and industrial projects
Nawand Communications Holding Company - BSC (Closed) ("Nawand") (Note 16.1.1)	Kingdom of Bahrain	**17.3%**	17.3%	Telecom services
SNC-Lavalin Kuwait for General Trading & Contracting Company – WLL	Kuwait	**30.0%**	30.0%	General trading and contracting
Kuwait Pillars for Financial Investment Company – K.S.C.C.("KPFI") [Formerly Strategia Investment Company - KPSC ("Strategia")]	Kuwait	**43.0%**	43.0%	Investments
National Industries Company – KPSC and subsidiaries ("NIC") (Note 16.1.1)	Kuwait	**14.2%**	14.2%	Manufacturing and marketing building materials
Canarde Group Consortium	Egypt	**30.0%**	30.0%	Generating & maintaining electricity and electricity plant
Eastern United Petroleum Services Company – KSC (Closed) ("EUPS")(Note 16.1.2)	Kuwait	-	48.3%	Oil and gas activities

16.1.1 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.

16.1.2 Effective 1 January 2016, the group reclassified its investment in EUPS from investment in associate to investment in subsidiary (Note 7.1.4).

Notes to the consolidated financial statements (continued)

16 Investment in associates (continued)

The movement in investment in associates is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Balance at beginning of the year	**46,742,183**	48,375,955
Additions	**10,809**	566,563
Reclassified to investment in subsidiary	**(1,619,332)**	-
Disposal	**(92,893)**	-
Impairment	**-**	(92,055)
Dividends received	**(1,214,387)**	(2,414,416)
Share of results	**1,580,057**	561,681
Cumulative changes in fair values	**96,607**	(502,188)
Foreign currency translation adjustment	**48,451**	316,605
Other reserves	**(443,743)**	(69,962)
Balance at end of the year	**45,107,752**	46,742,183

The carrying amount of the investment in associates includes goodwill of KD8,843,512 (2015: KD9,147,250).

Investment in associates include quoted associates with a carrying value of KD20,013,780 (2015: KD35,167,647) having a market value of KD13,032,971 (2015: KD19,187,275).

Management has performed a review of investments in associates to assess whether impairment has occurred and concluded that there are no indications of impairment (2015: KD92,055).

Notes to the consolidated financial statements (continued)

16 Investment in associates (continued)

16.2 Summarised financial information of group's material associates are set out below:

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	42,843,677	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)	-	
	5,696,271	12,177,831	26,092,288	32,626,867	90,563,424	288,099	
Non-controlling interests	-	(357,575)	(7,862,652)	-	(5,466,435)	-	
Net assets	5,696,271	11,820,256	18,229,636	32,626,867	85,096,989	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
Revenue	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 owners	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

Notes to the consolidated financial statements (continued)

16 Investment in associates (continued)

16.2 Summarised financial information of group's material associates are set out below: (continued)

31 December 2015	KBMMC	FTC	KEC	KPFI	EUPS	NIC	Non-material	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Assets								
Current	4,059,050	11,620,040	104,072,913	8,385,613	3,045,792	44,555,939	715,580	
Non-current	2,707,762	2,084,144	161,839,936	25,032,868	3,003,609	69,206,378	-	
Liabilities								
Current	(359,676)	(213,101)	(101,081,681)	(387,179)	(3,282,150)	(12,679,768)	(750)	
Non-current	(535,182)	-	(143,572,001)	-	(102,639)	(5,642,341)	-	
	5,871,954	13,491,083	21,259,167	33,031,302	2,664,612	95,440,208	714,830	
Non-controlling interests	-	(337,390)	(7,268,961)	-	-	(5,626,544)	-	
Net assets	5,871,954	13,153,693	13,990,206	33,031,302	2,664,612	89,813,664	714,830	
Group's holding	47.4%	16.0%	30.0%	43.0%	48.3%	14.2%		
Group's share of net assets	2,782,035	2,104,591	4,197,070	14,222,881	1,286,746	12,787,159	214,451	37,594,933
Goodwill	463,846	-	3,439,092	130,733	332,587	4,780,992	-	9,147,250
Carrying amount	3,245,881	2,104,591	7,636,162	14,353,614	1,619,333	17,568,151	214,451	46,742,183
Revenue	3,292,362	1,138,729	229,286,772	565,041	3,212,822	49,901,688		
Expenses and other charges	(2,742,115)	(791,851)	(232,475,793)	(893,795)	(2,698,707)	(42,207,309)		
Net profit/(loss) attributable to owners	550,247	346,878	(3,189,021)	(328,754)	514,115	7,694,379	-	
Total comprehensive income/(loss)	550,247	462,522	(2,220,163)	(814,160)	514,115	5,783,802	(75,788)	
Group's share of total comprehensive income/(loss)	260,698	74,003	(666,049)	(350,568)	248,266	823,465	(13,717)	376,098
Dividend received	215,468	-	1,455,892	-	-	743,056	-	2,414,416

