المساكن

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE DEVELOPMENT COMPANY - K.S.C. (PUBLIC)

Annual Report 2017

Al Masaken International
Real Estate Development Co.
Paid Up Capital K.D 10,000,000

شركة المساكن الدولية
للتطوير العقاري
رأس المال المدفوع 10,000,000 دينار كويتي

تعهد مجلس الإدارة
بسلامة ونزاهة البيانات المالية

السادة/ مُساهمي شركة المساكن الدولية للتطوير العقاري   تحية طيبة وبعد،

يتعهد مجلس إدارة المساكن الدولية للتطوير العقاري، بسلامة ونزاهة التقارير المالية والتقارير ذات الصلة بنشاط الشركة المُعدة من قبل شركة المساكن الدولية للتطوير العقاري عن السنة المالية المُنتهية في 2017/12/31

وتفضلوا بقبول فائق الاحترام،

رئيس مجلس الإدارة
السيد/ عادل عبدالعزيز المخيزيم

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ص.ب: ٢٤٠٧٩
صفاة ١٣١٠١ الكويت
سجل تجاري رقم 44733

MANDR
Date: 19/04/2018
000328

The Sharia Report of
AL MASAKEN INTERNATIONAL REAL ESTATE DEVELOPMENT CO.
Fatwa and Shariah Supervisory Board
For the period from 01/01/2017 to 31/12/2017

The Shareholders of AL Masaken International Real-estate Development Company.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2017 to 31/12/2017. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2017 to 31/12/2017. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Prof /Abdul Aziz k. Al-Qassar
Chairman of the Sharia Committee

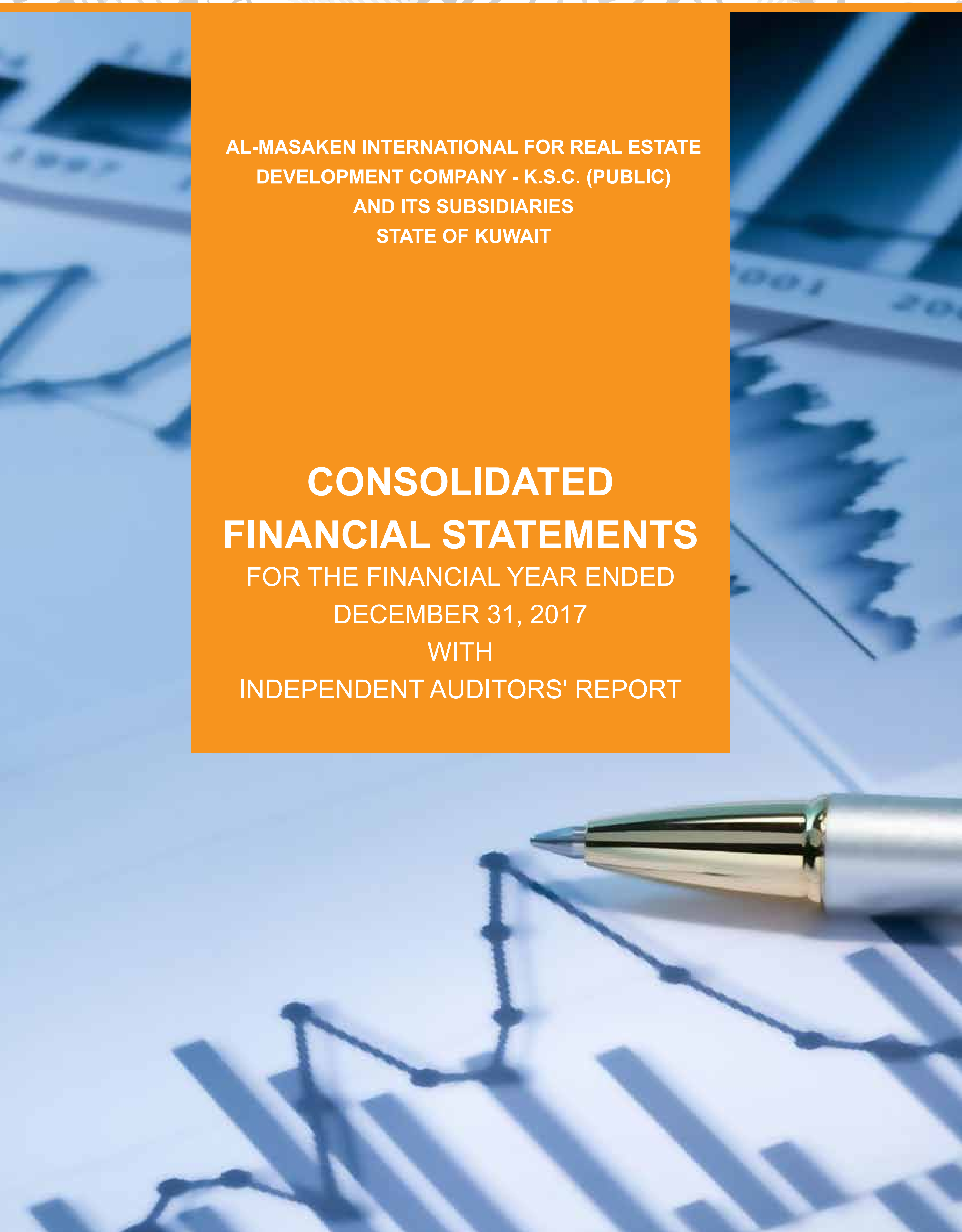
Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE DEVELOPMENT COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS

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



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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Al-Masaken International for Real Estate Development Company - K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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 Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our 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 opinion.

