

**SPECIALITIES GROUP HOLDING COMPANY - K.S.C.P.
AND ITS SUBSIDIARIES
STATE OF KUWAIT**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH
INDEPENDENT AUDITORS' REPORT**

SPECIALITIES GROUP HOLDING COMPANY - K.S.C.P.
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Specialities Group Holding Company - K.S.C.P.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Specialities Group Holding Company - K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The consolidated financial statements of the Group include the financial information of one of the Group's subsidiaries, Specialities Real Estate Company W.L.L., Saudi Arabia, ("SREC"), which was based on the management accounts as at December 31, 2012. The total assets and total liabilities of SREC included in the Group's consolidated financial statements as at December 31, 2017 are KD 2,792,948 and KD 76,582, respectively. The total assets of SREC mainly consists of an investment in Warehousing Projects & Logistics Company W.L.L., Saudi Arabia ("WPL") that has been accounted for as an associate with a carrying value of KD 2,736,920. Further, the Group did not record the financial information of SREC post December 31, 2012 as the management believes that the financial information of SREC requires further analysis and clarification. Consequently, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the balances included in these consolidated financial statements related to this subsidiary. We have qualified our audit opinions in this regard on the consolidated financial statements for prior years since December 31, 2013.

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 other ethical responsibilities in accordance with the (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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.

In addition to the matter described in the "Basis for Qualified Opinion" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition - Percentage of completion

The revenue from construction and contracting contracts in the contracting and construction segment of the Group is reported using the percentage of completion method. This requires significant management judgment and estimates such as assessment of costs incurred over total cost of the project, survey of work done and the process of identification of loss making contracts, which gives rise to a risk of incorrect recognition of revenue in a particular period. Accounting policies for revenue recognition and the judgments used by the management are given in Note 2-p and Note 2-y, respectively, to the consolidated financial statements. Further, if specific circumstances arise, such as contract prepayments or contract modifications, this may result in a risk of incorrect revenue recognition.

Considering the above, revenue recognition from construction and contracting contracts is determined as a key audit matter.

Our audit procedures, among other things, included assessing the appropriateness of the Group's revenue recognition policies, evaluation of management's assumptions in the determination of estimated costs to complete a project, the percentage of completion of a project, budget versus actual for both revenue and costs, and provisions for future losses for loss making projects. We assessed the significant judgments made by the management, by examining the project documentation and discussing the status of fixed price projects under construction with management, finance and project managers of the Group. In addition, we also tested the management's process of identifying the loss making contracts by evaluating their cost to complete analysis of ongoing contracts.

In addition, we performed test of details e.g. vouching to underlying contracts and hours incurred to assess the status of the fixed price and other projects. We also performed, on a sample basis, substantive audit procedures relating to the contractual terms and conditions and the appropriate accounting thereof. We assessed revenue recognition taking place before and after year-end to evaluate whether revenues were recognised in the appropriate period. Additionally, we assessed the appropriateness of disclosures made in the consolidated financial statements.

Existence and impairment of trade receivables and receivables from construction contracts

Trade receivables and receivables from construction contracts balances are significant to the Group's consolidated financial statements. The collectability of trade receivables and receivables from construction contracts is a key element of the Group's working capital management, which is managed on an ongoing basis by its management. Due to the nature of the business and requirements of customers, various contract terms are in place which impact the timing of revenue recognition. Given the magnitude and judgment involved in the timing of revenue recognition and the impairment assessment of trade receivables and receivables from construction contracts, we have identified this as a key audit matter.

We have performed audit procedures on existence of trade receivables and receivables from construction contracts, which include substantive testing of revenue transactions, obtaining receivable confirmations and testing subsequent payments received. Assessing the impairment of trade receivables and receivables from construction contracts requires judgment and we have evaluated the assumptions used by the management in calculating the provision for impairment of these receivables, by analysing of the ageing of receivables, assessment of significant overdue individual trade receivables and receivables from construction contracts and assessing specific local risks, combined with legal documentation, where applicable.

We have assessed the timing of revenue and trade receivables and receivables from construction contracts recognition based on the terms agreed with customers. We also examined, on a sample basis, the terms of contracts with customers, invoices raised, etc., as part of our audit procedures. Furthermore, we assessed the appropriateness of disclosures made in Notes 2-c, 2-y and Note 7 to the consolidated financial statements.

Other Information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, 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 attached to it, and we do not and we 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

As described in the Basis for qualified opinion section above, the consolidated financial statements of the Group include the financial information of one of the Group's subsidiaries, SREC, which was based on the management accounts as at December 31, 2012. The Group did not record the financial information of SREC post December 31, 2012 as the management believes that the financial information of SREC requires further analysis and clarification. Accordingly, we are unable to conclude whether the other information is materially misstated, with respect to this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- 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 of the Group.
- 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.

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, except for the possible effects of the matter described in "Basis for Qualified Opinion" section above. 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, as amended, 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 No.1 of 2016, as amended and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended December 31, 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



Bader A. Al-Abduljader
License No. 207-A
Al-Aiban, Al-Osaimi and Partners



Dr. Shuaib A. Shuaib
License No. 33-A
RSM Albazie & Co.

State of Kuwait
March 14, 2018

SPECIALITIES GROUP HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

All amounts are in Kuwaiti Dinars

<u>ASSETS</u>	Notes	2017	2016
Non-current assets:			
Property, plant and equipment	3	1,954,631	2,042,370
Intangible assets	4	585,670	958,703
Investment properties	5	533,818	696,315
Investments in associates	6	4,652,571	6,849,774
Financial assets available for sale		10,788	10,788
Accounts receivable and other debit balances	7	2,413,964	1,700,445
Total non-current assets		10,151,442	12,258,395
Current assets:			
Inventories	8	1,870,886	2,195,701
Trading properties	9	2,210,214	4,420,520
Accounts receivable and other debit balances	7	8,920,474	8,915,822
Amounts due from related parties	10	1,320	-
Financial assets at fair value through profit or loss		63,922	82,038
Cash and cash equivalents	11	6,905,841	6,112,785
		19,972,657	21,726,866
Assets classified as held for sale	12	1,306,790	-
Total current assets		21,279,447	21,726,866
Total assets		31,430,889	33,985,261
<u>EQUITY AND LIABILITIES</u>			
Equity:			
Share capital	13	15,000,000	15,000,000
Share premium	16	15,598,981	17,500,000
Statutory reserve	14,16	-	1,981,563
Voluntary reserve	15,16	-	473,319
Treasury shares	17	(2,418,587)	(2,418,587)
Other components of equity	18	1,149,929	1,273,655
Accumulated losses	16	(2,978,191)	(4,355,901)
Equity attributable to shareholders of the Parent Company		26,352,132	29,454,049
Non-controlling interests		247,964	272,477
Total equity		26,600,096	29,726,526
Non-current liabilities:			
Provision for end of service indemnity	19	629,219	517,488
Accounts payable and other credit balances	20	270,906	101,012
Total non-current liabilities		900,125	618,500
Current liabilities:			
Accounts payable and other credit balances	20	3,930,668	3,640,235
Total current liabilities		3,930,668	3,640,235
Total liabilities		4,830,793	4,258,735
Total equity and liabilities		31,430,889	33,985,261

The accompanying notes from (1) to (28) form an integral part of the consolidated financial statements.

