



**BAKER TILLY
KUWAIT**

Audit, tax and consulting

Aqar Real Estate Investments Company
Kuwaiti Shareholding Company (Public)
and Its Subsidiary
State of Kuwait

Consolidated Financial Statements
For the Financial Year ended December 31, 2017
With
Independent Auditor's Report

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Kuwaiti Shareholding Company (Public)
and Its Subsidiary
State of Kuwait

Consolidated Financial Statements
For the Financial Year ended December 31, 2017
With
Independent Auditor's Report

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Independent Auditor's Report

The Shareholders
Aqar Real Estate Investments Company - K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and 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) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with the (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 31 December 2016, were audited by another auditor who expressed an unqualified opinion on those financial statements on 12 February 2017.

Key Audit Matters

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

Valuation of investment properties

As at 31 December 2017, the investment properties were KD 23,772,829, i.e. equal to 76% of the total assets. Disclosures related to the investment properties are set out in Notes 2.3.4, 4 and 9 to the consolidated financial statements.

The valuation of the properties is important matter as it requires exercising significant estimates and judgment since the existence of differences in the valuation of each property would result in material misstatements. Therefore, this requires audit focus on this item.

The Group had the investment properties valued by licensed independent valuers who are not related to the Group. Such valuers have the qualifications and experience required to perform the valuations in the markets where the Group operates.

For the purpose of estimating the fair value of investment properties, the valuers used different valuation methods and techniques such as sales comparison approach and income capitalization taking into account the nature and usage of investment properties.

In the course of our audit, we tested the appropriateness of valuation methods and approaches and the input used for this purpose. We further focused on the adequacy of the disclosures on the valuation of investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's 2017 annual report, other than the consolidated financial statements and our auditors' report thereon. The Group's 2017 annual report is expected to be made available to us after the date of 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 when made available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the annual report, we conclude that there is a material misstatement therein, we are required to report that fact to those charged with governance.

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

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

In preparing the consolidated financial statements, the management of the Parent Company 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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

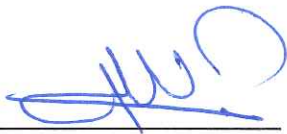
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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



Mohammed Hamed Al Sultan
License No. 100 A
Mohammed Al Sultan and Partners
Member of Baker Tilly International

State of Kuwait on 29 January 2018

Aqar Real Estate Investments Company - K.S.C. (Public) and Its Subsidiary
Consolidated Statement of Financial Position
As of December 31, 2017
(All amounts are in Kuwaiti Dinars)

| | Note | 2017 | 2016 |
|--|------|-------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 5 | 4,551,752 | 4,531,958 |
| Other debit balances | 6 | 340,645 | 120,152 |
| Available for sale investments | 7 | 972,282 | 1,204,246 |
| Investment in an associate | 8 | 1,589,438 | 2,546,981 |
| Investment properties | 9 | 23,772,829 | 23,442,682 |
| Property and equipment | | 1,517 | 1,693 |
| Total assets | | 31,228,463 | 31,847,712 |
| Liabilities and Equity | | | |
| liabilities: | | | |
| Term loans | 10 | 2,422,295 | 3,443,183 |
| Accounts payable and other credit balances | 11 | 548,479 | 693,187 |
| Provision for end of service indemnity | | 129,171 | 73,352 |
| Total liabilities | | 3,099,945 | 4,209,722 |
| Equity | | | |
| Capital | 12 | 23,425,000 | 23,425,000 |
| Share premium | | 227,567 | 227,567 |
| Treasury shares | 13 | (1,861,595) | (1,861,595) |
| Treasury shares reserve | | 8,523 | 8,523 |
| Statutory reserve | 14 | 1,664,392 | 1,476,730 |
| Voluntary reserve | 15 | 1,664,392 | 1,476,730 |
| Retained earnings | | 2,999,181 | 2,883,910 |
| Equity attributable to Parent Company's shareholders | | 28,127,460 | 27,636,865 |
| Non-controlling interests | | 1,058 | 1,125 |
| Total equity | | 28,128,518 | 27,637,990 |
| Total liabilities and equity | | 31,228,463 | 31,847,712 |



Bader Saleh Al-Essa
Chairman



Mousa Ali Abou Taleb
Vice Chairman and
Chief Executive Officer

Aqar Real Estate Investments Company - K.S.C. (Public) and Its Subsidiary
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Financial Year Ended December 31, 2017