Notes to the consolidated financial statements (continued)

17 Intangible assets

	Goodwill KD	Other intangible assets KD	Total KD
Cost:			
At 1 January 2016	**2,160,176**	**1,167,502**	**3,327,678**
Additions (Note 7.1.4)	**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**
Charge for the year	-	-	-
At 31 December 2016	**-**	**1,167,502**	**1,167,502**
Net book value:			
At 31 December 2016	**2,492,905**	**-**	**2,492,905**
Cost:			
At 1 January 2015	2,150,171	1,167,502	3,317,673
Additions	10,005	-	10,005
At 31 December 2015	2,160,176	1,167,502	3,327,678
Amortisation:			
At 1 January 2015	-	1,167,502	1,167,502
Charge for the year	-	-	-
At 31 December 2015	-	1,167,502	1,167,502
Net book value:			
At 31 December 2015	2,160,176	-	2,160,176

The goodwill arose on the acquisition of the subsidiaries, GOFSCO in 2009 (KD2,150,171), Gazprom in 2014 (KD10,005) and EUPS in 2016 (KD332,729).

Above companies are engaged in providing services for gas and oil wells. The group has identified these entities as cash generating units for the purpose of testing the impairment of goodwill.

The group performed its impairment test as at 31 December 2016. The recoverable amount of the cash generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management for a five year period. The discount rate applied to cash flow projections is 13% and cash flows beyond the 5 year period are extrapolated using long term growth rate of 2.8%. As a result of the analysis, the management did not recognise any impairment of cash generating units to which the goodwill is allocated.

Key assumptions used in value in use calculations
The calculation of value in use is most sensitive to the following assumptions:

- Revenue;
- Earnings Before Interest, Depreciation and Amortisation ("EBIDA");
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period; and
- Useful lives of property and equipment

Notes to the consolidated financial statements (continued)

17 Intangible assets (continued)

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

18 Investment properties

	31 Dec. 2016 KD	31 Dec. 2015 KD
As at 1 January	**3,384,974**	3,663,596
Disposals	**(181,233)**	(269,097)
Change in fair value	**(486,215)**	(9,525)
At 31 December	**2,717,526**	3,384,974

The investment properties represent a villa in Spain and buildings in Egypt.

Fair value hierarchy disclosures for investment properties are given in Note 30.3.

19 Property, plant and equipment

	Leasehold land KD	Office building KD	Machinery and equipment KD	Furniture and fixture KD	Capital work in progress KD	Total 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

Work in progress represents the costs incurred by one of the group's subsidiaries to purchase two Surface Well Testing Units to carry out its operations. However, those machines are to be further assembled with other components to be ready for their intended use. Accordingly, those machines have been classified under work in progress.

Notes to the consolidated financial statements (continued)

19 Property, plant and equipment (continued)

19.1 Leasehold rights of KD340,000 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 (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.

19.2 Property, plant and equipment amounting to KD12,001,888 (31 December 2015: KD2,261,319) have been mortgaged against certain term loans (Note 24).