Mr. Bassem Abdullah M. Al - Othman
Chairman

Mr. Mubarak Woqayan Al - Woqayan
Chief Executive Officer

SPECIALITIES GROUP HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	Notes	2017	2016 (Reclassified)*
Continuing operations:			
Revenues	21	17,103,942	11,522,155
Cost of revenues		(14,856,283)	(9,010,750)
Gross profit		2,247,659	2,511,405
Rental income		63,000	60,322
Unrealised loss on revaluation of investment properties	5	(13,000)	(52,801)
Other income		258,544	317,183
Provision for doubtful debts, net	7	(1,236,366)	(473,621)
Provision for slow moving inventories		(265,176)	-
Write down of trading properties to net realisable value	9	(480,581)	(294,259)
Staff cost		(1,426,004)	(1,399,450)
Depreciation and amortisation		(470,047)	(530,937)
General and administrative expenses		(856,499)	(845,338)
Selling and distribution expenses		(23,887)	(43,805)
Loss from operations		(2,202,357)	(751,301)
Gain on sale of investment properties	5	-	7,942
Share of results from associates	6	80,233	(43,890)
Impairment loss on investments in associates	6	-	(1,000,000)
Unrealised (loss) gain on financial assets at fair value through profit or loss		(18,116)	6,148
Interest income		59,079	-
Foreign currency exchange loss		(11,070)	(9,662)
Finance costs		-	(25,306)
Loss for the year from continuing operations		(2,092,231)	(1,816,069)
Discontinued operations:			
Loss for the year from discontinued operations	12,22	(928,835)	(1,217,602)
Loss for the year		(3,021,066)	(3,033,671)
Attributable to:			
Shareholders of the Parent Company		(3,003,606)	(3,000,532)
Non-controlling interests		(17,460)	(33,139)
		(3,021,066)	(3,033,671)
		Fils	Fils
Basic and diluted loss per share from continuing operations attributable to Shareholders of the Parent Company	22	(14.54)	(12.50)
Basic and diluted loss per share from discontinued operations attributable to Shareholders of the Parent Company	22	(6.51)	(8.53)
Total basic and diluted loss per share attributable to Shareholders of the Parent Company	22	(21.05)	(21.03)

The accompanying notes from (1) to (28) form an integral part of the consolidated financial statements.

* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended December 31, 2016 and reflect reclassifications as detailed in Note 12.

SPECIALITIES GROUP HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

All amounts are in Kuwaiti Dinars

	Notes	2017	2016
Loss for the year		<u>(3,021,066)</u>	<u>(3,033,671)</u>
Other comprehensive (loss) income:			
<u>Items that are or may be reclassified subsequently to consolidated statement of profit or loss:</u>			
Share of change in other comprehensive income (loss) of associate	6	3,611	(21,494)
Exchange differences on translation of foreign operations		<u>(108,975)</u>	49,243
Other comprehensive (loss) income for the year		<u>(105,364)</u>	27,749
Total comprehensive loss for the year		<u>(3,126,430)</u>	<u>(3,005,922)</u>
Attributable to:			
Shareholders of the parent company		<u>(3,101,917)</u>	(2,974,474)
Non-controlling interests		<u>(24,513)</u>	<u>(31,448)</u>
		<u>(3,126,430)</u>	<u>(3,005,922)</u>

The accompanying notes from (1) to (28) form an integral part of the consolidated financial statements.

SPECIALITIES GROUP HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

All amounts are in Kuwaiti Dinars

Equity attributable to shareholders of the Parent Company

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Other components of equity (Note 18)	Treasury shares (Note 17)	Accumulated losses	Sub-total	Non-controlling interests	Total equity
Balance at January 1, 2017	15,000,000	17,500,000	1,981,563	473,319	1,273,655	(2,418,587)	(4,355,901)	29,454,049	272,477	29,726,526
Loss for the year	-	-	-	-	-	-	(3,003,606)	(3,003,606)	(17,460)	(3,021,066)
Other comprehensive loss for the year	-	-	-	-	(98,311)	-	-	(98,311)	(7,053)	(105,364)
Total comprehensive loss for the year	-	-	-	-	(98,311)	-	(3,003,606)	(3,101,917)	(24,513)	(3,126,430)
Adjustment to revaluation reserve (Note 18)	-	-	-	-	(25,415)	-	25,415	-	-	-
Write off accumulated losses (Note 16)	-	(1,901,019)	(1,981,563)	(473,319)	-	-	4,355,901	-	-	-
Balance at December 31, 2017	15,000,000	15,598,981	-	-	1,149,929	(2,418,587)	(2,978,191)	26,352,132	247,964	26,600,096
Balance at January 1, 2016	15,000,000	17,500,000	1,981,563	473,319	1,967,157	(2,418,587)	(2,074,929)	32,428,523	303,925	32,732,448
Loss for the year	-	-	-	-	-	-	(3,000,532)	(3,000,532)	(33,139)	(3,033,671)
Other comprehensive income for the year	-	-	-	-	26,058	-	-	26,058	1,691	27,749
Total comprehensive income (loss) for the year	-	-	-	-	26,058	-	(3,000,532)	(2,974,474)	(31,448)	(3,005,922)
Adjustment to revaluation reserve (Note 18)	-	-	-	-	(719,560)	-	719,560	-	-	-
Balance at December 31, 2016	15,000,000	17,500,000	1,981,563	473,319	1,273,655	(2,418,587)	(4,355,901)	29,454,049	272,477	29,726,526

The accompanying notes from (1) to (28) form an integral part of the consolidated financial statements.

SPECIALITIES GROUP HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
All amounts are in Kuwaiti Dinars

	Notes	2017	2016
Cash flows from operating activities:			
Loss for the year from continuing operations		(2,092,231)	(1,816,069)
Loss for the year from discontinued operations	12	(928,835)	(1,217,602)
Adjustments:			
Depreciation	3	281,779	281,206
Amortisation	4	373,033	373,033
Share of results from associates	6	272,902	1,206,512
Impairment on investments in associates	6	-	1,054,980
Impairment loss on assets held for sale	12	575,700	-
Write down on trading properties to net realisable value	9	480,581	294,259
Gain on sale of property, plant and equipment		(6,740)	(1,498)
Unrealised loss on revaluation of investment properties	5	13,000	52,801
Gain on sale of investment properties	5	-	(7,942)
Unrealised loss (gain) on financial asset at fair value through profit or loss		18,116	(6,148)
Provision for doubtful debts, net	7	1,236,366	473,621
Provision for slow moving inventories	8	265,176	-
Interest income		(59,079)	-
Finance costs		-	25,306
Provision for end of service indemnity	19	266,607	69,414
		<u>696,375</u>	<u>781,873</u>
Changes in operating assets and liabilities:			
Inventories		59,639	(11,403)
Accounts receivable and other debit balances		(1,934,614)	4,450,264
Amounts due from related parties		(1,434)	1,324,705
Net movement in trading properties	9	1,729,725	99,175
Accounts payable and other credit balances		460,327	(551,161)
Cash flows generated from operations		1,010,018	6,093,453
Paid for end of service indemnity	19	(154,876)	(61,267)
Net cash flows generated from operating activities		<u>855,142</u>	<u>6,032,186</u>
Cash flows from investing activities:			
Paid for additions of property, plant and equipment	3	(231,940)	(213,360)
Proceeds from sale of property, plant and equipment		6,818	4,800
Proceeds from sale of investment properties	5	149,393	78,596
Interest income received		39,156	-
Net cash flows used in investing activities		<u>(36,573)</u>	<u>(129,964)</u>
Cash flows from financing activities:			
Repayment from murabaha payables		-	(4,737,665)
Proceeds of murabaha payables		-	2,717,665
Finance costs paid		-	(25,306)
Net cash flows used in financing activities		<u>-</u>	<u>(2,045,306)</u>
Net increase in cash and cash equivalents		818,569	3,856,916
Net foreign exchange difference		(25,513)	8,727
Cash and cash equivalents at beginning of the year		6,112,785	2,247,142
Cash and cash equivalents at end of the year	11	<u>6,905,841</u>	<u>6,112,785</u>

The accompanying notes from (1) to (28) form an integral part of the consolidated financial statements.

SPECIALITIES GROUP HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

All amounts are in Kuwaiti Dinars

1. Incorporation and activities of the parent company

Specialities Group Holding Company K.S.C.P (the "Parent Company") was initially incorporated as a Kuwaiti limited liability company on October 1, 1988. In 2006, the Parent Company changed the legal form from a Kuwaiti limited liability company to a Kuwaiti Public Shareholding Company and also changed its name from Alghanim Specialities Company W.L.L. to Specialities Group Holding Company K.S.C.P. and amended its Memorandum of Incorporation accordingly.

