KUWAIT HOTELS COMPANY K.S.C.P. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

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

(a) Impairment of intangible assets

The Group has intangible assets of KD 1,138,128 at the year end, comprising mainly of land lease rights form government and key money paid to acquire operating leases which have indefinite useful lives. The carrying value of intangible assets are contingent on future cash flows and there is a risk if these cash flows do not meet the Group expectations that the assets will be impaired. The individual intangible assets amount have been allocated to the Cash-Generating Unit (CGU) expected to benefit from synergies. Given the significant judgment involved in the annual impairment test and its potential impact on results, this is considered a key audit matter.

The impairment reviews performed by the Group contained a number of significant judgements and estimates including revenue growth, profit margins, terminal values and discount rate. Changes in these assumptions might lead to a change in the carrying value of intangible assets.

Our team included professional with expertise in evaluating the assumptions used in the impairment analysis, including profit and cash flows growth, terminal values and discount rates applied. We evaluated the assumptions as disclosed in Note 11 to the consolidated financial statements where possible with external data, including comparing relevant assumptions to industry and economic forecasts. We obtained and evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes in key assumptions.

Furthermore, we assessed the adequacy of the Group's disclosures concerning intangible assets in Note 11 to the consolidated financial statements.

(b) Impairment of trade receivables

The Group has significant trade receivables as at 31 December 2017 and impairment of trade receivables is a subjective area due to the level of judgment applied by management in determining provisions including the historical experience of levels of recovery from the customers. Also, the management is required to identify those trade receivables that are deteriorating, in addition to identifying them through a process of ageing analysis, management makes an objective assessment for evidence of impairment and the assessment of the recoverable amount.

Further, a proportion of receivables relate to entities that do not make payment invoice wise but are settled through a lump sum payments. There is significant judgement involved in calculating the bad debt provision, particularly regarding the estimation of future cash collection and allocation of cash collected towards outstanding invoices.

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

(b) Impairment of trade receivables (continued)

Our procedures included the assessment of controls over the ageing analysis provided by the management and impairment provisioning processes of trade receivables to identify the impaired trade receivables and estimate the required provisions against them. We tested a sample of trade receivables, and assessed the criteria for determining whether an impairment event had occurred, by focusing on those with the most significant potential for impairment due to increased uncertainty of recovery in the current market circumstances and specifically challenged management's assessment of the recoverable amount.

Disclosures relating to the impairment provision policy is presented in Note 2.3 and the management's assessment of the credit risk and their responses to such risks, including the risk management policies are disclosed in Note 25.1 to the consolidated financial statements. Other disclosures relating to trade receivables are given in Note 13 to the consolidated financial statements.

Other information included in the Group's 2017 Annual Report

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 as amended, and its executive regulations, as amended, or by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 ,as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

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AL AIBAN, AL OSAIMI & PARTNERS

ALI MOHAMMED KOUHARI
LICENCE NO. 156-A
Member of PrimeGlobal

28 March 2018
Kuwait

Kuwait Hotels Company K.S.C.P. and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	***2017 KD***	*2016 KD*
Revenues	5	**7,240,166**	7,982,799
Management fees		**780,430**	845,392
Cost of revenues	5	**(6,542,088)**	(7,262,225)
GROSS PROFIT		**1,478,508**	1,565,966
Other income	6	**139,305**	527,215
Administrative expenses		**(1,398,094)**	(1,310,565)
Selling and distribution expenses		**(120,151)**	(135,848)
Finance cost		**(2,468)**	(2,594)
Share of results of an associate		**(22,581)**	(2,413)
Write-off of intangible assets	11	**-**	(114,656)
Impairment loss on available for sale investment	12	**(30,869)**	-
Provision for slow moving and obsolete inventories		**-**	(336,632)
Provision for doubtful debts	13	**(17,630)**	(64,060)
PROFIT FOR THE YEAR BEFORE CONTIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND TAXATION		**26,020**	126,413
KFAS		**(234)**	(955)
Income tax on overseas operations	7	**(18,783)**	(20,248)
PROFIT FOR THE YEAR	8	**7,003**	105,210
Attributable to:			
Equity holders of the Parent Company		**6,930**	103,990
Non-controlling interests		**73**	1,220
		7,003	105,210
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT COMPANY	9	**0.1 fils**	1.8 fils