Key Audit Matters

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

Valuation of investment properties

Investment properties amounting to KD 17,498,684 form a significant part of the total assets of Group. The determination of the fair value of such properties is a subjective area and is highly dependent on judgements and estimates. Accordingly, the valuation of investment properties is considered a key audit matter. The Group performs an annual valuation exercise through licensed valuers to determine the fair value of the investment properties. These valuations are dependent on certain key assumptions such as estimated rental revenues, discount rates, occupancy rates, market knowledge, developers risk and historical transactions. In estimating the fair value of investment properties, valuers used the sales comparison valuation techniques and had considered the nature and usage of the investment properties. We reviewed the valuation reports from the licensed valuers and checked the adequacy of disclosures in the consolidated financial statements, which is included in Note 7.

Other Information
Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2017 and its Executive Regulations, 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 2017 and its Executive Regulations, or 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 or financial position of the Group.

Mohammed A. Al-Rasheed
License No. 217-A
Al-Dar International
Member of DFK International

Nayef M. Al-Bazie
Licence No. 91-A
RSM Albazie & Co

State of Kuwait
March 26, 2018

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE DEVELOPMENT COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
ASSETS			
Cash on hand and at banks		**216,981**	711,771
Accounts receivable and other debit balances	3	**335,675**	420,522
Due from related parties	4	**124,489**	209,055
Properties held for trading	5	**3,418,594**	11,173,458
Financial assets available for sale	6	**921,225**	983,952
Investment properties	7	**17,498,684**	11,310,000
Property and equipment		**5,893**	8,983
Total assets		**22,521,541**	24,817,741
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and other credit balances	8	**1,223,795**	2,160,070
Murabaha payable	9	**5,926,930**	5,507,217
Finance lease obligation	10	**4,170,027**	4,252,254
Due to related parties	4	**857,734**	1,886,120
Provision for end of service indemnity		**45,884**	73,184
Total liabilities		**12,224,370**	13,878,845
Equity:			
Share Capital	11	**10,000,000**	10,000,000
Statutory reserve	12	**954,090**	954,090
Voluntary reserve	13	**950,536**	950,536
Treasury shares	14	**(94,687)**	(94,687)
Treasury shares reserve		**71,610**	71,610
Cumulative changes in fair value		**228,558**	291,285
Foreign currency translation reserve		**(617,401)**	(916,072)
Accumulated losses		**(1,195,835)**	(462,170)
Total equity attributable to shareholders of the Parent Company		**10,296,871**	10,794,592
Non-controlling interests		**300**	144,304
Total equity		**10,297,171**	10,938,896
Total liabilities and equity		**22,521,541**	24,817,741

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

Adel A. Al-Mukhaizeem
Chairman

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE DEVELOPMENT COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
Revenue on sale of properties held for trading		**-**	2,341,079
Net Rental Income		**486,360**	335,960
		486,360	2,677,039
Cost for sale of properties held for trading		**-**	(2,547,011)
Gross profit		**486,360**	130,028
Net loss for Investment properties	15	**(844,768)**	(1,515,212)
General and administrative expenses	16	**(170,687)**	(227,776)
Marketing expenses		**(2,605)**	(692)
Loss from operations		**(531,700)**	(1,613,652)
Net investment income	17	**65,865**	82,473
Finance charges		**(268,851)**	(407,898)
Other income		**1,021**	239
Net loss for the year		**(733,665)**	(1,938,838)
Attributable to:			
Shareholders of the Parent Company		**(733,665)**	(1,938,838)
Net loss for the year		**(733,665)**	(1,938,838)
Loss per share attributable to shareholders of the Parent Company (Fils)	18	**(7.46)**	(11.99)

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE DEVELOPMENT COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
Net loss for the year		**(733,665)**	(1,938,838)
Other comprehensive loss:			
Items to be reclassified subsequently to profit or loss:			
Change in fair value of financial assets available for sale	6	**(62,727)**	(53,813)
Exchange differences on translating foreign operations		**298,671**	(831,136)
Other comprehensive income (loss) for the year		**235,944**	(884,949)
Total comprehensive loss for the year		**(497,721)**	(2,823,787)
Attributable to:			
Shareholders of the Parent Company		**(497,721)**	(2,823,787)
Total comprehensive loss for the year		**(497,721)**	(2,823,787)

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE DEVELOPMENT COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company										
	Share capital	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Cumulative changes in fair value	Foreign currencies translation reserve	Retained earnings (accumulated losses)	Sub total	Non-controlling interests	Total equity
Balance as of January 1, 2016	20,000,000	954,090	950,536	(189,374)	-	345,098	(84,936)	1,476,668	23,452,082	144,304	23,596,386
Total comprehensive loss for the year	-	-	-	-	-	(53,813)	(831,136)	(1,938,838)	(2,823,787)	-	(2,823,787)
Share capital reduction (Note 11)	(10,000,000)	-	-	-	-	-	-	-	(10,000,000)	-	(10,000,000)
Redemption during the year (Note 14)	-	-	-	94,687	71,610	-	-	-	166,297	-	166,297
Balance as of December 31, 2016	10,000,000	954,090	950,536	(94,687)	71,610	291,285	(916,072)	(462,170)	10,794,592	144,304	10,938,896
Total comprehensive loss (income) for the year	-	-	-	-	-	(62,727)	298,671	(733,665)	(497,721)	-	(497,721)
Change in non-controlling interests (Note 27)	-	-	-	-	-	-	-	-	-	(144,004)	(144,004)
Balance as at December 31, 2017	**10,000,000**	**954,090**	**950,536**	**(94,687)**	**71,610**	**228,558**	**(617,401)**	**(1,195,835)**	**10,296,871**	**300**	**10,297,171**