The Parent Company's activities are as follows:

- 1- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- 2- Lending money to companies in which it owns 20% or more of their share capital and acting as guarantor on behalf of these companies.
- 3- Owning industrial equities such as patents, industrial trade-marks, royalties, or any other related rights, and franchising them to other companies or using them inside or outside the State of Kuwait.
- 4- Owning real estate and moveable property to conduct its operations within the limits as stipulated by laws.
- 5- Employing excess funds available by investing them in investment portfolios managed by specialised companies.

The Parent Company's registered address is P.O. Box 23595, Safat 13096, State of Kuwait.

The consolidated financial statements were authorised for issue by the Parent Company's Board of Directors on March 12, 2018. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements in the Annual General Assembly meeting of the Parent Company's shareholders.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the international accounting standards board (IASB).

Significant accounting policies are summarised as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company and are prepared under the historical cost convention except for financial assets at fair value through profit or loss and investment properties that are stated at their fair value.

Standards and Interpretations issued and effective

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2017:

Amendment to IAS 7 – Disclosure Initiative

The amendment to this standard which is effective prospectively for annual periods beginning on or after January 1, 2017 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Annual Improvements to IFRSs 2014 – 2016 Cycle:

Amendments to IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments are effective from January 1, 2017 and must be applied retrospectively.

These amendments do not have any material impact on the Group's consolidated financial statements.

Standards and Interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The recognition and derecognition provisions are carried over almost unchanged from IAS 39.

The management anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements when it becomes mandatory and will not restate comparative information. Management is in the process of assessing the full impact of IFRS 9 on the Group's consolidated financial statements based on an analysis of the Group's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date. However, as the management are still in the process of assessing the full impact of the application of IFRS 9 on the Group consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

Apart from equity investments classified currently as available-for-sale and measured at fair value through other comprehensive income that should be measured at fair value through profit or loss under IFRS 9, all the other Group's financial assets and financial liabilities should continue to be measured on the same bases as currently under IAS 39.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

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This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

Management of the Group anticipate that IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory, and they intend to use the retrospective method of transition wherein the Group will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of the retained earnings and will not restate comparative information

Based on the current accounting treatment of the Group's major sources of revenue (Note 21) the management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group, apart from providing more extensive disclosures on the Group's revenue transactions. However, as the management are still in the process of assessing the full impact of the application of IFRS 15 on the Group consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group plans to assess the potential effects of IFRS 16 on its consolidated financial statements in 2018.

Amendments to IAS 28 – Investment in Associates and Joint Ventures

The amendments clarify that:

- a) An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

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- b) If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from January 1, 2018, with earlier application permitted.

Amendments to IAS 40 – Transfers of Investment Property

The amendment will be effective for annual periods beginning on or after January 1, 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of these standards and amendments.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Specialities Group Holding Company K.S.C.P (the "Parent Company") and the following subsidiaries (collectively, the "Group"):

Name of Subsidiaries	Country of incorporation	Principal Activities	Percentage of holding %	
			2017	2016
1. Specialities Construction General Trading and Contracting Company W.L.L.*	Kuwait	Construction and contracting activities	99%	99%
2. Specialities Real Estate Company W.L.L.*	Kuwait	Real estate activities	99%	99%
3. Specialities Energy Company W.L.L.*	Kuwait	Trading in petrol devices and equipment and excavation and maintenance of oil wells	99%	99%
4. Alghanim Specialities Company W.L.L.*	Kuwait	Production of diversified construction materials	99%	99%
5. Specialities Kumex for General Trading and Contracting Company W.L.L.*	Kuwait	General trading and contracting	99%	99%
6. Specialities Real Estate Company W.L.L.**	Saudi Arabia	Real estate activities	99%	99%
7. Specialities Energy Company W.L.L.	Saudi Arabia	Oil & gas activities and maintenance and operation of oil wells	73%	73%
8. Specialities Gulf Building Company W.L.L.	Saudi Arabia	Manufacturing and construction	80%	80%
9. Gulf Specialized Limited Company	Saudi Arabia	Real estate and contracting	50%	50%
10. Towell and Specialities Real Estate Company W.L.L.	Oman	Real estate activities	70%	70%
11. Specialities Factory for Building Chemicals W.L.L.	Qatar	Manufacturing of cement materials, concrete materials and construction materials	80%	80%
12. Specialities Energy Company L.L.C.	UAE	Oil & gas activities and maintenance and operation of oil wells	70%	70%

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- * The effective ownership interest of the Group in these subsidiaries is 100%.
- ** Specialties Real Estate Company W.L.L. ("SREC") is a special purpose entity established in Saudi Arabia to hold an investment in Warehousing Projects and Logistics Company (Saudi Arabia) ("WPL") which is classified as investment in an associate by SREC. The consolidated financial statements of the Group for the year ended December 31, 2017 include the financial statements of SREC using management accounts as at December 31, 2012. Further, the Group did not record the financial information of SREC post December 31, 2012 as the management believes that the financial information of SREC require further analysis and clarification. In 2013, the Group initiated a lawsuit to get access to the financial information of WPL, and during the year ended December 31, 2014, the court issued a verdict in favor of the Group. During the year ended December 31, 2017, the court of cassation transferred the case to the experts committee.

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

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A change in the ownership interest of a subsidiary without a change of control is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial Instruments

The Group classifies its financial instruments as "financial assets" and "financial liabilities. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, accounts receivable, amounts due from related parties, financial assets at fair value through profit or loss, financial assets available for sale and accounts payable.

Financial assets:

1) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2) Accounts receivable

Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

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3) Financial investments

Initial recognition and measurement

The Group classifies financial investments that fall within the scope of IAS 39 in financial assets at fair value through profit or loss and financial assets available for sale. The classification depends on the purpose for which those assets were acquired and is determined at initial recognition by the management.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception.

A financial asset is classified as financial asset held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of financial instruments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset is designated by the management at fair value on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if it is managed and its performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months from the end of the reporting period.

Purchases and sales of those financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset / settlement date – the date on which an asset is delivered to or by the Group. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through consolidated profit or loss.

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss and financial assets available for sale are subsequently carried at fair value. The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realised and unrealised gains and losses from financial assets at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recognised in cumulative changes in fair value in other comprehensive income.

Where financial assets available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When a financial asset available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

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Derecognition

A financial asset (in whole or in part) is derecognised either when:

- a) the contractual rights to receive the cash flows from the financial asset have expired; or
- b) the Group has transferred its rights to receive cash flows from the financial asset and either:
 - (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from the consolidated other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

Financial liabilities:

1) Accounts payable

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

d) Inventories

Inventories are valued at the lower of cost or net realisable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realisable value.

e) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs subsequent to initial recognition, investment properties are stated at the fair value at the end of the reporting period. Gains or losses arising from changes in fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

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Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

f) Trading properties

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held to generate rental income or for capital appreciation, are classified as trading properties. Trading properties are recorded on initial recognition at cost and are subsequently measured at the lower of cost or net realisable value. Cost includes freehold or leasehold rights for land, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less costs to complete and the estimated costs to sell. Net realisable value is determined based on valuation performed annually by independent professional real estate valuation experts who have the required qualifications and experience in valuing such types of properties using recognised valuation techniques.

At each reporting date, if the cost of the property exceeds its net realisable value, the property is written down to its net realisable value and the difference is recognised to the consolidated statement of profit or loss. If previously recognised loss is subsequently recovered, the property is increased to its net realisable value to the extent of its original cost and the amount of increase is recognised in the consolidated statement of profit or loss to the extent of the previously recognised loss.

g) Investment in associates

Associates are those entities in which the Group have significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognises in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group interest in that associate (which includes any long-term interests that, in substance, form part of the Group net investment in the associate) are not recognised except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group interest in the associate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired by applying the requirements of IAS 39 and determine if necessary, to recognise any impairment loss with respect to the investment. If this is the case, the entire carrying amount of the investment is tested for impairment and 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. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

h) Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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 included in consolidated statement of profit or loss for the period. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Depreciation is computed on straight line basis over the estimated useful lives of property, plant and equipment as follows:

	<u>Years</u>
Buildings	20
Furniture, fixtures and computers	5
Machinery and equipment	2 - 4
Motor vehicles	3

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 from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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i) Intangible assets

Intangible assets are measured on initial recognition at cost, which comprises its purchase price, and any directly attributable cost of preparing the asset for its intended use.