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

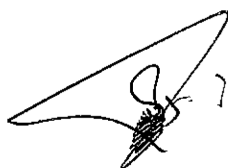
	2017 *KD*	*2016* *KD*
Profit for the year	**7,003**	105,210
Other comprehensive loss		
Items that are or may be reclassified subsequently to consolidated income statement:		
Exchange difference on translation of foreign operations	**(62,196)**	(140,221)
Other comprehensive loss for the year	**(62,196)**	(140,221)
Total comprehensive loss for the year	**(55,193)**	(35,011)
Attributable to:		
Equity holders of the Parent Company	**(55,266)**	(36,231)
Non-controlling interests	**73**	1,220
	(55,193)	(35,011)

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	*2017* **KD**	*2016* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**3,840,643**	4,150,663
Intangible assets	11	**1,138,128**	1,195,128
Investment in an associate		**41,460**	67,436
Financial assets available-for-sale	12	**97,434**	128,303
		5,117,665	5,541,530
Current assets			
Inventories		**359,888**	473,045
Accounts receivable and prepayments	13	**1,892,611**	2,738,908
Financial assets at fair value through profit or loss	24	**71,400**	71,400
Cash and cash equivalents	14	**970,002**	1,555,694
		3,293,901	4,839,047
TOTAL ASSETS		**8,411,566**	10,380,577
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**5,775,000**	5,775,000
Statutory reserve	16	**716,137**	715,421
Voluntary reserve	16	**313,431**	312,715
Treasury shares	17	**(223,952)**	(223,952)
Cumulative changes in fair values reserve		**(40,822)**	(40,822)
Foreign currency translation reserve		**(381,227)**	(319,031)
Other reserve	18	**(513,600)**	(513,600)
Retained earnings		**33,834**	310,500
Equity attributable to equity holders of the Parent Company		**5,678,801**	6,016,231
Non-controlling interests		**(29,368)**	(29,441)
Total equity		**5,649,433**	5,986,790
Non-current liability			
Employees' end of service benefits	19	**878,052**	957,156
Current liabilities			
Accounts payable and accruals	20	**1,884,081**	3,260,842
Bank overdrafts	14	**-**	175,789
		1,884,081	3,436,631
Total liabilities		**2,762,133**	4,393,787
TOTAL EQUITY AND LIABILITIES		**8,411,566**	10,380,577



Ahmad Yousef Al-Kandari
Chairman

The attached notes 1 to 28 form part of these consolidated financial statements.

Kuwait Hotels Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Parent Company										
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Cumulative changes in fair values reserve KD*	*Foreign currency translation reserve KD*	*Other reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2017	5,775,000	715,421	312,715	(223,952)	(40,822)	(319,031)	(513,600)	310,500	6,016,231	(29,441)	5,986,790
Profit for the year	-	-	-	-	-	-	-	6,930	6,930	73	7,003
Other comprehensive loss	-	-	-	-	-	(62,196)	-	-	(62,196)	-	(62,196)
Total comprehensive (loss) Income for the year	-	-	-	-	-	(62,196)	-	6,930	(55,266)	73	(55,193)
Transfer to reserves	-	716	716	-	-	-	-	(1,432)	-	-	-
Dividend	-	-	-	-	-	-	-	(282,164)	(282,164)	-	(282,164)
As at 31 December 2017	**5,775,000**	**716,137**	**313,431**	**(223,952)**	**(40,822)**	**(381,227)**	**(513,600)**	**33,834**	**5,678,801**	**(29,368)**	**5,649,433**

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Cumulative changes in fair values reserve KD*	*Foreign currency translation reserve KD*	*Other reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2016	5,775,000	704,926	302,220	(223,952)	(40,822)	(178,810)	(513,600)	227,500	6,052,462	(30,661)	6,021,801
Profit for the year	-	-	-	-	-	-	-	103,990	103,990	1,220	105,210
Other comprehensive loss	-	-	-	-	-	(140,221)	-	-	(140,221)	-	(140,221)
Total comprehensive (loss) income for the year	-	-	-	-	-	(140,221)	-	103,990	(36,231)	1,220	(35,011)
Transfer to reserves	-	10,495	10,495	-	-	-	-	(20,990)	-	-	-
As at 31 December 2016	5,775,000	715,421	312,715	(223,952)	(40,822)	(319,031)	(513,600)	310,500	6,016,231	(29,441)	5,986,790