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE DEVELOPMENT COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	2017	2016
Cash flows from operating activities:		
Net loss for the year	**(733,665)**	(1,938,838)
Adjustments:		
Depreciation	**2,931**	2,694
Net investment income	**(65,865)**	(82,473)
Gain on sale of investment property	**(120,000)**	-
Change in fair value of investment properties	**964,768**	1,515,212
Finance charges	**268,851**	407,898
Provision for end of service indemnity	**1,945**	7,339
Foreign currency translation reserve	**(9,518)**	5,252
	309,447	(82,916)
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**96,962**	(63,192)
Due from related parties	**32,792**	5,455,426
Properties held for trading	**(73,715)**	2,394,456
Accounts payable and other credit balances	**3,792**	(113,621)
Due to related parties	**(44,305)**	565,666
Cash generated from operations	**324,973**	8,155,819
Payment for end of service indemnity	**(26,870)**	(50,575)
Net cash flows generated from operating activities	**298,103**	8,105,244
Cash flows from investing activities:		
Paid for purchase of investment properties	**(102,189)**	(78,362)
Paid for purchase of property and equipment	**(184)**	(4,392)
Dividend received	**45,890**	78,203
Net cash flows used in investing activities	**(56,483)**	(4,551)
Cash flows financing activities:		
Paid for the share capital reduction	**(199,995)**	(5,454,927)
Cash dividends paid	**(2,634)**	(23,477)
Net movement in murabaha payable	**7,218**	(1,058,560)
Net movements on finance lease obligation	**(82,227)**	(782,163)
Finance charges paid	**(268,851)**	(396,666)
Effect of termination and dissolve a subsidiary (Note 27)	**(189,051)**	-
Net cash flows (used in) generated from financing activities	**(735,540)**	(7,715,793)
Net increase in cash on hand and at banks	**(493,920)**	384,900
Special Cash at subsidiary excluded	**(870)**	-
Cash on hand and at banks at beginning of the year	**711,771**	326,871
Cash on hand and at banks at end of the year	**216,981**	711,771

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Al-Masaken International for Real Estate Development Company K.S.C. (Public) (the "Parent Company") is a Kuwaiti public shareholding company registered in Kuwait. and was incorporated based on Article of Incorporation Ref. No. 7137 - Vol. 1 dated October 7, 2006 and its subsequent amendments, the latest of which was notarized in the commercial register under Ref. No. 44733 dated August 23, 2016.

The Parent Company's shares are listed in Boursa Kuwait.

The main activities of the Parent Company are as follows:

1. Acquiring, selling and buying real estates and lands and developing them in favor of the Company inside and outside the state of Kuwait, also managing properties for others without violating the articles stipulated in the existing laws that prohibit the trading in private residential plots as stipulated in those laws.
2. Acquiring, buying and selling shares and bonds of real estate companies for the benefit of the Company only inside and outside Kuwait.
3. Preparing studies and offer consultations in all kinds of real estates aspects if only the required conditions are met concerning the parties that perform such services.
4. Acquiring, managing, renting and leasing hotels, health clubs and touristic utilities.
5. Performing maintenance works related to buildings and real estates owned by the Company and others including maintenance work, execution of civil, mechanical, electrical, elevators, and air conditioning work to ensure the protection and safety of the buildings.
6. Managing, operating, investing, renting and leasing hotels, clubs, motels, accommodation houses, rest houses, parks, gardens, exhibits, restaurants, cafeterias, residential, touristic and health complexes, entertainment and sports projects and outlets. These activities shall be conducted at different categories and levels including all needs to carry out those activities.
7. Organizing real estate exhibitions related to the Company's real estate projects according to the Ministry's rules.
8. Organizing real estates auctions according to Ministry rules.
9. Acquiring commercial markets and residential complexes and managing the same.
10. Investing surplus funds in investment portfolios managed by specialized companies and parties.
11. Direct contribution in the infrastructure of districts and residential, commercial and industrial projects through Building, Operating and Transferring System (BOT)

The Parent Company conducts its activities in accordance with Islamic Sharia.

The Parent Company is registered in the commercial registry under Ref. No. 44733 dated December 23, 2006.

The address of the Parent Company is Sharq – Ahmed Al - Jaber Street, Raed Center, 1st Floor, P.O. Box 24079, Safat, 13101 – State of Kuwait.

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on March 26, 2018. The Shareholders' annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Significant accounting policies are summarized as follows:

a) Basis of preparation
The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost convention, except financial assets available for sale and investment properties that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(v).

Standards and Interpretations issued and effective
The accounting policies applied by the Group 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 require 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 summarized 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 / improvements are not expected to have any material impact on the consolidated financial statements.

Standards and Interpretations issued but not effective
The following new and amended IASB Standards and Interpretations have been issued but are not yet effective, and have not yet 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 recognized financial assets to be subsequently measured at amortized 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 recognized 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. The management 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. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

Concerning impairment, the management expect to apply the simplified approach to recognise lifetime ECL for the Group's financial assets carried at amortized cost. Although the management are currently assessing the extent of this impact, they anticipate that the application of the ECL model of IFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed.