Following initial recognition, 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 each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the 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 tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment 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 recognized in the consolidated statement or profit or loss when the asset is derecognized.

j) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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k) Discontinued operations

A discontinued operation is a component of the Group's business, the operational results and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as discontinued operations.

In the consolidated statement of profit or loss of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the consolidated statement of profit or loss.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

l) End of service indemnity

The Group provides end of service indemnity to all its employees. Provision is made for amounts payable to employees under the Kuwaiti Labour Law in the private sector, employee contracts and the applicable labor laws in the countries where the subsidiaries operate if applicable to the client that has foreign subsidiaries. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

Further, with respect to its national employees, the Group also makes contributions to Public Authority 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.

m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

n) Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

o) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (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, reserves, and then share premium respectively.

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Gains realised subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

p) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognised when significant risks and rewards of ownership of goods are transferred to the buyer. The Group does not operate any loyalty programs.

Rendering of services

Revenue from maintenance contracts is recognised when the service is rendered.

Construction contracts

Revenue from construction contracts is recognised in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue – contract revenue corresponds to the initial amount of revenue agreed in the contract plus any variations in the contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Revenue from variation claims are recognised in the period such claims are approved.

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Contract costs – contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to the specific contract comprise of cost of materials used in the construction, labour costs, depreciation of property and equipment used on the contract, and other costs that are directly related to the contract

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 accounts receivable and other debit balances 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 accounts payable and other credit balances for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Dividend income

Dividend income is recognised when the right to receive payment is established.

Rent

Rental income is recognised, when earned, on a time apportionment basis.

Sale of properties

- When the agreement is within the scope of IAS 11 – construction contracts and its outcome can be estimated reliably, the Group recognises the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11 – construction contracts.
- When the agreement is within the scope of IAS 18 – Revenue, Group recognises revenue at time of completion, when the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.
- If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognises revenue by reference to the percentage of completion method. If there is a doubt about the future economic benefits flowing to the Group, the Group recognises revenue based on the installment percentage.

q) **Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

r) **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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Operating lease:

- a) The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.
- b) The Group as lessee
Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.
- s) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the consolidated profit of the Parent Company before contribution to KFAS, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of income from Kuwaiti shareholding subsidiaries and associates and transfer to statutory reserve.
- t) National Labor Support Tax (NLST)
National Labor Support Tax (NLST) is calculated at 2.5% on the consolidated profit of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from associates & un-consolidated subsidiaries listed in Kuwait Stock Exchange, its share of NLST paid by subsidiaries listed in Kuwait Stock Exchange, and cash dividends received from companies listed in Kuwait Stock Exchange in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.
- u) Contribution to Zakat
Contribution to Zakat is calculated at 1% on the consolidated profit of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.
- v) Foreign currencies
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments classified as financial assets available for sale are included in "cumulative changes in fair value" in other comprehensive income. Translation differences on monetary items such as debt instruments classified as financial assets available for sale are included in consolidated statement of profit or loss.

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The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in other comprehensive income. Such translation differences are recognised in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

w) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

x) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

y) Critical accounting judgments, estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a. Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements.

1) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

2) Determination of contract cost:

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

3) Classification of Land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

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- a) **Properties held for trading:**
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.
 - b) **Properties under development:**
When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.
 - c) **Investment properties:**
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.
- 4) Provision for doubtful debts and inventories
The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventories involve significant judgment.
- 5) Classification of financial assets
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its financial assets.
- The Group classifies financial assets as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies financial assets as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other financial assets are classified as "available for sale".
- 6) Impairment of financial assets
The Group follows the guidance of IAS 39 to determine when an available-for-sale equity instruments is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.
- 7) Application of IFRIC 15 – Agreements for the construction of real estate
The determination whether the agreements within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue require significant judgment.
- b. Estimates and assumptions
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:
- 1) Fair value of unquoted financial assets
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

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- 2) Long term contracts
Revenue from long term contracts is recognised in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.
- 3) Provision for doubtful debts and inventories
The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realisable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.
- 4) Valuation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. Three main methods were used to determine the fair value of investment properties:
 - a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
 - b) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalisation Rate'.
 - c) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.
- 5) Valuation of trading property
Trading property is stated at the lower of cost and net realizable value (NRV). NRV for completed trading property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment. NRV in respect of trading property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction, estimated costs to sell the property, and an estimate of the time value of money to the date of completion.
- 6) Impairment of non-financial assets
Impairment exists when the carrying value of an asset (or cash generating unit) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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3. <u>Property, Plant and Equipment</u>	Buildings	Furniture and fixtures	Machinery and equipment	Motor vehicles	Computers	Total
Cost:						
At January 1, 2016	2,100,466	665,760	1,580,755	199,735	210,391	4,757,107
Transfers	-	5,472	-	-	(5,472)	-
Additions	1,773	7,865	167,446	22,946	13,330	213,360
Disposals	-	-	(4,127)	(5,390)	-	(9,517)
Foreign currency translation adjustments	6,696	49	(11)	51	29	6,814
As at December 31, 2016	2,108,935	679,146	1,744,063	217,342	218,278	4,967,764
Additions	12,118	88,265	67,355	14,700	49,502	231,940
Disposals	-	(377)	(102,532)	(11,750)	-	(114,659)
Foreign currency translation adjustments	(38,886)	(288)	(5,209)	(297)	(205)	(44,885)
As at December 31, 2017	2,082,167	766,746	1,703,677	219,995	267,575	5,040,160
Accumulated depreciation:						
At January 1, 2016	498,513	541,716	1,255,741	185,295	168,382	2,649,647
Transfers	-	692	-	-	(692)	-
Charged during the year	96,509	76,412	75,086	14,982	18,217	281,206
Related to disposals	-	-	(825)	(5,390)	-	(6,215)
Foreign currency translation adjustments	502	11	215	15	13	756
As at December 31, 2016	595,524	618,831	1,330,217	194,902	185,920	2,925,394
Charged during the year	89,199	55,137	99,961	18,789	18,693	281,779
Related to disposals	-	(306)	(102,525)	(11,750)	-	(114,581)
Foreign currency translation adjustments	(4,861)	(104)	(1,808)	(148)	(142)	(7,063)
As at December 31, 2017	679,862	673,558	1,325,845	201,793	204,471	3,085,529
Net book value:						
As at December 31, 2017	1,402,305	93,188	377,832	18,202	63,104	1,954,631
As at December 31, 2016	1,513,411	60,315	413,846	22,440	32,358	2,042,370

The Group's buildings are constructed on leasehold lands leased from the Government of Kuwait (Note 4).

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4. Intangible assets

	Rights of use of leasehold lands	Sealant line expenses	2017	2016
Cost:				
At the beginning of the year	2,611,533	10,949	2,622,482	2,622,482
At the end of the year	2,611,533	10,949	2,622,482	2,622,482
Accumulated amortization:				
At the beginning of the year	1,644,102	10,949	1,655,051	1,282,018
Charged during the year	373,033	-	373,033	373,033
At the end of the year	2,017,135	10,949	2,028,084	1,655,051
Impairment losses:				
At the beginning of the year	8,728	-	8,728	8,728
At the end of the year	8,728	-	8,728	8,728
Net carrying value:				
At end of the year	585,670	-	585,670	958,703

Rights of use of leasehold lands represents lands leased from the Government of Kuwait and are amortised over a period of 20 years.