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	*2017* *KD*	*2016* *KD*
OPERATING ACTIVITIES			
Profit for the period before income taxes on overseas subsidiary and KFAS		**26,020**	126,413
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation and amortisation	10 & 11	**434,477**	417,789
Loss (gain) on disposal of property, plant and equipment	6	**8,917**	(24,298)
Gain on disposal of intangible assets	6	**-**	(401,284)
Provision for employees' end of service benefits	19	**177,538**	181,119
Provision for doubtful debts	13	**17,630**	64,060
Provision for obsolete and slow moving inventories		**-**	336,632
Interest income	6	**(4,986)**	(3,140)
Finance cost		**2,468**	2,594
Impairment loss on available for sale investment	12	**30,869**	-
Share of result of an associate		**22,581**	2,413
Write-off of intangible assets		**-**	114,656
		715,514	816,954
Working capital changes:			
Inventories		**113,157**	109,454
Accounts receivable and prepayments		**781,161**	(491,684)
Accounts payable and accruals		**(1,428,114)**	468,141
Cash flows from operating activities		**181,718**	902,865
Employees' end of service benefits paid	19	**(256,642)**	(258,961)
Net cash flows (used in) from operating activities		**(74,924)**	643,904
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(150,082)**	(317,397)
Proceeds from disposal of property, plant and equipment		**16,708**	24,298
Proceeds from disposal of intangible assets		**57,000**	401,284
Interest income received		**4,986**	3,140
Net cash flows (used in) from investing activities		**(71,388)**	111,325
FINANCING ACTIVITIES			
Finance cost paid		**(2,468)**	(2,594)
Dividends Paid		**(249,828)**	-
Net cash flows used in financing activities		**(252,296)**	(2,594)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(398,608)**	752,635
Net foreign exchange difference		**(11,295)**	(22,013)
Cash and cash equivalents at 1 January		**1,379,905**	649,283
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**970,002**	1,379,905

The attached notes 1 to 28 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of Kuwait Hotels Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 27 March 2018 and are subject to the approval of the Annual General Meeting of the Shareholders of the Parent Company. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company was incorporated at 12 June 1962 in accordance with Companies Law of Kuwait and is listed on the Kuwait Stock Exchange. The Group is engaged in owning, operating and managing hotel, commercial and residential properties; catering services; importing of consumer durables, machinery and equipment; and investment in similar business in or outside Kuwait. The Parent Company's registered office is P. O. Box 833, Safat 13009, Kuwait.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss and financial assets available-for-sale that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 BASIS OF CONSOLIDATION (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated income statement. Any investment retained is recognised at fair value.

The consolidated financial statements includes the financial statements of the Parent Company and its subsidiaries. The subsidiaries of the Group are as follows:

Name	*Country of incorporation*	*Principal activities*	*Reporting date*	*Effective equity interest*	
				2017	*2016*
Kuwait Catering Company K.S.C. (Closed) ("KCC")	Kuwait	Catering services	31 December 2017	**99.54%**	99.54%
Safat Catering Services Company K.S.C. (Closed) ("SCC")	Kuwait	Catering services and manpower supply	31 December 2017	**99%**	99%
Safir International Hotel Management Company E.C. ("SIHM")	Kingdom of Bahrain	Hotel contract management	31 December 2017	**99.9%**	99.9%
Safir International Hotel and Resort Management L.L.C ("SIHM Dubai")	United Arab Emirates	Hotel contract management	31 December 2017	**100%**	100%
Jadi Catering Company W.L.L. *	Qatar	Catering services	31 December 2017	**50%**	50%
Held through KCC:					
Safir Support Services Company K.S.C. (Closed)	Kuwait	Manpower supply	31 December 2017	**99.7%**	99.7%
Held through SCC:					
Ramo Trading Company W.L.L.	Kuwait	Pastry and bakery manufacturing and trading	31 December 2017	**99.9%**	99.9%

*During the year, all the partners of Jadi Catering Company W.L.L. has resolved to liquidate the company and filed with the Ministry of Qatar. As of reporting date, Jadi Catering Company W.L.L.is under liquidation process.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment excluding discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements, since it is primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, normally on delivery of the goods.

Management fees

Revenue from management fees is recognised on an accrual basis based on a percentage of total revenues and gross/net operating profit of the hotels managed by the Group as stipulated in the management agreements.

Revenue from rendering of services

Revenue from rendering services is recognised when the related services are provided.

Rental income

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

Interest income

Interest income is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat

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

National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of adjusted profit for the year.