IFRS 15 - Revenue from contracts with customers
The standard, effective for annual periods beginning on or after January 1, 2018, establishes a single and 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.
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services.

This standard applies to all revenue arising from contracts with customers (with a core principle based on a five-step model), unless the contracts are in the scope of other standards. 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.

Based on the current accounting treatment of the Group's major sources of revenue Note 2(l) 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
This standard will be effective for annual periods beginning on or after January 1, 2019 and will be replacing IAS 17 "Leases". The new standard does not significantly change the accounting for leases for lessors and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

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.

These amendments and standards do not have any material impact on the consolidated financial statements.

b) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

Name of Subsidiary	Country of incorporation	Principal activities	Percentage of holding (%) 2017	2016
Masaken Al-Khiran For General Trading and Contracting W.L.L.	State of Kuwait	General Trading and Contracting	**-**	50
Global Masaken Company W.L.L. (a)	State of Kuwait	Real Estate	**99**	99
Housing Real Estate Management Company – W.L.L. (a)	State of Kuwait	Real Estate	**99**	99

a) The remaining 1% is owned by a related party. The Parent Company is only the beneficial owner of these subsidiaries.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee;
- 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 parent company, other vote holders or other parties.
- rights arising from other contractual arrangements.
- any additional facts and circumstances that indicate that the parent Company 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 unrealized 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.

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 recognized 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;
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) <u>Financial instruments:</u>
The Group classifies its financial instruments as "financial assets" and "financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provision 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 on hand and at banks, receivables, due from / to related parties, financial assets available for sale, Murabaha payable, accounts payables and finance lease obligation.

- **Financial assets:**

Accounts receivable:
Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and are recognized initially at fair value and subsequently measured at amortized 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 reorganization, 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 recognized 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.

Financial investments:

Initial recognition and measurement
The Group classifies financial investments that fall within the scope of IAS 39 as a 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 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.

Purchases and sales of financial asset are recognized on trade date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement
After initial recognition financial assets available for sale are subsequently carried at fair value. The fair values of quoted financial asset 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.

Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized 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 assets 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.

Derecognition
A financial asset (in whole or in part) is derecognized 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;
    1- has transferred substantially all the risks and rewards of ownership of the financial asset.
    2- 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 recognize 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 financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets 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 financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized 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. Impairment losses recognized for available for sale debt instruments are reversed through the consolidated statement of profit or loss if the increase in fair value can be objectively related to an event occurring after the impairment loss was previously recognized.

- **Financial liabilities:**

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 recognized initially at fair value and subsequently measured at amortized 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.

Murabaha payable:
Murabaha payable represents the amounts due to pay for purchased assets for others on deferred basis as per Murabaha facility agreements. Murabaha balances are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

Finance lease obligation:
Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

d) Properties held for trading:
Properties acquired or being developed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost or net realizable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognized in consolidated statement of profit or loss on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading is charged to other operating expenses.

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 the initial recognition, investment properties are stated at their fair value at the end of the reporting period. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Subsequent expenditure is capitalized to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group / Company 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 derecognized 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 recognized 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.

In case of changing the property from the owner use to investment property, the Group treated the property in the same accounting policy used for property, plant and equipments till the date of changing the use.

f) Property and equipment:

The initial cost of property 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 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 year 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 and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Property 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 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 a straight-line basis over the estimated useful lives of other property and equipment which is 5 years.

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 and equipment.

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

g) Impairment of assets:

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible 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 (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in 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 (or 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 recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in 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.

h) End of service indemnity:

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. 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.

i) 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.

j) 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 realized 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.
Gains realized.

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.

k) Dividend distribution to shareholders:

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

l) 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 recognizes 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 properties under development:

When the agreement is within the scope of IAS 11 – construction contracts and its outcome can be estimated reliably, the Group recognizes 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 recognizes revenue at time of completion, when the significant risks and rewards of ownership of real estate are being transferred from Group at single time.

If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognize 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 recognizes revenue based on the installment percentage.

Revenue on sale of property

Revenue on sale of property is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.
- Work to be completed is either easily measurable and accrued or is not significant in relation to the overall value of the contract. If all except for the last criterion listed above are fulfilled, the percentage of completion method is adopted to recognize revenue.

Revenue on sale of apartments and villas

Revenue on sale of apartments and villas is recognized on the basis of percentage of completion based on internal surveys of work performed as and when all the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit and, in certain cases, in the event of the non-enactment of pending legislation regarding freehold title and immigration visas. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for these reasons is remote.
- The aggregate sales proceeds and costs can be reasonably estimated.

Dividend income

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

Rent

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

Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Other income

Other income are recognized on accrual basis.

m) Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

n) 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.

Operating lease – The Group as a lessor:

Rental income from operating leases is recognized 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.