	Leasehold land KD	Office building KD	Machinery and equipment KD	Furniture and fixture KD	Capital work in progress KD	Total KD
Cost:						
At 1 January 2015	816,479	319,206	13,380,989	545,363	129,311	15,191,348
Additions	340,000	15,712	192,202	77,732	327,718	953,364
Transfers	-	-	390,373	32,395	(422,768)	-
Disposals	-	(50,500)	(625)	(42,256)	-	(93,381)
At 31 December 2015	1,156,479	284,418	13,962,939	613,234	34,261	16,051,331
Depreciation:						
At 1 January 2015	-	155,579	3,001,590	287,845	-	3,445,014
Charge for the year	34,000	17,548	1,103,558	150,140	-	1,305,246
Disposals	-	(50,500)	(625)	(42,005)	-	(93,130)
At 31 December 2015	34,000	122,627	4,104,523	395,980	-	4,657,130
Net book value:						
At 31 December 2015	1,122,479	161,791	9,858,416	217,254	34,261	11,394,201

20 Share capital and share premium

At the Extraordinary General Assembly meeting held on 10 August 2016, the shareholders of the parent company approved to reduce the share capital of the parent company from KD73,828,000 (represented by 738,280,000 shares of 100 Fils each) to KD61,000,000 (represented by 610,000,000 shares of 100 Fils each) as follows:

- By cancelling 55,054,801 treasury shares at their nominal value of 100 Fils each amounting to KD5,505,480.

- By cancelling 73,225,199 shares of the share capital at their nominal value of 100 Fils each and cash payment of equivalent amount of KD7,322,520 to the shareholders.

The Memorandum of Incorporation and Articles of Association of the parent company were amended accordingly. This amendment was authenticated in the commercial register of the Ministry of Commerce on 18 October 2016.

Accordingly, authorized and issued and fully paid share capital is as follows,

	Authorised		Issued and fully paid	
	31 Dec. 2016 KD	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Shares of KD0.100 each	**61,000,000**	73,828,000	**61,000,000**	73,828,000

Notes to the consolidated financial statements (continued)

20 Share capital and share premium (continued)

All the share capital paid in cash.

Share premium is not available for distribution.

21 Reserves

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 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.

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 Directors' remuneration to be transferred to the general reserve.

There are no restrictions on distribution of general reserve.

No such transfers are required when the group incurred loss or where accumulated losses exist.

22 Treasury shares

	31 Dec. 2016	31 Dec. 2015
Number of shares	-	55,054,801
Percentage of issued shares	-	7.457%
Cost (KD)	-	2,865,881
Market value (KD)	-	2,752,740

At the Extraordinary General Assembly meeting held on 10 August 2016, the shareholders of the parent company approved to reduce the share capital of the parent company and cancelled 55,054,801 treasury shares at their nominal value of 100 Fils each amounting to KD5,505,480 (Note 20).

23 Accounts payable and other liabilities

	31 Dec. 2016 KD	31 Dec. 2015 KD
Accounts payable	**2,322,765**	1,300,646
Amounts due to related parties (Note 26)	**2,726,922**	2,076,813
Accrued expenses and other liabilities	**8,523,241**	3,343,620
	13,572,928	6,721,079

Accrued expenses and other liabilities include an amount of KD 1 million received by one of the group's subsidiary on 19 October 2016 as an advance to sell 48.29% ownership interest in EUPS (subsidiary). As at the reporting date, the sale transaction has not been consummated and still under negotiation (note 7.1).

Notes to the consolidated financial statements (continued)

24 Term loans

	31 Dec. 2016 KD	31 Dec. 2015 KD
Term loan 1 (24.1)	-	19,450,153
Term loan 2 (24.2)	10,909,394	11,250,485
Term loan 3 (24.3)	9,000,000	10,000,000
Term loan 4 (24.4)	6,993,723	3,878,037
Term loan 5 (24.5)	12,000,000	-
Term loan 6 (24.6)	9,580,927	-
Term loan 7 (24.7)	4,320,700	-
Islamic finance facilities (24.8)	-	3,205,669
	52,804,744	47,784,344
Instalments due within next twelve months	21,163,149	37,103,832
Instalments due after next twelve months	31,641,595	10,680,512
	52,804,744	47,784,344

24.1 During the year, the group settled the full amount of this loan by way of obtaining a new long term loan from another local bank (term loan 5).