Taxation on overseas subsidiary

Income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not implicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of land lease rights are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the land lease rights and recognised over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or transaction of monetary items are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in the OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their income statements are trauslated at the average rates of exchange for the year. The exchange differences arising on the translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or any accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	10 to 25 years
Machinery, equipment and furniture	3 to 15 years
Improvements and decorations	4 to 10 years
Motor vehicles	3 to 8 years

Capital work in progress is stated at cost. Following completion, capital work in progress is transferred to the relevant class of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
A summary of the policies applied to the Group's intangible assets are as follows:

	Land lease rights from government	***Key money***
Useful lives	Indefinite	Indefinite

Investment in an associate
The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of results of an associate is shown on the face of the consolidated income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. In case of different reporting date of an associate, which is not more than three months from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the Group's reporting date. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the impairment loss in the consolidated income statement.

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

Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on weighted average basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make sale.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated income statement.

For assets excluding key money, an assessment is made at each reporting date whether there is an indication that previously recognised impairment losses may no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Key money
Key money is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for key money by assessing the recoverable amount of each CGU (or group of CGUs) to which the key money relates. Where the recoverable amount of the CGU is less than their carrying amount an impairment loss is recognised.

Other intangible assets
Other intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or financial assets available-for-sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(i) Financial assets (continued)

Initial recognition and measurement (continued)
The Group's financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivables and financial assets available-for-sale. At 31 December 2017, the Group did not have any held-to-maturity investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

Loans and receivables
This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 13.

Financial assets available-for-sale
Financial assets available-for-sale are those non-derivative financial assets that are designated as available for sale or are not classified as investments at fair value through profit or loss, investments held-to-maturity or loans and receivables.

After initial measurement at cost including transaction costs, financial assets available-for sale are subsequently measured at fair value with unrealised gains or losses being recognised in the other comprehensive income until the investments are derecognised at which time the cumulative gain or loss is recognised in the consolidated income statement. Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, short term deposit with an original maturity of three month or less net of outstanding bank overdrafts.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(i) Financial assets (continued)
Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Impairment of financial assets
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available-for-sale
For financial assets available-for-sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iii) Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transactions costs.

The Group's financial liabilities include accounts payable and accruals and bank overdrafts. At 31 December 2017, the Group did not have any financial liabilities at fair value through profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(iii) Financial liabilities (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

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

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

(iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

The Parent Company's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. 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.

Employees' end of service benefits

The Group provides end of service benefits for its all employees in accordance with Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as result of a past event, 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.

Contingencies

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

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

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended IFRS which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but not yet effective.

The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Annual Improvements Cycle - 2014-2016
Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12
The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. As at 31 December 2017, this amendment does not have any impact on the Group.

Other amendments to IFRSs, which are effective for annual accounting period starting from 1 January 2017, did not have relevance nor any material impact on the accounting policies, financial position or performance of the Group.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or CGU 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, conducted at arm's length, for 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 CGU 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.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation of unquoted equity investments (continued)
The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. For the investments where this estimation cannot be reliably determined, they are carried at cost less impairment.

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

Impairment of financial assets available-for-sale
The Group treats financial assets available-for-sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement and involves evaluating factors including industry and market conditions, future cash flows and discount factors.

Impairment of inventories
Inventories are valued at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

Impairment of trade accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Impairment of property, plant and equipment and intangible assets
A decline in the value of property, plant and equipment and intangible assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value that would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Useful lives of property, plant and equipment and intangible assets
The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where management believes the useful lives differs from previous estimates.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)
The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed an initial impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity from applying the classification and measurement requirements of IFRS 9.

(a) Classification and measurement
IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive Income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

With respect of receivables, the Group analysed the contractual cash flow characteristics of those instruments and concluded that based on their business model, they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(b) Impairment
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The Group will apply the simplified approach and record lifetime expected credit losses on all receivables. The Group do not expect any significant impact of expected credit losses on its amortised cost financial assets, when adopted.

(c) Hedge accounting
As at 31 December 2017, the Group does not have any hedge relationships. Hence, the hedging requirements of IFRS 9 will not have a significant impact on the Group's consolidated financial statements.

(d) Disclosure
The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group's assessment included an analysis to identify data gaps against current process and the Group is in process of implementing the system and controls changes that it believes will be necessary to capture the required data.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

The Group is engaged in owning, operating and managing hotel, commercial and residential properties; catering services; importing of consumer durables, machinery and equipment; and investment in similar business in or outside Kuwait.

The Group does not expect any impact on the accounting policies, financial position or performance upon adoption of this Standard.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the Group.

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

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

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

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

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

During 2018, the Group will continue to evaluate the potential effect of IFRS 16 on its consolidated financial statements.