At December 31, 2017, management of the Group assessed the rights of use of leasehold lands to determine if there is any impairment in their values. As a result, the Group did not recognise any impairment loss for the years ended December 31, 2017 and December 31, 2016. Management's assessment was based on valuation performed at the reporting date by an independent professional real estate valuation expert who is specialist and has the required qualification and experience in valuing such type of assets using recognised valuation techniques.

5. Investment properties

The movement of investment properties during the year is as follows:

	2017	2016
Balance at the beginning of the year	696,315	819,707
Disposals	(149,393)	(70,654)
Unrealised loss on fair value valuation	(13,000)	(52,801)
Foreign currency translation adjustment	(104)	63
Balance at the end of the year	533,818	696,315

As at December 31, investment properties are geographically allocated as follows:

	2017	2016
Properties in Kuwait	526,000	539,000
Properties in UAE	-	149,393
Properties in Oman	7,818	7,922
	533,818	696,315

The fair value of investment properties has been determined based on valuations performed by two independent professional real estate valuers, who are industry specialists in valuing such type of investment properties. For the properties located in Kuwait, one of the valuers is a local bank and the other is a local reputable accredited valuer. The valuers used the income capitalisation approach assuming full capacity of the property which is based on capitalisation of the discounted annual cash flows from the property which is calculated by discounting rental income generated annually by the property, assuming full capacity, using the current market discount rate.

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For valuation purpose, management of the Group has selected the lower valuation. As a result, the Group has recognised an unrealised loss on fair valuation of KD 13,000 (2016: KD 52,801) in the consolidated statement of profit or loss for the year.

During the year ended December 31, 2017, the Group sold certain investment properties with a carrying value of KD 149,393 (2016: KD 70,654) for a total consideration of KD 149,393 (2016: KD 78,596), resulting in no gain or loss on sale (2016: gain of KD 7,942).

Fair value hierarchy disclosures for investment properties are provided in Note 27.

6. Investment in associates

Investment in associates consists of the following:

Name of the associates	Country of incorporation	Percentage of ownership (%)		Amount	
		2017	2016	2017	2016
Kuwait International Advanced Industries Company K.S.C. (Closed)	Kuwait	25%	25%	1,915,651	1,835,418
Equipment Holding Company K.S.C.P.	Kuwait	-	29.75%	-	2,231,900
Warehousing Projects and Logistics Company W.L.L.	Saudi Arabia	50%	50%	2,736,920	2,782,456
				<u>4,652,571</u>	<u>6,849,774</u>

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

	2017	2016
Balance at the beginning of the year	6,849,774	9,098,365
Share of results of associates - a	(272,902)	(1,206,512)
Share of other comprehensive income (loss) of associates (Note 18)	3,611	(21,494)
Impairment loss on associates - b	-	(1,054,980)
Transferred to asset classified as held for sale (Note 12)	(1,882,376)	-
Foreign currency translation adjustment	(45,536)	34,395
Balance at the end of the year	<u>4,652,571</u>	<u>6,849,774</u>

a) Share of results from associates can be analysed as follows:

	2017	2016
Share of results from Equipment Holding Company – K.S.C.P (Note 12) *	(353,135)	(1,162,622)
Share of results from Kuwait International Advanced Industries – K.S.C.C.	80,233	(43,890)
	<u>(272,902)</u>	<u>(1,206,512)</u>

b) Impairment loss on investments in associates can be analysed as follows:

	2017	2016
Impairment loss on investment in Equipment Holding Company – K.S.C.P (Note 12) *	-	(54,980)
Impairment loss on investment in Warehousing projects and Logistics Company – W.L.L.	-	(1,000,000)
	<u>-</u>	<u>(1,054,980)</u>

* Presented within discontinued operations

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As at December 31, 2017, Management of the Group has reviewed the investments in associates to assess whether impairment has occurred in their value and accordingly no additional impairment loss has been recognised in the consolidated statement of profit or loss (2016: impairment loss KD 1,054,980). Management is not aware of any circumstances that would indicate any impairment in the value of these investments at the reporting date.

The following table illustrates the summarised financial information of the Group's investment in associates:

	<u>2017</u>	<u>2016</u>
Share of the associates' statement of profit or loss:		
Revenues	<u>2,306,944</u>	<u>4,172,721</u>
Results *	<u>(272,902)</u>	<u>(1,206,512)</u>
Share of the associates' statement of comprehensive income:		
Other comprehensive income (loss)	<u>3,611</u>	<u>(21,494)</u>
Share of the associates' statement of financial position:		
Non-current assets	<u>6,390,296</u>	<u>10,674,428</u>
Current assets	<u>956,882</u>	<u>7,157,939</u>
Total assets	<u>7,347,178</u>	<u>17,832,367</u>
Non-current liabilities	<u>90,257</u>	<u>1,992,844</u>
Current liabilities	<u>2,175,700</u>	<u>6,830,690</u>
Total liabilities	<u>2,265,957</u>	<u>8,823,534</u>

* The Group's share of results have been determined based on the financial information of the associates till June 30, 2017.

Summarised financial information of Group's material associates is set out below:

Year ended December 31, 2017	Kuwait International Advanced Industries Company K.S.C. (Closed)	Other associates	Total
Statement of profit or loss:			
Revenues	<u>1,739,410</u>	<u>-</u>	<u>1,739,410</u>
Results	<u>73,613</u>	<u>-</u>	<u>73,613</u>
Statement of comprehensive income:			
Other comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>
Statement of financial position:			
Non-current assets	<u>4,794,010</u>	<u>10,383,586</u>	<u>15,177,596</u>
Current assets	<u>2,720,863</u>	<u>553,333</u>	<u>3,274,196</u>
Total assets	<u>7,514,873</u>	<u>10,936,919</u>	<u>18,451,792</u>
Non-current liabilities	<u>293,670</u>	<u>33,678</u>	<u>327,348</u>
Current liabilities	<u>1,843,997</u>	<u>3,429,401</u>	<u>5,273,398</u>
Total liabilities	<u>2,137,667</u>	<u>3,463,079</u>	<u>5,600,746</u>
Net assets	<u>5,377,206</u>	<u>7,473,840</u>	<u>12,851,046</u>

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Year ended December 31, 2016	Kuwait International Advanced Industries Company K.S.C. (Closed)	Equipment Holding Company K.S.C.P.	Other associates	Total
Statement of profit or loss:				
Revenues	<u>1,537,377</u>	<u>12,734,039</u>	<u>-</u>	<u>14,271,416</u>
Results	<u>(234,788)</u>	<u>(3,909,628)</u>	<u>-</u>	<u>(4,144,416)</u>
Statement of comprehensive income:				
Other comprehensive loss	<u>-</u>	<u>(124,387)</u>	<u>-</u>	<u>(124,387)</u>
Statement of financial position:				
Non-current assets	4,939,629	14,061,831	10,512,252	29,513,712
Current assets	<u>2,483,653</u>	<u>21,031,706</u>	<u>560,186</u>	<u>24,075,545</u>
Total assets	<u>7,423,282</u>	<u>35,093,537</u>	<u>11,072,438</u>	<u>53,589,257</u>
Non-current liabilities	327,013	6,363,953	35,630	6,726,596
Current liabilities	<u>2,039,993</u>	<u>15,410,904</u>	<u>3,471,896</u>	<u>20,922,793</u>
Total liabilities	<u>2,367,006</u>	<u>21,774,857</u>	<u>3,507,526</u>	<u>27,649,389</u>
Net assets	<u>5,056,276</u>	<u>13,318,680</u>	<u>7,564,912</u>	<u>25,939,868</u>

The following table shows a reconciliation of the summarised financial information of the associate to the carrying amount of the Group's interest in the associate:

Year ended December 31, 2017	Kuwait International Advanced Industries Company K.S.C. (Closed)	Other associates	Total
Net assets of the associate	<u>5,377,206</u>	<u>7,473,840</u>	<u>12,851,046</u>
Group's effective interest in the associate's equity	<u>25%</u>	<u>50%</u>	
Group's share in the associate's net assets	<u>1,344,302</u>	<u>3,736,920</u>	<u>5,081,222</u>
Impairment loss on associates	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Goodwill	<u>571,349</u>	<u>-</u>	<u>571,349</u>
Carrying amount of the Group's investment in the associate	<u>1,915,651</u>	<u>2,736,920</u>	<u>4,652,571</u>