24.2 Term loan 2 represents short-term credit facilities of KD1,179,170 (2015: KD1,175,600) and long term credit facilities of KD9,730,224(2015: KD10,074,885) obtained from a local bank which are subject to interest rates ranging between 2.5% to 4% (2015: 2.5% to 4%) per annum over the CBK discount rate or 3 months LIBOR. The term loan is payable on different instalments starting from 2016 till 2020. These term loans are secured against certain securities classified as available for sale (Note 14) and investments at fair value through profit or loss (Note 12).

24.3 Term loan 3 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 14) and investments at fair value through profit or loss (Note 12).

24.4 Term loan 4 represents short-term credit facilities KD5,545,425 (2015: KD3,272,409) and long term credit facilities of KD1,448,298 (2015: KD605,628) from local and foreign banks and are subject to interest rates ranging from 5% to 6%per annum, and are payable in installments ending 2019. The loans are secured against property, plant and equipment amounting to KD2,110,896 (2015: KD2,261,319) and certain available for sale investments (Note 19 and 14).

24.5 Term loan 5 represents long-term credit facilities obtained from a local bank which are subject to interest rates of 2.5% (2015: Nil) per annum above the CBK discount rate. The term loan is payable in equal semi annual instalments of KD 1,500,000 ending 31 December 2020. This term loan is secured against certain securities classified as available for sale (Note 14).

24.6 During the year, the group obtained a long term credit facility of JOD20.4 million (equivalent to KD8.7 million) and short term facility of JOD 3.3 Million (equivalent to KD1.4 Million) from a foreign bank to acquire certain property, plant and equipment. These newly acquired property, plant and equipment amounting to JOD22.9 million (equivalent to KD9.8 million) are secured against the loan. The long term loan facility is payable in 8 instalments on annual basis. First instalment is due in February 2017 and carries interest rate of 5.3%

Notes to the consolidated financial statements (continued)

24 Term loans (continued)

24.7 During the year, the group obtained a long term credit facility of JOD10 million (equivalent to KD4.3 million) from a foreign bank which will be paid in eight equal quarterly instalments starting 31 March 2018 and carries interest rate of 8.5%.

24.8 During the year, group has settled its tawaruq facilities in full which carried an annual fixed profit rate of 5.25%.

25 Annual general assembly

The directors did not propose any dividends for the year ended 31 December 2016.

The Annual General Assembly of the parent company for the year ended 31 December 2015 held on 26 Jul 2016 approved the consolidated financial statements for the year ended 31 December 2015 without any dividends (2015: NIL).

Also, at the Extraordinary General Assembly meeting held on 10 August 2016, the shareholders of the parent company approved to reduce the share capital of the parent company from KD73,828,000 (represented by 738,280,000 shares of 100 fils each) to KD61,000,000 (represented by 610,000,000 shares of 100 fils each) as follows:

- By cancelling 55,054,801 treasury shares at their nominal value of 100 Fils each amounting to KD 5,505,480

- By cancelling 73,225,199 shares of the share capital at their nominal value of 100 Fils each and cash payment of equivalent amount of KD7,322,520 to the shareholders.

The Memorandum of Incorporation and Articles of Association of the parent company were amended accordingly. This amendment was authenticated in the commercial register of the Ministry of Commerce on 18 October 2016.