Transfers of Investment Property — Amendments to IAS 40
The amendments 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. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. The Group does not expect any effect on its consolidated financial statements.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual Improvements 2014-2016 Cycle (issued in December 2016)
These improvements include:

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

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

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

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financials position or performance of the Group.

5 REVENUES AND COST OF REVENUES

a) Revenues

	2017	*2016*
	KD	*KD*
Revenue from rendering of services	**4,609,250**	5,090,620
Sale of goods	**1,940,314**	2,280,271
Rental income	**690,602**	611,908
	7,240,166	7,982,799

b) Cost of revenues

	2017	*2016*
	KD	*KD*
Material cost	**1,796,231**	2,221,044
Staff cost	**3,424,786**	3,951,630
Operating lease	**415,798**	540,528
Depreciation (Note 10)	**200,394**	162,362
Other costs	**704,879**	386,661
	6,542,088	7,262,225

6 OTHER INCOME

	2017 KD	2016 KD
(Loss) gain on disposal of property, plant and equipment	**(8,917)**	24,298
Interest income	**4,986**	3,140
Gain on disposal of intangible assets*	**-**	401,284
Other	**143,236**	98,493
	139,305	527,215

*During the previous year, the Group has disposed key money for KD 401,284 which was fully impaired and the same was recognized as gain on disposal of an intangible asset in the consolidated income statement.

7 INCOME TAX ON OVERSEAS OPERATIONS

Income tax on overseas subsidiary represents tax for operations in Egypt, Syria and Lebanon and is calculated in accordance with the applicable tax law of these countries.

8 PROFIT FOR THE YEAR

	2017 KD	*2016 KD*
Staff cost:		
Included in cost of revenues (Note 5)	**3,424,786**	3,951,630
Included in administrative expenses	**577,235**	622,611
	4,002,021	4,574,241
Inventories recognised as an expenses on sale of goods (Included in cost of revenues) (Note 5)	**1,796,231**	2,221,044
Rent expenses- operating lease (Included in cost of revenues) (Note 5)	**415,798**	540,528

9 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	2017	*2016*
Profit for the year attributable to equity holders of the Parent Company (KD)	**6,930**	103,990
Number of shares outstanding:		
Weighted average number of paid up shares (Note 15)	**57,750,000**	57,750,000
Weighted average number of treasury shares (Note 17)	**(1,316,700)**	(1,316,700)
Weighted average number of shares outstanding	**56,433,300**	56,433,300
Basic and diluted earnings per share (fils)	**0.1**	1.8

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings *KD*	*Machinery, equipment and furniture* *KD*	*Improvements and decorations* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:					
At 1 January 2017	4,253,007	7,585,345	1,135,593	929,899	13,903,844
Additions	2,710	42,080	11,600	93,692	150,082
Disposals	-	(4,823)	(34,590)	(71,379)	(110,792)
At 31 December 2017	**4,255,717**	**7,622,602**	**1,112,603**	**952,212**	**13,943,134**
Depreciation:					
At 1 January 2017	1,111,786	6,922,352	909,719	809,324	9,753,181
Charge for the year	173,154	171,645	43,738	45,940	434,477
Relating to disposals	-	(4,795)	(9,080)	(71,292)	(85,167)
At 31 December 2017	**1,284,940**	**7,089,202**	**944,377**	**783,972**	**10,102,491**
Net carrying amount:					
At 31 December 2017	**2,970,777**	**533,400**	**168,226**	**168,240**	**3,840,643**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings *KD*	*Machinery, equipment and furniture* *KD*	*Improvements and decorations* *KD*	*Motor vehicles* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:						
At 1 January 2016	4,251,972	7,363,476	1,051,684	879,324	83,407	13,629,863
Additions	1,035	209,422	12,949	93,991	-	317,397
Transfers	-	12,447	70,960	-	(83,407)	-
Disposals	-	-	-	(43,416)	-	(43,416)
At 31 December 2016	4,253,007	7,585,345	1,135,593	929,899	-	13,903,844
Depreciation:						
At 1 January 2016	938,361	6,734,770	869,293	837,051	-	9,379,475
Charge for the year	173,425	187,582	40,426	15,689	-	417,122
Relating to disposals	-	-	-	(43,416)	-	(43,416)
At 31 December 2016	1,111,786	6,922,352	909,719	809,324	-	9,753,181
Net carrying amount:						
At 31 December 2016	3,141,221	662,993	225,874	120,575	-	4,150,663

Depreciation charge has been allocated in the consolidated income statement as follows:

	2017 ***KD***	*2016* *KD*
Cost of revenues (Note 5)	**200,394**	162,362
Administrative expenses	**234,083**	254,760
	434,477	417,122