(All amounts are in Kuwaiti Dinars)

| | Note | 2017 | 2016 |
|---|------|------------------|------------------|
| Rental income from properties | | 1,695,622 | 1,548,260 |
| Operating expenses for properties | | <u>(164,014)</u> | <u>(123,947)</u> |
| Net rental income from properties | | 1,531,608 | 1,424,313 |
| Realized income on sale of associate | 8 | 581,074 | - |
| Group's share of results from associate | 8 | 202,339 | 548,501 |
| Change in fair value of investment properties | 9 | 176,609 | 331,433 |
| Net operating profit | | <u>2,491,630</u> | <u>2,304,247</u> |
| Impairment of available for sale investments | | <u>(257,429)</u> | - |
| Other income | | 23,182 | 62,531 |
| Interest income | | 37,494 | 66,789 |
| Cash dividend income | | 126,900 | 35,010 |
| Depreciation | | (878) | (807) |
| General and administrative expenses | 17 | (424,875) | (383,047) |
| Finance charges | | (150,791) | (163,627) |
| Foreign exchange gain/ (loss) | | <u>31,411</u> | <u>(32,807)</u> |
| Profit for the year before Contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat Contribution and Board of Directors' remuneration | | 1,876,644 | 1,888,289 |
| Contribution to Kuwait Foundation for the Advancement of Sciences | | (14,866) | (11,509) |
| National Labor Support Tax | | (48,311) | (47,577) |
| Zakat Contribution | | (16,032) | (13,196) |
| Board of Directors' remuneration | | (35,000) | (35,000) |
| Net profit for the year | | <u>1,762,435</u> | <u>1,781,007</u> |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | <u>1,762,435</u> | <u>1,781,007</u> |
| Attributable to: | | | |
| Shareholders of the Parent Company | | 1,762,406 | 1,780,967 |
| Non-controlling interests | | 29 | 40 |
| Net profit for the year | | <u>1,762,435</u> | <u>1,781,007</u> |
| Earnings per share (fils) | 18 | <u>8.31</u> | <u>8.38</u> |

Aqar Real Estate Investments Company - K.S.C. (Public) and Its Subsidiary
Consolidated Statement of Changes in Equity
For The Financial Year Ended December 31, 2017
(All amounts are in Kuwaiti Dinars)

| | Equity attributable to Parent Company's shareholders | | | | | | | Non-controlling interests | Total equity |
|---|--|----------------|--------------------|-------------------------|-------------------|-------------------|-------------------|---------------------------|-------------------|
| | Capital | Share Premium | Treasury shares | Treasury shares reserve | Statutory reserve | Voluntary reserve | Retained earnings | | |
| Balance at December 31, 2015 | 23,425,000 | 227,567 | (976,848) | 8,523 | 1,287,905 | 1,287,905 | 2,752,404 | 28,012,456 | 28,013,541 |
| Cash dividend (Note 19) | - | - | - | - | - | - | (1,271,811) | (1,271,811) | (1,271,811) |
| Purchase of treasury shares | - | - | (884,747) | - | - | - | - | (884,747) | (884,747) |
| Total comprehensive income for the year | - | - | - | - | - | - | 1,780,967 | 1,780,967 | 1,781,007 |
| Transfers to reserves | - | - | - | - | 188,825 | 188,825 | (377,650) | - | - |
| Balance at December 31, 2016 | 23,425,000 | 227,567 | (1,861,595) | 8,523 | 1,476,730 | 1,476,730 | 2,883,910 | 27,636,865 | 27,637,990 |
| Cash dividend (Note 19) | - | - | - | - | - | - | (1,271,811) | (1,271,811) | (1,271,811) |
| Total comprehensive income for the year | - | - | - | - | - | - | 1,762,406 | 1,762,406 | 1,762,435 |
| Minority interest in dividends | - | - | - | - | - | - | (96) | (96) | (96) |
| Transfers to reserves | - | - | - | - | 187,662 | 187,662 | (375,324) | - | - |
| Balance at December 31, 2017 | 23,425,000 | 227,567 | (1,861,595) | 8,523 | 1,664,392 | 1,664,392 | 2,999,181 | 28,127,460 | 28,128,518 |

The accompanying notes on pages 5 to 29 form an integral part of these consolidated financial statements

Aqar Real Estate Investments Company - K.S.C. (Public) And Its Subsidiary
Consolidated Statement Of Cash Flows
For The Financial Year Ended December 31, 2017
(All amounts are in Kuwaiti Dinars)