26 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:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Transactions included in consolidated statement of profit or loss :		
Interest income (Note 8)	-	11,690
Murabaha income	-	453,941
Dividend Income	33,705	434,814
Other income	-	448,800
Impairment of available for sale investments	-	(1,399,875)
Portfolio management fees	(161)	(1,949)

Notes to the consolidated financial statements (continued)

26 Related party transactions and balances (continued)

	31 Dec. 2016 KD	31 Dec. 2015 KD
Consolidated statement of financial position		
Cash with portfolio manager	**1,738**	1,734
Available for sale investments (Note 14)	**9,538,778**	9,480,503
Investments at fair value through profit or loss (Note 12)	**146,573**	126,306
Due from related parties (Note 13)	**5,509,529**	3,172,959
Due to related parties (Note 23)	**(2,726,922)**	(2,076,813)

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:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Compensation of key management personnel:		
Short-term benefits	**890,923**	703,633
End of service benefits	**191,868**	175,874
	1,082,791	879,507

a) The following financial assets are managed by related parties:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Available for sale investments		
Quoted equity securities	**111,444**	62,564
Unquoted equity securities	**301,100**	-
Mutual funds	**88,131**	87,398
Investments at fair value through profit or loss		
Quoted equity securities	**37,872**	43,396

b) The equity securities classified as available for sale investments with a carrying value of KD2,914,820 (quoted KD240,490, unquoted KD2,674,329, (31 December 2015: KD3,275,408 quoted KD601,079, unquoted KD2,674,329) 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 14).

c) The real estate properties in Egypt classified as investment properties with a carrying value of KD333,267 (31 December 2015: KD867,730) 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.

27 Capital commitments and contingencies

	31 Dec. 2016 KD	31 Dec. 2015 KD
Commitments		
Purchase of available for sale investments	**2,808,269**	3,023,447
Purchase of investment in associates	**-**	2,042,895
Other commitments	**1,616,681**	-

Notes to the consolidated financial statements (continued)

27 Capital commitments and contingencies (continued)

Contingencies

At the reporting date, the group has provided performance bank guarantees to a customer and suppliers amounting to KD8,204,791 (31 December 2015: KD5,262,141) 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 KD57,387,502 (2015: KD72,672,640) 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.

28 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:

i) Investment segment represents trading in equities including certain investment in associates and other strategic investments; and
ii) 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	
	31 Dec. 2016 KD	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Revenue	**465,452**	4,217,660	**32,614,464**	14,097,980	**33,079,916**	18,315,640
Segment (loss)/ profit	**(4,033,579)**	(1,519,747)	**2,040,812**	1,998,950	**(1,992,767)**	479,203
Other disclosures:						
Depreciation (Note 19)	**(24,232)**	(26,871)	**(1,711,932)**	(1,278,375)	**(1,736,164)**	(1,305,246)
Impairments losses	**(1,448,393)**	(1,491,930)	**-**	-	**(1,448,393)**	(1,491,930)
Share of results of associates (Note 16)	**1,580,057**	313,416	**-**	248,265	**1,580,057**	561,681
Assets	**109,209,561**	125,890,239	**55,497,038**	32,273,780	**164,706,599**	158,164,019
Liabilities	**36,460,927**	44,749,048	**31,187,032**	11,421,547	**67,647,959**	56,170,595
Other disclosures:						
Investment in associates	**45,107,752**	45,122,851	**-**	1,619,332	**45,107,752**	46,742,183
Additions to property, plant and equipment	**41,843**	41,545	**14,523,379**	911,819	**14,565,222**	953,364

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. 2016 KD	31 Dec. 2015 KD
Revenue		
Kuwait	**31,570,566**	17,457,370
Non-Kuwait	**1,509,350**	858,270
	33,079,916	18,315,640

Notes to the consolidated financial statements (continued)

28 Segmental information (continued)

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

	31 Dec. 2016 KD	31 Dec. 2015 KD
Non-current assets		
Kuwait	**79,360,078**	84,377,090
Non-Kuwait	**44,616,852**	30,524,456
	123,976,930	114,901,546

29 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.