11 INTANGIBLE ASSETS

	Land lease rights from government KD	*Key money* KD	*Trademark* KD	*Software licence* KD	*Total* KD
Cost:					
At 1 January 2017	314,000	1,056,808	-	-	1,370,808
Disposal	-	(57,000)	-	-	(57,000)
At 31 December 2017	**314,000**	**999,808**	**-**	**-**	**1,313,808**
Amortisation and impairment:					
At 1 January 2017	-	175,680	-	-	175,680
Charge for the year	-	-	-	-	-
Relating to disposal	-	-	-	-	-
At 31 December 2017	**-**	**175,680**	**-**	**-**	**175,680**
Net book value:					
At 31 December 2017	**314,000**	**824,128**	**-**	**-**	**1,138,128**

	Land lease rights from government KD	*Key money* KD	*Trademark* KD	*Software licence* KD	*Total* KD
Cost:					
At 1 January 2016	314,000	1,316,808	29,656	19,136	1,679,600
Disposal	-	(175,000)	-	-	(175,000)
Write-off	-	(85,000)	(29,656)	(19,136)	(133,792)
At 31 December 2016	314,000	1,056,808	-	-	1,370,808
Amortisation and impairment:					
At 1 January 2016	-	350,013	-	19,136	369,149
Charge for the year	-	667	-	-	667
Relating to disposal	-	(175,000)	-	-	(175,000)
Relating to write-off	-	-	-	(19,136)	(19,136)
At 31 December 2016	-	175,680	-	-	175,680
Net book value:					
At 31 December 2016	314,000	881,128	-	-	1,195,128

Key money represents amounts paid for securing operating leases for the Group's retail outlets.

In accordance with IAS 36 "Impairment of Assets", the management of the Parent Company has performed an update to its impairment exercise for the key money balance amounting to KD 824,128 (2016: KD 881,128), considering the performance outlook and business operations of the Cash Generating Units (CGU) to assess whether the recoverable amounts of these retail outlets cover its carrying amount. Based on the estimated cash flows, discounted back to their present value using a discount rate that reflects the risk profile, the management concluded that key money of KD Nil (2016: KD 667) is impaired. The conclusion was reached on the basis of the forecasted cash flows in future years of the acquired retail outlets which were approved by the senior management.

11 INTANGIBLE ASSETS (continued)

The recoverable amount of the CGU has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The discount rate used is 12% (2016: 12%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected average growth rate of 1% (2016: 5%).

The calculation of value in use for the CGU is sensitive to the following assumptions:

- Revenue growth;
- Discount rate; and
- Projected growth rate used to extrapolate cash flows beyond the budget period.

Revenue Growth:
Revenue growth is based on average values achieved in the two years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rate:
Discount rate is calculated by using the Weighted Average Cost of Capital (WACC). The inputs to the calculation of the discount rate reflects current market assessment of the time value of money and risks specific to the CGU and the country of the CGU.

Projected growth rate:
Assumptions are based on industry research. The Group has used conservative projected growth rate considering CGU's current performance under Kuwait competitive market.

Sensitivity to changes in assumptions
Management has determined that the potential effect of using reasonably possible alternatives as inputs to the valuation model does not materially affect the amount of key money using less favorable assumptions.

12 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2017 *KD*	*2016* *KD*
Managed portfolios	**35,789**	35,789
Unquoted equity securities	**61,645**	92,514
	97,434	128,303

During the year, the Group has reviewed its quoted and unquoted securities for impairment and has recorded an impairment loss of KD 30,869 (2016: KD Nil) on unquoted investments. The Group is not aware of any circumstances that would indicate any further impairment in the value of these investments at the reporting date.

Unquoted securities amounting to KD 61,645 (2016: KD 61,645) are carried at cost less impairment as management is unable to reliably determine the fair values. Since these investments are unquoted, a reasonable estimate of fair value can only be determined when the individual investments are realised. Management is of the opinion that there has been no impairment in value of these investments. The management of the Group intends to hold these until an opportunity arises to dispose them at an attractive price.

Financial assets available-for-sale under managed portfolios are carried at fair value through other comprehensive income and are managed by a related party (Note 24).