Finance Lease – The Group as a lessee:

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

o) Provisions

A provision is recognized 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 financial year 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 recognized for future operating losses.

p) 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 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 shareholding associates and transfer to statutory reserve. No KFAS has been provided for the year ended December 31, 2017 since there was no eligible profit on which KFAS could be calculated.

q) National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Group before contribution to Kuwait Foundation for the Advancement of Sciences, NLST, Zakat and Board of Directors' remuneration, and after deducting the 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. No NLST has been provided for the year ended December 31, 2017 since there was no taxable profit on which NLST could be calculated.

r) Contribution to Zakat

Zakat is calculated at 1% on the consolidated profit of the 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, 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. No Zakat has been provided for the year ended December 31, 2017 since there was no financial profit on which Zakat could be calculated.

s) 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 date 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 investments classified as investments available for sale are included in "cumulative changes in fair value" in other comprehensive income.

t) Contingencies:
Contingent liabilities are not recognized 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 recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

u) 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.

v) Critical accounting estimates, judgments, and assumptions:
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 recognized in the consolidated financial statements.

- Revenue recognition:
  Revenue is recognized 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.

- Classification of lands:
  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:

  1- 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.

2- 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.

- Provision for doubtful debts:
The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

- 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 financial assets "available for sale".

- 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.

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.

- 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.

- Provision for doubtful debts:
The extent of provision for doubtful debts 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 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 inventory are subject to management approval.

- Valuation of investment properties
The Group carries its investment properties at fair value, with change in fair values being recognized in the consolidated statement of profit or loss. Three main methods were used to determine the fair value of the 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 'Capitalization 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.

- Valuation of properties held for trading
  Properties are stated at the lower of cost and net realizable value. NRV for completed properties are assessed by reference to market conditions and prices existing at the reporting date and are 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 properties under construction are assessed with reference to market prices at the reporting date for similar completed properties, less estimated costs to complete construction, estimated costs to sell the properties, and an estimate of the time value of money to the date of completion.

- 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.

3. Accounts receivable and other debit balances

	2017	2016
Contract and rental receivables (a)	**134,609**	69,983
Provision for doubtful debts	**(22,410)**	(22,410)
	112,199	47,573
Tawaroq receivable	**113,816**	175,905
Advance rental payments	**52,932**	60,016
Staff receivables	**8,614**	21,325
Prepaid expenses	**15,004**	40,439
Refundable deposit	**9,125**	9,219
Others	**23,985**	66,045
	335,675	420,522

a) **Contract receivables**

Contract and rental receivables are non- interest bearing and are generally due within 180 days. The aging analysis of these Contract and rental receivables is as follows:

	Past due but not impaired			
	180 – 365 days	More than 365 days	Impaired	Total
2017	**112,199**	**-**	**22,410**	**134,609**
2016	38,878	8,695	22,410	69,983

As of December 31, 2017, Contract and rental receivables amounting to KD 112,199 (2016: KD 47,573) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Contract and rental receivables resulted from sale of apartments and villas developed by the Group. The title deed of the apartments or villas sold is not transferred in the name of the buyer until the full sale price is paid and therefore management believes that there is no need to provide a provision for those customers' balances.

4. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, Board of Directors, key management personnel, entities under common control and other related parties. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:	Major shareholders	Entities under common control	Other related parties	**2017**	2016
Due from related parties	**-**	**124,489**	**-**	**124,489**	209,055
Due to related parties	**162,879**	**679,571**	**15,284**	**857,734**	1,886,120
Financial assets available for sale	**726,703**	**-**	**-**	**726,703**	812,053
Payable for purchase of properties and lands (Note 8)	**-**	**-**	**-**	**-**	714,636
Dividends payable (Note 8)	**177,381**	**-**	**-**	**177,381**	180,015
Payable to shareholders' on share capital reduction (Note 8)	**678,781**	**-**	**-**	**678,781**	878,776
Transactions included in the consolidated statement of profit or loss					
Gain from sale of investment properties (Note 15)	**-**	**120,000**	**-**	**120,000**	-
Rental income	**58,860**	**-**	**-**	**58,860**	173,468

Due from/to related parties are non-interest bearing and there are no specific due dates.

During the year ended December 31, 2017 the parent company sold investment property to related party with amount of KD 1,618,000, which resulted in a gain on sale amounted to KD 120,000. The sale amount is included in non-cash transactions in the consolidated statement of cash flows.

Compensation to key management personnel

	2017	2016
Short term benefits	21,240	39,831
End of service indemnity	1,770	2,592
	23,010	42,423

5. Properties held for trading

	2017	2016
Balance at the beginning of the year	11,173,458	15,563,095
Additions	73,715	65,613
Transferred to investment properties (Note 7)	(8,313,295)	-
Disposals	-	(2,460,069)
Foreign currency translation adjustments	484,716	(1,995,181)
Balance at the end of the year	3,418,594	11,173,458

Properties held for trading with carrying value amounting to KD 231,475 are registered in the names of related parties, however, the Group has the right to sell and dispose the properties according to waiver from the owners.

Properties held for trading with carrying value of KD 3,187,119 are pledged as a guarantee against murabaha payable (Note 9).

6. Financial assets available for sale

	2017	2016
Quoted equity securities	556,072	608,170
Unquoted equity securities	151,549	151,549
Investment Portfolios	213,604	224,233
	921,225	983,952

The movement during the year is as follows:

	2017	2016
Balance at the beginning of the year	983,952	1,026,652
Additions during the year	-	11,113
Changes in fair value	(62,727)	(53,813)
Balance at the end of the year	921,225	983,952

It was not possible to reliably measure the fair value of unquoted securities amounting to KD 151,549 (2016: KD 151,549) due to non-availability of a reliable method that could be used to determine the fair value of such financial assets. Accordingly, they were stated at their cost .