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Year ended December 31, 2016	Kuwait International Advanced Industries Company K.S.C. (Closed)	Equipment Holding Company K.S.C.P.	Other associates	Total
Net assets of the associate	5,056,276	13,318,680	7,564,912	25,939,868
Group's effective interest in the associate's equity	25%	29.75%	50%	
Group's share in the associate's net assets	1,264,069	3,962,405	3,782,456	9,008,930
Gain on bargain purchase option	-	(497,911)	-	(497,911)
Impairment loss on associates	-	(1,232,594)	(1,000,000)	(2,232,594)
Goodwill	571,349	-	-	571,349
Carrying amount of the Group's investment in the associate	<u>1,835,418</u>	<u>2,231,900</u>	<u>2,782,456</u>	<u>6,849,774</u>
Market value of the Group's investment in associate	<u>-</u>	<u>2,231,900</u>	<u>-</u>	<u>2,231,900</u>

7. Accounts receivable and other debit balances

	2017	2016
Trade receivables and receivables from construction contracts (a)	<u>7,190,093</u>	<u>7,607,956</u>
Retention receivable (a)	<u>3,450,213</u>	<u>2,815,235</u>
Less: Provision for doubtful debts (b)	<u>(2,200,730)</u>	<u>(1,781,342)</u>
	<u>8,439,576</u>	<u>8,641,849</u>
Gross amount due from customers for contract work	<u>832,717</u>	<u>55,650</u>
Advance payments to suppliers	<u>976,826</u>	<u>1,477,951</u>
Prepaid expenses and other debit balances	<u>1,902,297</u>	<u>440,817</u>
Less: Provision for doubtful debts (b)	<u>(816,978)</u>	<u>-</u>
	<u>1,085,319</u>	<u>440,817</u>
	<u>11,334,438</u>	<u>10,616,267</u>

Analysed as:

	2017	2016
Current portion	<u>8,920,474</u>	<u>8,915,822</u>
Non-current portion	<u>2,413,964</u>	<u>1,700,445</u>
	<u>11,334,438</u>	<u>10,616,267</u>

a) **Trade receivables, receivables from construction contracts and retention receivables:**

Aging of trade receivables, receivables from construction contracts and retention receivables are as follows:

	Less than 3 months	Past due but not impaired			Impaired	Total
		3 – 6 months	6 – 12 months	More than 1 year		
<u>2017</u>	<u>1,221,853</u>	<u>859,979</u>	<u>3,943,780</u>	<u>2,413,964</u>	<u>2,200,730</u>	<u>10,640,306</u>
<u>2016</u>	<u>3,355,766</u>	<u>2,053,766</u>	<u>1,531,872</u>	<u>1,700,445</u>	<u>1,781,342</u>	<u>10,423,191</u>

As of December 31, 2017, Trade receivables, receivables from construction contracts and retention receivables amounting to KD 4,803,759 (2016 - KD 3,585,638) were past due but not impaired. These balances relate to a number of independent customers for whom there is no recent history of default.

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b) Provision for doubtful debts:

The movement on the provision for doubtful debts is as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	1,781,342	1,307,721
Charged during the year	1,236,366	543,157
Reversal of provision no longer required	-	(69,536)
Balance at the end of the year	<u>3,017,708</u>	<u>1,781,342</u>

- c) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Group doesn't hold any collateral as security for accounts receivable and other debit balances

8. Inventories

	<u>2017</u>	<u>2016</u>
Construction materials	1,151,059	1,179,567
Raw and packing materials	1,013,228	1,044,196
Others	14,109	14,272
	<u>2,178,396</u>	<u>2,238,035</u>
Less: provision for slow moving inventories	<u>(307,510)</u>	<u>(42,334)</u>
	<u>1,870,886</u>	<u>2,195,701</u>

Movements in provision for slow moving inventories during the year were as follows :

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	42,334	81,480
Charged during the year	265,176	-
Utilized during the year	-	(39,146)
Balance at the end of the year	<u>307,510</u>	<u>42,334</u>

9. Trading properties

The movements during the year were is as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	4,420,520	4,813,954
Disposals	(1,729,725)	(99,175)
Write down of trading properties to net realisable value	(480,581)	(294,259)
Balance at the end of the year	<u>2,210,214</u>	<u>4,420,520</u>

All trading properties are located in United Arab Emirates.

At December 31, 2017, Management of the Group performed a review of trading properties to assess if there is an impairment in their carrying values, based on valuations performed by independent professional real estate valuation experts using comparable active market prices for similar properties adjusted for location, plot area and other individual characteristics. As a result, the Group wrote down certain trading properties to their net realisable values and recorded the difference of KD 480,581 (2016: KD 294,259) in the consolidated statement of profit or loss.

During the year ended December 31, 2017, the Group sold certain trading properties with a carrying value of KD 1,729,725 (2016: KD 99,175) for a total consideration of KD 1,808,651 (2016: KD 132,274) (Note 21).

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10. Related party disclosures

The Group entered into various transactions with related parties in the normal course of its business (i.e. associates, key management personnel and other related parties). Prices and terms of payment are approved by the Group's management. Significant related party balances are as follows:

Balances included in the consolidated statement of financial position:

	<u>December 31, 2017</u>			<u>December 31, 2016</u>
	<u>Associates</u>	<u>Other related parties</u>	<u>Total</u>	
<u>Due from related parties:</u>				
Warehousing Project and logistics Company – W.L.L.*	2,406,000	-	2,406,000	2,406,000
Al-Khadda International General Trading and Contracting Company – W.L.L.	-	1,320	1,320	-
	<u>2,406,000</u>	<u>1,320</u>	<u>2,407,320</u>	<u>2,406,000</u>
Less: Provision for doubtful debts*	<u>(2,406,000)</u>	<u>-</u>	<u>(2,406,000)</u>	<u>(2,406,000)</u>
	<u>-</u>	<u>1,320</u>	<u>1,320</u>	<u>-</u>

* The amount due from Warehousing Projects and Logistics Company W.L.L. represents an unsecured loan granted by the Parent Company which matured on April 30, 2015 and has not been renewed. The loan carries profit at a rate charged on similar loans by Islamic banks in Kuwait. The Management provided previously a full provision against the outstanding balance. Management of the Parent Company has filed a legal case against the investee company in order to recover this balance, for which no final court verdict has been issued up to the date of issuing these consolidated financial statements.

Key management personnel remuneration

	<u>2017</u>	<u>2016</u>
Salaries and other short term benefits	71,244	71,504
Post-employment benefits	3,795	3,795
Termination benefits	81,584	-
Board of Directors' and Executive Committee remuneration	35,000	24,000
	<u>191,623</u>	<u>99,299</u>

11. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Cash on hand and at banks	2,905,841	6,112,785
Short term deposits	4,000,000	-
	<u>6,905,841</u>	<u>6,112,785</u>

The effective interest rate on short term bank deposits is 1.8% per annum as of December 31, 2017 (December 31, 2016: Nil per annum). These deposits had average maturity of three months.

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12. Assets classified as held for sale

The management of the Parent Company is actively pursuing the disposal of its investment in the associate Equipment Holding Company – K.S.C.P. which has been approved by its Board of Directors in their meeting held on October 17, 2017. As a result, the carrying amount of the investment at December 31, 2017 of KD 1,882,376 and the related current account due from the associate of KD 114 were classified as non-current assets held for sale after booking an impairment loss of KD 575,700 based on the latest bid price in the market to bring down the carrying amount of the investment to its fair value. Accordingly, the share of results and the impairment loss for the year ended December 31, 2016 have been presented as loss from discontinued operations.