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2017 *KD*	*2016* *KD*
Trade accounts receivable	**1,335,186**	2,004,724
Prepayments and other receivables	**557,425**	734,184
	1,892,611	2,738,908

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

At the reporting date, trade accounts receivable of value of KD 719,025 (2016: KD 759,318) were impaired on which KD 719,025 (2016: KD 759,318) provision for impairment is made. The movement in the provision for impairment of trade accounts receivable that are individually determined to be impaired is as follows:

	2017 *KD*	*2016* *KD*
At 1 January	**759,318**	2,010,431
Charge for the year	**17,630**	64,060
Written off during the year	**(57,923)**	(1,315,173)
At 31 December	**719,025**	759,318

As at 31 December, the ageing analysis of trade accounts receivable is as follows:

			Past due but not impaired		
	Total *KD*	*Neither past due nor impaired* *KD*	*1-90 days* *KD*	*91-180 days* *KD*	*>180 days* *KD*
2017	**1,335,186**	**591,016**	**151,384**	**57,973**	**534,813**
2016	1,764,565	971,133	167,469	186,023	439,940

Unimpaired trade accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

14 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the followings as of 31 December:

	2017 *KD*	*2016* *KD*
Bank balances and cash	**970,002**	721,210
Short-term deposits	-	834,484
	970,002	1,555,694
Bank overdrafts	-	(175,789)
	970,002	1,379,905

Bank overdrafts carry effective interest rate of Nil (2016: 2.5%) per annum over Central Bank of Kuwait discount rate.

15 SHARE CAPITAL

	2017 *KD*	*2016* *KD*
Authorised, issued and fully paid up in cash: 57,750,000 shares (2016: 57,750,000) shares of 100 fils (2016: 100 fils) each	**5,775,000**	5,775,000

16 RESERVES

(a) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

(b) Voluntary reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

17 TREASURY SHARES

	2017	*2016*
Number of shares held	**1,316,700**	1,316,700
Percentage of shares held	**2.28%**	2.28%
Market value (KD)	**323,908**	395,010
Weighted average market value per share (fils)	**246**	284

Reserves of the Parent Company equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the Parent Company.

18 OTHER RESERVE

Other reserve represents the effect of changes in ownership interest in subsidiaries without loss of control.

19 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	2017 *KD*	*2016* *KD*
At 1 January	**957,156**	1,034,998
Provided during the year	**177,538**	181,119
Payments during the year	**(256,642)**	(258,961)
At 31 December	**878,052**	957,156

20 ACCOUNTS PAYABLE AND ACCRUALS

	2017 *KD*	*2016* *KD*
Trade accounts payables	**522,882**	1,143,319
Unearned revenue	**473,736**	358,482
Accruals and other liabilities	**887,463**	1,759,041
	1,884,081	3,260,842

21 SEGMENT INFORMATION

For management purposes, the Group is organised into three main business segments based on internal reporting provided to the chief operating decision maker:

1. Hotel Management: Owning, operating and managing of hotels

2. Catering and manpower supply services: Providing catering and manpower supply services to governmental and non-governmental institutions.

3. Information technology services: Information technology administrative support

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

21 SEGMENT INFORMATION (continued)

The following table presents segment revenue and results information regarding the Group's business segments:

	Hotel management		*Catering and manpower supply services*		*Information technology services*		*Total*	
	2017 KD	*2016 KD*	***2017 KD***	*2016 KD*	***2017 KD***	*2016 KD*	***2017 KD***	*2016 KD*
Revenues	**690,602**	611,908	**6,431,330**	7,160,280	**118,234**	210,611	**7,240,166**	7,982,799
Management fees	**780,430**	845,392	**-**	-	**-**	-	**780,430**	845,392
Results								
Depreciation and amortization	**(203,028)**	(219,573)	**(231,222)**	(198,018)	**(227)**	(198)	**(434,477)**	(417,789)
Write-off of intangible assets	**-**	-	**-**	(114,656)	**-**	-	**-**	(114,656)
Share of loss of an associate	**(22,581)**	(2,413)	**-**	-	**-**	-	**(22,581)**	(2,413)
Taxation	**(18,783)**	(20,248)	**-**	-	**-**	-	**(18,783)**	(20,248)
Finance cost	**-**	-	**(2,468)**	(2,594)	**-**	-	**(2,468)**	(2,594)
Provision for doubtful debts	**(17,630)**	(23,667)	**-**	(40,393)	**-**	-	**(17,630)**	(64,060)
Provision for slow moving and obsolete inventories	**-**	-	**-**	(336,632)	**-**	-	**-**	(336,632)
Segment profit (loss)	**6,198**	166,961	**31,393**	(48,742)	**(30,588)**	(13,009)	**7,003**	105,210
Assets	**3,839,127**	5,136,786	**4,533,715**	5,220,308	**38,724**	23,483	**8,411,566**	10,380,577
Liabilities	**1,551,490**	1,787,591	**1,150,242**	2,549,801	**60,401**	56,395	**2,762,133**	4,393,787
Other disclosures								
Investment in an associate	**41,460**	67,436	**-**	-	**-**	-	**41,460**	67,436
Additions to property, plant and equipment	**21,499**	28,919	**128,583**	288,362	**-**	116	**150,082**	317,397

Geographically, all assets of the Group are located in the Middle Eastern countries. All revenue from operations of the Group is from activities in the Middle Eastern countries.