The Financial assets available for sale are denominated in Kuwaiti Dinars

7. Investment properties

	2017	2016
Balance at the beginning of the year	**11,310,000**	12,746,850
Additions	**102,189**	78,362
Transfer from properties held for trading (Note 5)	**8,313,295**	
Disposals	**(1,498,000)**	-
Change in fair value (Note 15)	**(964,768)**	(1,515,212)
Foreign currency translation adjustments	**235,968**	-
Balance at the end of the year	**17,498,684**	11,310,000

Investment properties at fair value amounting to KD 9,245,189 and KD 6,322,495 are pledged against finance lease obligation (Note 10) and Murabaha payables (Note 9) respectively (2016- KD 9,419,000 and Nill).

Certain investment properties with fair value amounting to KD 1,931,000 are registered in the name of related parties and it was recorded based on waivers in the favor of the Parent Company.

As the decision of Board of Directors' Meeting on date October 1, 2017, the Group reclassified properties held for trading at a fair value of KD 8,313,295 to investment properties as these properties were rented to external parties during the year and revenues are collected.

Investment properties include finance costs capitalized amounting to KD 89,984.

The fair value of investment properties is based on valuation performed by licensed and certified valuers having professional experience, by using recognized valuation techniques and principles.

In estimating the fair value of investment properties, the Group had used the valuation techniques listed in the following schedule, and had considered the nature and usage of the investment properties.

Class of investment property	Valuation technique	Level 2
Residential buildings	Income capitalization and market sales method	9,528,495
Open land	Market sales method	7,970,189
		17,498,684

The group's management has followed the executive regulations of the capital market authority regarding the investment properties valuation.

8. Accounts payable and other credit balances

	2017	2016
Trade payable	**122,275**	85,835
Payable to shareholders for capital reduction (Note 4)	**678,781**	878,776
Dividends payable (Note 4)	**177,381**	180,015
Unearned revenue	**107,270**	-
Accrued staff leave	**31,142**	50,504
Zakat payable	**30,514**	30,514
NLST payable	**14,800**	91,387
Payable for purchase of properties and lands (Note 4)	**-**	714,636
KFAS payable	**-**	13,778
Others	**61,632**	114,625
	1,223,795	2,160,070

9. Murabaha payable

	2017	2016
Murabaha payable	5,963,894	5,774,149
Less: Unamortized future finance charge	(36,964)	(266,932)
Present value of Murabaha payable	5,926,930	5,507,217

The interest rate of finance charges for Murabaha payable of the Group is ranging from 2.5% to 3% per annum (2016 - 2.5% to 3%) over discount rate of Libor and Central Bank of Kuwait, and is repayable in installments, the lasted of which is on December 10, 2018.

The Murabaha granted to the Group against pledge of following assets :

	2017	2016
Properties held for trading (Note 5)	3,187,119	9,068,794
Investment properties (Note 7)	6,322,495	-
	9,509,614	9,068,794

10. Finance lease obligation

	2017	2016
Finance lease contracts with promise for purchase	4,203,094	4,304,859
Deferred rental expense	(33,067)	(52,605)
	4,170,027	4,252,254

The Group has obtained the bank facilities, which represented finance lease, for finance and purchase of investment properties, and is repayable in installments, the latest of which is on October 1, 2018, and is secured by investment properties (Note 7) and carry an interest rate ranging from 2.5% to 3% per annum (2016 - 2.5% to 3% per annum) over the Central Bank discount rate.

11. Share capital

Authorized, issued and fully paid up capital amounted to KD 10,000,000 (December 31, 2016 – KD 10,000,000) distributed into 100,000,000 shares (December 31, 2016 – 100,000,000 shares) of 100 fils each and all shares are in cash.

Pursuant to a memorandum issued from the department of shareholding companies No. 343791 dated August 23, 2016 based on the decision of the Extraordinary General Assembly meeting held on May 18, 2016, the following were approved:

a) Decrease the authorized, issued and paid up share capital from KD 20,000,000 to KD 10,000,000 with amount KD 10,000,000 by cancelling 100,000,000 shares of the Parent Company with a nominal value of 100 fils per share and pay the value of the cancelled shares in cash to shareholders registered in the Parent Company's books
b) Amendment article No. (5) of Memorandum of Incorporation and article No. (6) of Article of Association of the Parent Company to be as follows : "Company's capital has been determined of KD 10,000,000 distributed into 100,000,000 shares of 100 fils each and all shares are in cash".

12. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences,(KFAS) National Labor Support Tax (NLST), 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 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.

13. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences,(KFAS) National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. 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.

14. Treasury shares

	2017	2016
Number of shares	**1,662,964**	1,662,964
Percentage of issued shares	**1.66%**	1.66%
Market value (KD)	**105,099**	111,419
Cost (KD)	**94,687**	94,687

The share capital of Parent Company was decrease as mentioned in Note 11, redeemed 50% of their treasury shares. Upon redemption, a gain of KD 71,610 has been transferred to treasury shares reserve which represents the difference between the cost and redemption value of these shares.

15. Net loss for investment properties

	2017	2016
Change in fair value of investment properties (Note 7)	**(964,768)**	(1,515,212)
Gain on sale investment properties	**120,000**	-
	(844,768)	(1,515,212)

16. General and administrative expenses

General and administrative expenses include staff cost amounting to KD 43,719 (2016: KD 104,364).