The movement of assets held for sale during the year was as follows:

	<u>2017</u>
Transferred from investment in associate (note 6)	1,882,376
Add: due from the associate	114
Less: impairment loss of assets held for sale	<u>(575,700)</u>
	<u><u>1,306,790</u></u>

Management of the Parent Company accounted for its share of results (loss) from Equipment Holding Company – K.S.C.P. amounting to KD 353,135 till June 30, 2017 (note 6) as it is the latest available financial information for the associate company, before the Board of Directors decision to classify the investment as held for sale.

Management presented the share of loss and the impairment loss of assets held for sale as discontinued operations as follows:

	<u>2017</u>	<u>2016</u>
Share of results (note 6)	(353,135)	(1,162,622)
Impairment loss on investment in associate	-	(54,980)
Impairment loss on asset classified as held for sale	<u>(575,700)</u>	-
	<u><u>(928,835)</u></u>	<u><u>(1,217,602)</u></u>

13. Share capital

The Parent Company's authorised, issued and paid up capital is KD 15,000,000 distributed over 150,000,000 shares of 100 fils each (2016 – KD 15,000,000 distributed over 150,000,000 shares of 100 fils each), and all shares are in cash.

14. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of profit for the year attributable to Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. Since there is a net loss for the year, there was no transfer to statutory reserve during the year.

It is not allowed to distribute statutory reserve to shareholders, it is only allowed to use it to distribute profits to shareholders up to 5% (five percent) in the years where the Parent Company's profits do not allow such distribution.

15. Voluntary reserve

As required by the Parent Company's Article of Association, a percentage is transferred to the voluntary reserve, suggested by the Board of Directors and approved by the General Assembly of the Parent Company's shareholders. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. Since there is a net loss for the year, there was no transfer to voluntary reserve during the year.

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16. Parent Company's Shareholders' General Assembly

The Parent Company's Shareholders' Ordinary General Assembly meeting held on October 1, 2017 approved the resignation of the former Board of Directors and elected a new Board of Directors.

The Parent Company's Shareholders' Ordinary General Assembly meeting held on April 30, 2017 approved the consolidated financial statements of the Group for the year ended December 31, 2016, and resolved the following:

- a) To write off the full amount of accumulated losses of KD 4,355,901 as at December 31, 2016 through the following:
- The full amount of voluntary reserve amounting to KD 473,319.
 - The full amount of statutory reserve amounting to KD 1,981,563.
 - An amount of KD 1,901,019 from share premium, which will result in a share premium amount to be KD 15,598,981.
- b) Not to distribute cash dividends for the year ended December 31, 2016.
- c) Not to distribute remunerations to the Board of Directors, except for an amount of KD 10,000 to the independent member.

17. Treasury shares

	<u>2017</u>	<u>2016</u>
Number of shares	7,313,493	7,313,493
Percentage to paid up shares	4.88%	4.88%
Market value (KD)	493,661	585,079
Cost (KD)	2,418,587	2,418,587

The Parent Company's management has allotted an amount equal to treasury shares balance from share premium as at the consolidated financial statements date. Such amount will not be available for distribution during treasury shares holding period.

18. Other components of equity

	<u>Revaluation reserve</u>	<u>Related to asset classified as held for sale</u>	<u>Foreign currencies translation reserve</u>	<u>Treasury shares reserve</u>	<u>Total</u>
Balance at January 1, 2017	237,324	(13,014)	300,908	748,437	1,273,655
Share of other comprehensive income of associate (Note 6)	-	3,611	-	-	3,611
Foreign exchange differences	-	-	(101,922)	-	(101,922)
Transfer relating to depreciation charged to accumulated losses	(25,415)	-	-	-	(25,415)
Balance at December 31, 2017	<u>211,909</u>	<u>(9,403)</u>	<u>198,986</u>	<u>748,437</u>	<u>1,149,929</u>

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	Revaluation reserve	Related to asset classified as held for sale	Foreign currencies translation reserve	Treasury shares reserve	Total
Balance at January 1, 2016	262,739	702,625	253,356	748,437	1,967,157
Share of other comprehensive loss of associate (Note 6)	-	(21,494)	-	-	(21,494)
Foreign exchange differences	-	-	47,552	-	47,552
Transfer relating to depreciation charged to accumulated losses	(25,415)	-	-	-	(25,415)
Transfer on sale of properties in associate to accumulated losses	-	(694,145)	-	-	(694,145)
Balance at December 31, 2016	<u>237,324</u>	<u>(13,014)</u>	<u>300,908</u>	<u>748,437</u>	<u>1,273,655</u>

19. Provision for end of service indemnity

	2017	2016
Balance at beginning of the year	517,488	509,341
Charged during the year	266,607	69,414
Paid during the year	(154,876)	(61,267)
Balance at end of the year	<u>629,219</u>	<u>517,488</u>

20. Accounts payable and other credit balances

	2017	2016
Trade payables	847,973	416,114
Advances received from customers	1,474,747	266,892
Retentions payable	685,966	1,566,631
Gross amounts due to customers for contract work	39,900	463,331
Notes payable	237,641	165,748
Others	915,347	862,531
	<u>4,201,574</u>	<u>3,741,247</u>

Analysed as:

	2017	2016
Current portion	3,930,668	3,640,235
Non-current portion	270,906	101,012
	<u>4,201,574</u>	<u>3,741,247</u>

21. Revenues

	2017	2016
General trading	4,688,144	4,776,390
Contracting	1,822,089	2,198,011
Construction	7,950,080	4,415,480
Oil and gas services	834,978	-
Sales of trading properties (Note 9)	1,808,651	132,274
	<u>17,103,942</u>	<u>11,522,155</u>

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22. Basic and diluted loss per share attributable to Parent Company's shareholders (Fils)

Basic loss per share is calculated by dividing the loss for the year attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). There are no potential dilutive ordinary shares. The information necessary to calculate the basic loss per share based on the weighted average number of outstanding shares during the year is as follows:

	<u>2017</u>	<u>2016</u>
Loss for the year from continuing operations attributable to Shareholders of the Parent Company	<u>(2,074,771)</u>	<u>(1,782,930)</u>
Loss for the year from discontinued operations attributable to Shareholders of the Parent Company	<u>(928,835)</u>	<u>(1,217,602)</u>
Loss for the year attributable to Shareholders of the Parent Company	<u>(3,003,606)</u>	<u>(3,000,532)</u>
<u>Number of outstanding shares:</u>		
Weighted average number of issued shares	150,000,000	150,000,000
Less: Weighted average number of treasury shares	<u>(7,313,493)</u>	<u>(7,313,493)</u>
Weighted average number of outstanding shares	<u>142,686,507</u>	<u>142,686,507</u>
	<u>Fils</u>	<u>Fils</u>
Basic and diluted loss per share from continuing operations attributable to Shareholders of the Parent Company	<u>(14.54)</u>	<u>(12.50)</u>
Basic and diluted loss per share from discontinued operations attributable to Shareholders of the Parent Company	<u>(6.51)</u>	<u>(8.53)</u>
Total basic and diluted loss per share attributable to shareholders of the Parent Company	<u>(21.05)</u>	<u>(21.03)</u>

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23. Segment analysis

For management purposes, the Group is organised into business units, based on their products and services, in order to manage its various lines of business. For the purpose of segment reporting, the Group has three reportable operating segments: general trading contracting and construction, oil and gas and real estate.

Management of the Parent Company 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 its results.

Reported segment results is based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and are reconciled to the Group results.

During the years ended December 31, 2017 and December 31, 2016, there were no significant inter-segment transactions. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

	General trading, contracting and construction activities	Oil and gas activities	Real estate activities	Total
2017				
Segment operating revenues	14,460,312	834,979	1,871,651	17,166,942
Segment results	193,505	(1,240,153)	(452,888)	(1,499,536)
Depreciation and amortisation	(652,343)	(1,068)	(1,401)	(654,812)
Share of results from associates				80,233
Unrealised loss on financial assets at fair value through profit or loss				(18,116)
Loss for the year from continuing operations				(2,092,231)
Loss for the year from discontinued operations				(928,835)
Loss for the year				(3,021,066)
Total assets	24,424,325*	1,179,603	5,826,961	31,430,889
Total liabilities	(4,636,903)	(101,952)	(91,938)	(4,830,793)

* Includes assets classified as held for sale.