29.1 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 Pounds. 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. 2016 KD	31 Dec. 2015 KD
US Dollar	**95,510**	2,414,611
Euro	**2,734,862**	1,542
Jordanian Dinar	**2,441,306**	7,035,806
Egyptian Pound	**399,024**	702,687
Others	**19,304**	23,947

The foreign currency sensitivity is determined based on 5% (2015: 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.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.1 Market risk (continued)

a) Foreign currency risk (continued)

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 Dec. 2016		31 Dec. 2015	
	Effect on profit KD	**Effect on other comprehensive income KD**	Effect on profit KD	Effect on other comprehensive income KD
US Dollar	**±429,915**	**±434,690**	±346,513	±467,244
Euro	**±1,040**	**±135,703**	±77	-
Jordanian Dinar	**±1,026**	**±121,040**	±133,464	±218,326
Egyptian Pound	**±19,951**	**-**	±35,134	-
Others	**±754**	**±212**	±1,044	±153

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 2016 and 2015 and equity would have been as follows:

	Profit for the year		Other comprehensive income	
	31 Dec. 2016 KD	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Available for sale investments	**-**	-	**±850,213**	±1,402,576
Investments at fair value through profit or loss	**±121,661**	±122,230	**-**	-

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

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.1 Market risk (continued)

c) Interest rate risk (continued)

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. 2016 KD	31 Dec. 2015 KD
Effect on profit	**±127,981**	±77,393

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

29.2 Credit risk

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

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

	31 Dec. 2016 KD	31 Dec. 2015 KD
Cash and cash equivalents (excluding cash)	**5,260,001**	10,001,048
Fixed deposits	**1,277,431**	1,823,554
Accounts receivable (excluding prepayments and advances)	**22,038,629**	13,678,834
Held-to-maturity investments	**1,504,470**	1,506,983
	30,080,531	27,010,419

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

29.3 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.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.3 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2016:

	1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and cash equivalents	5,275,996	-	5,275,996
Fixed deposits	1,277,431	-	1,277,431
Investments at fair value through profit or loss	13,926,168	-	13,926,168
Accounts receivable and other assets	18,243,881	5,043,423	23,287,304
Available for sale investments	-	39,891,196	39,891,196
Held-to-maturity investment	-	1,504,470	1,504,470
Inventory	2,006,193	-	2,006,193
Investment in associates	-	45,107,752	45,107,752
Intangible assets	-	2,492,905	2,492,905
Investment properties	-	2,717,526	2,717,526
Property, plant and equipment	-	27,219,658	27,219,658
	40,729,669	123,976,930	164,706,599
LIABILITIES			
Due to banks	15,120	-	15,120
Accounts payable and other liabilities	13,572,928	-	13,572,928
Term loans	21,163,149	31,641,595	52,804,744
Employees' end of service benefits	-	1,255,167	1,255,167
	34,751,197	32,896,762	67,647,959

Maturity profile of assets and liabilities at 31 December 2015:

	1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and cash equivalents	10,138,939	-	10,138,939
Fixed deposits	1,823,554	-	1,823,554
Investments at fair value through profit or loss	13,710,220	-	13,710,220
Accounts receivable and other assets	17,087,228	-	17,087,228
Available for sale investments	-	49,713,029	49,713,029
Held-to-maturity investment	-	1,506,983	1,506,983
Inventory	502,532	-	502,532
Investment in associates	-	46,742,183	46,742,183
Intangible assets	-	2,160,176	2,160,176
Investment properties	-	3,384,974	3,384,974
Property, plant and equipment	-	11,394,201	11,394,201
	43,262,473	114,901,546	158,164,019
LIABILITIES			
Due to banks	803,614	-	803,614
Accounts payable and other liabilities	6,721,079	-	6,721,079
Term loans	37,103,832	10,680,512	47,784,344
Employees' end of service benefits	-	861,558	861,558
	44,628,525	11,542,070	56,170,595

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.3 Liquidity risk (continued)