17. Net investment income

	2017	2016
Dividend income	**45,890**	78,203
Tawaruq profit	**19,975**	4,270
	65,865	82,473

18. Loss per share attributable to shareholders of the Parent Company

There are no potential dilutive ordinary shares. The information necessary to calculate basic loss per share based on the weighted average number of shares outstanding during the year is as follows:

	2017	2016
Net loss for the year attributable to parent company's shareholders	**(733,665)**	(1,938,838)
Number of shares outstanding	**Share**	Share
Number of shares issued at the beginning of the year	**100,000,000**	164,383,562
Less: Weighted average number of shares	**(1,662,964)**	(2,733,640)
Weighted average number of shares outstanding	**98,337,036**	161,649,922
Loss per share attributable to Parent Company's shareholders (Fils)	**(7.46)**	(11.99)

19. Board of directors' remuneration

The Board of Directors' meeting of Parent Company held on March 26, 2018, proposed not to distribute Board of Directors' remuneration for the financial year ended December 31, 2017. This is subject to the approval of shareholders' Annual General Assembly for the Parent Company.

The Shareholders' Annual General Assembly meeting of the Parent Company held on June 22, 2017 approved not to distribute Board of Directors' remuneration for the financial year ended December 31, 2016.

20. General assembly and dividend distribution

The Board of Directors' meeting held on March 26, 2018 recommended not to distribute cash dividends for the year ended December 31, 2017. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

The Parent Company's Shareholders Annual General Assembly meeting held on June 22, 2017, has approved the consolidated financial statements of the Group for the year ended December 31, 2016 and agreed not to distribute dividends for financial year ended December 31, 2016.

21. Working Capital

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that may arise due to uncertainty of the Group's ability to continue as a going concern.

As of December 31, 2017, the Group's Accumulated losses amounted to KD 1,195,835, The net loss for the year amounted to KD 733,665, and the current liabilities exceed the current assets by KD 7,225,015.

The main reason for the increase in current liabilities over the Group's current assets is the reclassification of KD 8,313,295 during the year from properties held for trading to investment properties due to the change in the use of these properties by the Group (Note 7).

The Group is currently negotiating with its lending financial institutions to reschedule and renew its credit facilities.

The Group's ability to continue as a going concern depends on its ability to make profits, enhance its future cash flows, reschedule its credit facilities, and the financial support of its major shareholders. In the opinion of the Company's management, despite the existence of significant doubt about the Group's ability to continue as a going concern, which might result in the Group's inability to realize its assets and discharge its liabilities in the normal course of business, the Group's management has reasonable expectations that its lending institutions will reschedule and renew its credit facilities because of the Group's quality investments and assets.

22. Segment reporting

The Group has the following information related to each reportable operating segment

	December 31, 2017			December 31, 2016		
	Real estate operations	**Investments**	**Total**	Real estate operations	Investments	Total
Operation						
Revenue on sale properties held for trading	**-**	**-**	**-**	2,341,079	-	2,341,079
Net Rental Income	**486,360**	**-**	**486,360**	335,960	-	335,960
	486,360	**-**	**486,360**	2,677,039	-	2,677,039
Cost on sale properties held for trading	**-**	**-**	**-**	(2,547,011)	-	(2,547,011)
Gross profit	**486,360**	**-**	**486,360**	130,028	-	130,028
Net loss of Investment properties	**(844,768)**	**-**	**(844,768)**	(1,515,212)	-	(1,515,212)
Operation loss	**(358,408)**	**-**	**(358,408)**	(1,385,184)	-	(1,385,184)
Net investment income	**-**	**65,865**	**65,865**	-	82,473	82,473
Finance charges	**(268,851)**	**-**	**(268,851)**	(407,898)	-	(407,898)
Other income	**1,021**	**-**	**1,021**	239	-	239
Segment results	**(626,238)**	**65,865**	**(560,373)**	(1,792,843)	82,473	(1,710,370)
(Loss) profit for the year	**(799,530)**	**65,865**	**(733,665)**	(2,021,311)	82,473	(1,938,838)
Total assets	**21,600,316**	**921,225**	**22,521,541**	23,833,789	983,952	24,817,741
Total liabilities	**12,224,370**	**-**	**12,224,370**	13,878,845	-	13,878,845

23. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, receivables, due from / to related parties, financial assets available for sale , payables, Murabaha payable and finance leases obligation and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets liabilities carrying floating interest rates. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings.

	2017		
	Increase / (decrease) in interest rate	Balance	Effect on consolidated statement of profit or loss
Murabaha payable	**± 0.5%**	**5,926,930**	**± 29,635**
Finance lease obligation	**± 0.5%**	**4,170,027**	**± 20,850**

	2016		
	Increase / (decrease) in interest rate	Balance	Effect on consolidated statement of profit or loss
Murabaha payable	± 0.5%	5,507,217	± 27,536
Finance lease obligation	± 0.5%	4,252,254	± 21,261

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, accounts receivable and due from related parties. The Group's cash at banks are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash on hand and at banks, accounts receivable and due from related parties.

c) 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 incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between the following foreign currencies and Kuwaiti Dinar.