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23. Segment analysis (continued)

	General trading, contracting and construction activities	Oil and gas activities	Real estate activities	Total
2016				
Segment operating revenues	11,389,880	-	192,597	11,582,477
Segment results				
Depreciation and amortisation	476,739	(189,321)	(411,506)	(124,088)
Share of results from associates	(651,137)	(1,037)	(2,065)	(654,239)
Impairment of investments in associates				(43,890)
Unrealised gain on financial assets at fair value through profit or loss				(1,000,000)
Loss for the year from continuing operations				6,148
Loss for the year from discontinued operations				(1,816,069)
Loss for the year				(1,217,602)
Total assets	24,010,793	1,741,020	8,233,448	33,985,261
Total liabilities	(4,009,288)	(155,774)	(93,673)	(4,258,735)

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24. Contingent liabilities

At the consolidated financial position date the Group is contingently liable in respect of the following, from which it is anticipated that no material liability will arise:

	<u>2017</u>	<u>2016</u>
Letters of guarantees	<u>9,667,331</u>	<u>6,569,918</u>
	<u>9,667,331</u>	<u>6,569,918</u>

25. Financial Risk Management Objectives and Policies

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk, the latter being subdivided into foreign currency risk and equity price risk. No changes were made in the risk management objectives and policies during the years ended December 31, 2017 and December 31, 2016.

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

The management of the Group reviews and agrees policies for managing each of these risks which are summarised below.

a) Credit risk:

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Maximum exposure to credit risk:

The Group's exposure to credit risk from bank balances and accounts receivable arises from default of the counterparty. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the consolidated statement of financial position.

The maximum exposure is the carrying amount as follows:

	<u>2017</u>	<u>2016</u>
Accounts receivable and other debit balances	<u>8,906,621</u>	<u>8,880,015</u>
Amounts due from related parties	<u>1,320</u>	<u>-</u>
Bank balances	<u>6,870,053</u>	<u>6,038,333</u>
	<u>15,777,994</u>	<u>14,918,348</u>

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Concentration of financial assets:

The Group operates in two geographical markets, the domestic market in Kuwait and the regional market in the Middle East. The following table shows the distribution of the Group's financial assets by geographical markets.

	<u>2017</u>	<u>Kuwait</u>	<u>Middle East</u>	<u>Total</u>
Accounts receivable and other debit balances		8,361,231	545,390	8,906,621
Bank balances		6,536,143	333,910	6,870,053
		<u>14,897,374</u>	<u>879,300</u>	<u>15,776,674</u>
	<u>2016</u>	<u>Kuwait</u>	<u>Middle East</u>	<u>Total</u>
Accounts receivable and other debit balances		8,299,294	580,721	8,880,015
Bank balances		5,732,493	305,840	6,038,333
		<u>14,031,787</u>	<u>886,561</u>	<u>14,918,348</u>

b) Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The risk is managed by the Group by ensuring bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments.

The following table summarises the maturities of the Group's undiscounted financial liabilities as at December 31, based on contractual payment dates and current market interest rates:

	<u>2017</u>	<u>Less than 3 months</u>	<u>3 to 12 Months</u>	<u>More than 1 year</u>	<u>Total</u>
Accounts payable and other credit balances*		1,171,451	942,320	270,906	2,384,677
		<u>1,171,451</u>	<u>942,320</u>	<u>270,906</u>	<u>2,384,677</u>
	<u>2016</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
Accounts payable and other credit balances*		595,555	2,639,943	101,012	3,336,510
		<u>595,555</u>	<u>2,639,943</u>	<u>101,012</u>	<u>3,336,510</u>

* Excludes advances received from customers and certain other credit balances.

c) Market risk:

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates and foreign exchange rates, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

d) Foreign currency risk:

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

The Group mainly operates in the Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Euro, Saudi Riyal, UAE Dirham, Qatari Riyal and Omani Riyal. The Group's consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, foreign currency cash flows are monitored.

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The Group's significant net exposure to foreign currency risk from the monetary asset denominated in foreign currencies less monetary liabilities at the reporting date, and which are translated into Kuwaiti Dinars at the closing rates are as follows:

Currency	2017	2016
US Dollar	(337)	11,809
Saudi Riyal	4,043,851	4,120,816
UAE Dirham	(62,597)	(10,048)
Qatari Riyal	577,612	545,772
Omani Riyal	84,869	85,999
Sterling Pound	(15,532)	-
Egyptian Pound	1,223	-
Euro	(239,000)	33,654

The following table demonstrates the sensitivity of the Group's results (due to change in the fair value of monetary assets and liabilities) to a 5% possible change in the exchange rates, with all other variable held constant.

Currency	Effect on the results for the year	
	2017	2016
US Dollar	(17)	590
Saudi Riyal	202,193	206,041
UAE Dirham	(3,130)	(502)
Qatari Riyal	28,881	27,289
Omani Riyal	4,243	4,300
Sterling Pound	(777)	-
Egyptian Pound	61	-
Euro	(11,950)	1,683

Management believes that there is a limited risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposure.

e) Equity price risk:

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The effect on the Group's results (as a result of a change in the financial assets at fair value through profit or loss) due to a 5% change in market indices, with all other variables held constant, is as follows:

Description	2017			2016		
	Change in equity price	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income	Change in equity price	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
Financial assets at fair value through profit or loss	± 5%	3,196	-	± 5%	4,102	-

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The Group's financial assets available for sale represent unquoted equity securities which are carried at cost, the impact of changes in equity prices cannot be reliably determined due to unavailability of reliable fair value of these investments. Accordingly, there is no impact on the Group's other comprehensive income.

26. Capital Risk Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic and business conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and December 31, 2016.

The Group monitors capital using a gearing ratio whenever there are borrowings, which is net debt divided by total capital plus net debt. The Group includes within net debt, accounts payable and other credit balances less bank balances and cash. Capital includes share capital, share premium, voluntary reserve, treasury shares, other components of equity and accumulated losses and is measured at KD 26,473,798 (2016: KD 27,472,486). In the absence of borrowings, the Group focuses on equity. In the current and comparative years, there were no borrowings hence, capital was managed through equity.

27. Fair value measurement

The Group measures financial assets such as financial assets available for sale and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unavailable.

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	2017		
	Level 1	Level 3	Total
Investment properties	-	533,818	533,818
Financial assets at fair value through profit or loss	63,922	-	63,922
Total	63,922	533,818	597,740
	2016		
	Level 1	Level 3	Total
Investment properties	-	696,315	696,315
Financial assets at fair value through profit or loss	82,038	-	82,038
Total	82,038	696,315	778,353

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The reconciliation of the beginning and ending balances of level 3 assets which are recorded in the fair value hierarchy are shown in their respective notes.

At December 31, the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of cash and cash equivalents, accounts receivable, amounts due from related parties and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Properties located inside Kuwait

Those properties are valued using the income capitalisation approach assuming full capacity of the property which is based on capitalisation of the rental income generated by the property which is calculated by discounting rental income generated annually by the property, assuming full capacity, using the current market discount rate.

Description of significant unobservable inputs to valuation is as follows:

	<u>Country of location</u>	<u>Valuation technique</u>	<u>Input</u>	<u>Sensitivity of the input to fair value</u>
Investment properties	Kuwait	Income capitalisation approach assuming full capacity of the property	Monthly rental income of KD 4,950	An increase (decrease) by 1% in the rental income would result in increase (decrease) in fair value by KD 5,260.

28. Legal claims

There are certain lawsuits raised by / against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's management and legal counsel, there will be no material adverse impact on the Group consolidated financial statements, and hence, no additional provisions were recorded in the Group's records due to the sufficiency of the currently recorded provisions for those claims as of the reporting date.