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

	Less than 3 months KD	3 to 12 months KD	Over 1 year KD	Total KD
31 December 2016				
Accounts payable and accruals	**5,039,224**	**7,345,699**	**-**	**12,384,923**
Term loans	**3,734,478**	**19,287,076**	**34,493,891**	**57,515,445**
Due to banks	**15,120**	**-**	**-**	**15,120**
	8,788,822	**26,632,775**	**34,493,891**	**69,915,488**
Commitments	**-**	**4,424,950**	**-**	**4,424,950**
Contingency – guarantee	**-**	**8,204,791**	**57,387,502**	**65,592,293**
	8,788,822	**39,262,516**	**91,881,393**	**139,932,731**
31 December 2015				
Accounts payable and accruals	4,944,988	1,670,127	-	6,615,115
Term loans	13,535,330	24,867,838	12,161,372	50,564,540
Due to banks	809,217	-	-	809,217
	19,289,535	26,537,965	12,161,372	57,988,872
Commitments	-	2,983,562	2,082,780	5,066,342
Contingency – guarantee	-	5,262,141	72,672,640	77,934,781
	19,289,535	34,783,668	86,916,792	140,989,995

30 Fair value measurement

30.1 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).

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 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. 2016 KD	31 Dec. 2015 KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and cash equivalents	**5,275,996**	10,138,939
Fixed deposits	**1,277,431**	1,823,554
Accounts receivable and other assets	**22,038,629**	13,678,834
Investments at fair value through profit or loss at fair value:		
Investments at fair value through profit or loss	**13,926,168**	13,710,220
Available for sale investments:		
Available for sale investments at cost	**3,553,290**	7,806,587
Available for sale investments at fair value	**36,337,906**	41,906,442
Held-to-maturity investment at amortised cost:		
Held-to-maturity investment	**1,504,470**	1,506,983
	83,913,890	90,571,559
Financial liabilities:		
Financial liabilities at amortised cost:		
Accounts payable and other liabilities	**12,384,928**	6,721,079
Term loans	**52,804,744**	47,784,344
Due to banks	**15,120**	803,614
	65,204,792	55,309,037

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 2016

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
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
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
		12,055,908	14,989,974	23,218,192	50,264,074

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

31 December 2015

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Quoted securities	(a)	2,904,006	-	-	2,904,006
Managed funds	(b)	-	133,580	-	133,580
Unquoted securities	(c)	-	-	10,672,634	10,672,634
Available for sale investments					
Quoted securities	(a)	28,721,641	-	-	28,721,641
Managed funds	(b)	-	7,639,841	-	7,639,841
Unquoted securities	(c)	-		5,544,960	5,544,960
		31,625,647	7,773,421	16,217,594	55,616,662

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year, except for certain quoted shares that have been fair valued based on valuation techniques as the group's management believes that such valuations are more representative of the fair values of such investments based on the information available to the management. Accordingly these investments with a carrying value of KD12,214,361 (31 December 2015: KD Nil)have been included under level 3 as of 31 December 2016 (31 December 2015: Nil).

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).

b) 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.

c) 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.

d) Financial liabilities

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

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

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. 2016 KD	31 Dec. 2015 KD
Opening balance	16,217,594	10,672,634
Transfer from level 1	12,214,361	-
Additions	612,500	2,159,329
Transfer to level 2	(5,544,960)	-
(Loss)/gain recognised in:		
- Profit or loss	(281,303)	-
- Other comprehensive income	-	3,385,631
Closing balance	23,218,192	16,217,594

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

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

Available for sale investments and investments at fair value through profit or loss:
The fair value of financial instruments that are not traded in an active market (e.g 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.

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 profit or loss, total assets, total liabilities or total equity.

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

30.3 Non-financial instruments
Investment properties were fair valued at 31 December 2016 and are classified under level 3 fair value hierarchy and reconciliation is provided in note 18.

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 valuators 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.

Notes to the consolidated financial statements (continued)

31 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. 2016 KD	31 Dec. 2015 KD
Interest bearing loans and borrowings	**52,804,744**	47,784,344
Accounts payable and accruals	**13,572,928**	6,721,079
Due to banks	**15,120**	803,614
Less: Cash and cash equivalents and fixed deposits	**(6,553,427)**	(11,962,493)
Net debt	**59,839,365**	43,346,544
Capital	**93,437,476**	99,977,519
Total capital and net debt	**153,276,841**	143,324,063
Gearing ratio	**39%**	30%

32 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.