22 COMMITMENTS

The Group has entered into commercial leases for certain premises and a property rented from the Government of Kuwait. These leases have an average life of between one and five years. There are no restrictions placed upon the Group be entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2017	*2016*
	KD	*KD*
Within one year	**383,352**	306,812
After one year but not more than five years	**681,220**	289,340
	1,064,572	596,152

23 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,868,600 (2016: KD 2,617,567). It is anticipated that no material liabilities will arise.

24 RELATED PARTY DISCLOSURES

Related parties represent associates, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

There were no balances and transactions with related parties included in the consolidated financial statements.

Financial assets available-for-sale of KD 35,789 (2016: KD 35,789) and financial assets at fair value through profit or loss of KD 71,400 (2016: KD 71,400) represents investment portfolio managed by a related party (Note 12).

Key management compensation

	2017	*2016*
	KD	*KD*
Salaries and other employee benefits	**215,076**	215,076
End of service benefits	**20,682**	20,682
	235,758	235,758

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk which is further sub-divided into interest rate risk, foreign currency risk and equity price risk. The Group's policy is to monitor those business risks through the Group's strategic planning process.

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2017 and 2016.

25.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss. Financial assets subject to credit risk consist principally of bank balances, short term deposits and accounts receivable.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Credit risk (continued)

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of accounts receivables on an ongoing basis. The Group sells its products and services to a large number of customers including various governmental ministries. Its five largest customers account for 41% (2016: 39%) of outstanding trade accounts receivable at 31 December 2017. The maximum exposure is equal to the carrying amount stated in the consolidated statement of financial position.

The Group limits its credit risk with regard to bank balances and short term deposit by only dealing with reputable banks.

25.2 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 that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand KD	*Less than 3 months KD*	*3 – 12 months KD*	*Total KD*
2017				
Accounts payable and accruals (excluding unearned revenue)	-	**562,399**	**847,946**	**1,410,345**
Total liabilities	-	**562,399**	**847,946**	**1,410,345**

	On demand KD	*Less than 3 months KD*	*3 – 12 months KD*	*Total KD*
2016				
Accounts payable and accruals (excluding unearned revenue)	-	1,360,212	1,542,148	2,902,360
Bank overdrafts	175,789	-	-	175,789
Total liabilities	175,789	1,360,212	1,542,148	3,078,149

25.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk, foreign currency risk, and equity price risk.

25.3.1 Interest rate risk

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

The Group is not significantly exposed to interest rate risk.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.3.2 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 exchange rates. The Group is not significantly exposed to foreign currency risk as majority of its monetary assets and liabilities are denominated in the functional currency of the Parent Company.

25.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk by focusing on the long term holding of equity assets, keeping its exposure at an acceptable level and by continuously monitoring the markets.

The effect of a change in the fair value of the equity instruments held as financial assets at fair value through profit or loss at the reporting date due to a reasonable possible change in the equity indices, with all other variables held as constant, is not significant. The Group also has unquoted financial assets available-for-sale carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted.

26 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016. Capital represents equity attributable to equity holders of the Parent Company and is measured at KD 5,678,801as at 31 December 2017 (2016: KD 6,016,231).

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, financial assets at fair value through profit or loss, receivables and financial assets available-for-sale. Financial liabilities consist of payables and bank overdrafts.

With the exception of certain unquoted equity investments classified as available for sale which are carried at cost less any known impairment (Note 12), the fair values of other financial instruments are not materially different from their carrying values at the reporting date.

28 ZAKAT AND NLST

The Parent Company calculated the Zakat in accordance with the Ministry of Finance resolution No. 58/2007. As per law, income from associates and subsidiaries, cash dividends which are subjected to Zakat have been deducted from the profit for the year. Accordingly, there was no income base upon which the Zakat could be calculated for the year ended 31 December 2017.

The Parent Company calculates NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of adjusted profit for the year. After adjustments, there was no income upon which NLST could be calculated for the year ended 31 December 2017.