	2017		
	Increase / (decrease) against KD	Foreign currency denominated balances	Effect of change in currency rate KD
GBP			
Consolidated statement of financial position:			
Total assets	± 5%	23,921,108	± 486,042
Total liabilities	± 5%	28,189,362	± 570,759
Consolidated statement of profit or loss and other comprehensive income:			
Net loss for the year	± 5%	929,669	± 18,183

	2016		
	Increase / (decrease) against KD	Foreign currency denominated balances	Effect of change in currency rate KD
GBP			
Consolidated statement of financial position:			
Total assets	± 5%	24,503,131	± 460,659
Total liabilities	± 5%	27,841,713	± 523,424
Consolidated statement of profit or loss and other comprehensive income:			
Net loss for the year	± 5%	800,638	± 16,614

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable. long with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities. Maturity analysis is provided in (Note 26).

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual shares. The equity price risk exposure arises from the Group's investment in equity securities classified as financial assets available for sale which generated from the investment portfolio of Group.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure as of the date of consolidated financial statements :

	2017		2016	
Market Indices	Change in equity price	Effect on consolidated statement profit or loss and other comprehensive income	Change in equity price	Effect on consolidated statement profit or loss and other comprehensive income
Boursa Kuwait	**±5%**	**± 41,620**	±5%	± 41,620

24. Fair value of financial instruments

The Group measures financial assets such as financial assets available for sale investments 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.
- 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 categorized within the fair value hierarchy, described as follows, based on the lowest level 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 input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

2017	Level 1
Financial assets available for sale	**769,676**

2016	Level 1
Financial assets available for sale	832,403

As of December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note (6). The management of the Group has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Levels.

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

The fair value details of investment properties are mentioned in Note (7).

25. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand and at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2017	2016
Murabaha payable	**5,926,930**	5,507,217
Finance lease obligation	**4,170,027**	4,252,254
Less: cash on hand and at banks	**(216,981)**	(711,771)
Net debt	**9,879,976**	9,047,700
Total equity	**10,297,171**	10,938,896
Total capital resources	**20,177,147**	19,986,596
Gearing Ratio	**48.97%**	45.27%

26. Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets available for sale, investment properties and properties held for trading is based on management's estimate of realization of those assets.

The maturity profile of assets and liabilities is as follows:

	2017			
	1 to 3 months	From 3 to 12 months	Over 1 year	Total
Asset				
Cash on hand and at banks	**216,981**	**-**	**-**	**216,981**
Accounts receivable and other debit balances	**-**	**335,675**	**-**	**335,675**
Due from related parties	**-**	**124,489**	**-**	**124,489**
Properties held for trading	**-**	**3,418,594**	**-**	**3,418,594**
Financial assets available for sale	**-**	**-**	**921,225**	**921,225**
Investment properties	**-**	**-**	**17,498,684**	**17,498,684**
Property and equipment	**-**	**-**	**5,893**	**5,893**
Total assets	**216,981**	**3,878,758**	**18,425,802**	**22,521,541**

	2017			
	1 to 3 months	From 3 to 12 months	Over 1 year	Total
Liabilities				
Accounts payable and other credit balances	**177,381**	**1,046,416**	**-**	**1,223,797**
Murabaha payable	**-**	**5,926,930**	**-**	**5,926,930**
Finance lease obligation	**-**	**4,170,027**	**-**	**4,170,027**
Due to related parties	**-**	**-**	**857,734**	**857,734**
Provision for end of service indemnity	**-**	**-**	**45,884**	**45,884**
Total liabilities	**177,381**	**11,143,373**	**903,618**	**12,224,372**

	2016			
	1 to 3 months	From 3 to 12 months	Over 1 year	Total
Asset				
Cash on hand and at banks	711,771	-	-	711,771
Accounts receivable and other debit balances	-	420,522	-	420,522
Due from related parties	-	209,055	-	209,055
Properties held for trading	-	11,173,458	-	11,173,458
Financial assets available for sale	-	-	983,952	983,952
Investment properties	-	-	11,310,000	11,310,000
Property and equipment	-	-	8,983	8,983
Total assets	711,771	11,803,035	12,302,935	24,817,741

	2016			
	1 to 3 months	From 3 to 12 months	Over 1 year	Total
Liabilities				
Accounts payable and other credit balances	180,015	1,922,228	-	2,102,243
Gross amount due to customers for contract work	-	57,827	-	57,827
Murabaha payable	-	-	5,507,217	5,507,217
Finance lease obligation	-	4,252,254	-	4,252,254
Due to related parties	1,886,120	-	-	1,886,120
Provision for end of service Indemnity	-	-	73,184	73,184
Total liabilities	2,066,135	6,232,309	5,580,401	13,878,845

27. Terminate and dissolve a subsidiary

During the year ended December 31, 2017, according to the partners' meeting Masaken Al-Khairan General Trading & Contracting Co. - W.L.L (subsidiary), the partners agreed to terminate and dissolve the existing company Masaken Al Khairan General Trading & Contracting Co. – W.L.L, which is 50% owned by the Group, and the trade name has been waived to the Group as the owner of the trade name.

During the year ended December 31, 2017, the Group had paid an amount of KD 189,051 to one of the partners, this partner should settle down the rest of the partners' accounts, and according to that, the Group was discharged from its liabilities. Consolidating the subsidiary has been stopped since June 13, 2017, which represents the date of the partners' meeting and the date of loss of control. The termination and dissolve of the subsidiary has not been settled yet as of the date of the interim condensed consolidated financial information and it has no effect on the consolidated statement of profit or loss and other comprehensive income.

المساكن

AL-MASAKEN INTERNATIONAL
FOR REAL ESTATE DEVELOPMENT
COMPANY - K.S.C. (PUBLIC)