| | 2017 | 2016 |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Profit for the year | 1,762,435 | 1,781,007 |
| Adjustments: | | |
| Group's share of results from associate | (202,339) | (548,501) |
| Change in fair value of investment properties | (176,609) | (331,433) |
| Realized income on sale of associate | (581,074) | - |
| Impairment of available for sale investments | 257,429 | - |
| Interest income | (37,494) | (66,789) |
| Dividend income | (126,900) | (35,010) |
| Depreciation | 878 | 807 |
| Finance charges | 150,791 | 163,627 |
| Foreign exchange (profit)/ loss | (31,411) | 32,807 |
| Provision for end of service indemnity | 55,819 | 15,906 |
| | <u>1,071,525</u> | <u>1,012,421</u> |
| Changes in operating assets and liabilities: | | |
| Other debit balances | (62,182) | 7,543 |
| Accounts payable and other credit balances | (171,430) | (567,288) |
| Paid for purchase of investment properties | (153,538) | (2,627,820) |
| End of service indemnity paid | - | (1,092) |
| Net cash flows generated from / (used in) operating activities | <u>684,375</u> | <u>(2,176,236)</u> |
| Cash flows from investing activities: | | 68,896 |
| Interest income received | 37,494 | - |
| Paid for purchase of available for sale investments | (25,465) | - |
| Paid for purchase of interest in associate | (1,589,438) | - |
| Proceeds from sale of interest in associate | 3,085,394 | 140,000 |
| Dividend income received from associate | 245,000 | 35,010 |
| Paid for purchase of property and equipment | (702) | (86) |
| Net cash flows generated from investing activities | <u>1,752,283</u> | <u>243,820</u> |
| Cash flows from financing activities: | | |
| Net movement in term loans | (1,020,888) | 556,324 |
| Finance charges paid | (150,791) | (162,669) |
| Dividends paid | (1,245,089) | (1,297,193) |
| Net movement in non-controlling interests | (96) | - |
| Paid for purchase of treasury shares | - | (884,747) |
| Net cash flows used in financing activities | <u>(2,416,864)</u> | <u>(1,788,285)</u> |
| Net increase / (decrease) in cash and cash equivalents | 19,794 | (3,720,701) |
| Cash and cash equivalents at the beginning of the year | 4,531,958 | 8,252,659 |
| Cash and cash equivalents at the end of the year (Note 5) | <u>4,551,752</u> | <u>4,531,958</u> |

1. Incorporation and activities

Aqar Real Estate Investments Company - K.S.C. (Public) "the Parent Company" (formerly known as Al Ahlia Kuwaiti Real Estate Company – K.S.C. (Closed)) is a Kuwaiti Public Shareholding Company registered in state of Kuwait. The Parent Company was incorporated under Memorandum of Incorporation No. 403/ Volume 1 dated October 9, 1997 and its subsequent amendments, the last of which is recorded in the commercial registry under No. 645 dated December 15, 2014.

The Parent Company is listed on the Kuwait Bourse on April 11, 2005.

The main objectives for which the Parent Company is incorporated are:

- All real estate activities including buying, acquiring lands and properties for purpose of sale in its original condition or after splitting the same, lease, development or trading purposes;
- Renting and leasing lands and properties individually or in participation with third parties;
- Establishing buildings and real estate projects, residential and commercial complexes, private and public parking lots and implementing those activities directly or through third parties, and it has the right to manage, lease, sell the same in cash or in installments, and carry out legal dispositions in connection therewith;
- Managing third parties' properties and investing the same for their account or for the Parent Company account;
- Conducting economic, technical and engineering studies and consultations related to real estate's business and private and public real estate projects of all kinds and all related activities for its own or for third parties' account;
- Utilizing surplus funds available with the Parent Company through investing the same in financial portfolios managed by specialized companies;
- Acquiring, buying and selling shares and bonds of real estate companies for the benefit of the Parent Company only inside and outside State of Kuwait.
- Acquiring and managing hotels, health clubs and touristic utilities and renting and leasing them.
- Performing maintenance works related to buildings and real estate owned by the Parent Company, including maintenance work, execution of civil, mechanical, electrical, elevators, and air conditioning work to ensure the protection and safety of the buildings.
- Managing, operating, investing, renting and leasing hotels, health clubs, motels, hospitality houses, rest houses, parks, gardens, exhibitions, restaurants, cafeterias, housing complexes, touristic and health resorts, entertainment and sports projects and shops at all levels including all original and auxiliary relate to them along with its services.
- Organizing the real estate exhibitions related to Parent Company's real estate projects in accordance with the Ministry's rules.
- Establishing real estate auctions; in accordance with the Ministry's rules.
- Establishing and managing real estate investments fund (after approval of Central Bank of Kuwait).
- Importing building materials related to Parent Company's objectives after getting necessary license.
- Contributing in the infrastructure of districts, residential, commercial and environmental industrial projects through Build Operate and Transfer System (BOT), and managing real estate utilities through (BOT) system.
- Obtain agencies for all companies related to Parent Company activities such as hotels, parks, buildings materials and supplies for all of them.

The Parent Company may carry on the above-mentioned activities inside State of Kuwait or abroad on its own or as an agent for other parties. The Parent Company may have an interest or in any way associate itself with other institutions practicing activities similar to its activities or which may assist the Parent Company in achieving its objectives in State of Kuwait or abroad. The Parent Company may establish, participate in, acquire these institutions, or have them affiliated to it.

The Parent Company is registered in the commercial registry under Ref. No.69418 dated August 19, 2003.

The Parent Company's registered address is: P.O. Box 20017 – Safat 13061, State of Kuwait.

The Board of Directors of the Parent Company authorized the consolidated financial statements for issue on 29 January 2018 the Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The consolidated financial statements are prepared under the historical cost convention, except for available for sale investments and investments properties that are stated at their fair value as set out in the accounting policies below.

2.2 Application of new and amended International Financial Reporting Standards

New standards and interpretations not adopted yet

The issued standards but not effective yet up to the issue date of financial statements are disclosed below. The Company intends to adopt such standards, if appropriate, whenever they become effective.

IFRS 9: Financial Instruments

The IASB issued the final version of IFRS 9 Financial Instruments in July 2014, and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 sets out the requirements of recognition and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Company decided that the initial application date of IFRS 9 will be 1 January 2018. The requirements of recognition and measurement and impairment are applied on retrospective basis through amending the opening statement of financial position as at 1 January 2018. The Company will not amend the comparative figures as permitted under IFRS 9.

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, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL").

Equity instruments will be measured at fair value through profit or loss. However, the Group, upon initial recognition of equity instruments traded on, may irrevocably choose to classify the instrument at fair value through the statement of comprehensive income without retransferring to the consolidated statement of income. This classification is also available for equity instruments that are not traded on the application date.

The application of this standard will impact the classification and measurement of the Company's financial assets. However, it is not expected to have significant impact on classification and measurement of financial liabilities.

Hedge accounting

General hedge accounting requirements are intended to simplify the hedge accounting and provide a better link between risk management strategy, and permit the application of hedge accounting on a wide range of hedging instruments and risks. The Company will apply the accounting requirements of hedging accounting under IFRS 9 and doesn't expect any material impact on its financial position.

Impairment of financial assets

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.

Under IFRS 9, the impairment requirements apply to financial assets measured at amortised cost, debt instruments classified as recognized at fair value through other comprehensive income, certain liabilities and debts, and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk or default event, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Impact of application

The Company's management believes that there is no impact of ELC provision under IFRS 9 on the financial statements as at 31 December 2017.

IFRS 7 Disclosures

IFRS 7 Disclosures was amended to include more qualitative and quantitative disclosures with respect to IFRS 9 such as new classification categories and three phase impairment model, the new hedge accounting requirements and transition provisions.

IFRS 15: Revenue from Contracts with Customers

In 28 May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

Under IFRS 15, revenue is recognized when control of a good or service is transferred within the scope of expectation of the party that transfers the same for the entitlement to the goods or services. The Standard also defines a comprehensive set of disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company assessed the impact of IFRS 15 based on evaluation adoption. IFRS 15 is not expected to have material impact on the Company's financial statements.

IFRS 16: Leases

IFRS 16 was issued in January 2016 and is effective for annual reporting periods beginning on or after 1 January 2019. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 "leases". Lessees will recognise an asset representing the right to use the underlying asset and the relevant liability in the statement of financial position. It will be amortized over the lease term and the financial liabilities will be measured at the amortized cost.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. The Group is in the process of assessing the potential effect of IFRS 16 on its consolidated financial statements.

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation of Financial Statements

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiary (together the "Group"):

| Name of subsidiary | Country of incorporation | Activities | Percentage of holding % | |
|--|--------------------------|--------------------------|-------------------------|--------|
| | | | 2017 | 2016 |
| Gulf Spring Kuwait for Real Estate Development Company - W.L.L | State of Kuwait | Real Estates Development | 99.98% | 99.98% |

The consolidated financial statements comprise the financial statements of the Company and the entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Parent Company: (a) has power over the investee, (b) is exposed, or has rights to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns.

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

The financial statements of subsidiaries are consolidated when the Parent Company controls a subsidiary and the consolidation will cease when the Parent Company loses control over the subsidiary. In particular, the income and expenses of subsidiary acquired or sold during the year will be included in the consolidated statement of income or other comprehensive income from the date that the Parent Company's control effectively commences until the date that control effectively ceases.

Profit or loss and each item of other comprehensive income is allocated to the owners of the Parent Company and non-controlling entities. Comprehensive income of subsidiaries is allocated to the owners of the Parent Company and non-controlling entities even if this results in deficit in the non-controlling interests.

When necessary, the financial statements of subsidiaries are amended so that their accounting policies are consistent with that of the Group.

All inter-company balances, transactions, revenue and expenses are eliminated in full on consolidation.

A change in the Group's ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to shareholders of the Parent Company.

If the Group loses control over a subsidiary, it recognizes profit or loss resulting from derecognition in the consolidated statement of income and the profit or loss is calculated by the amount of difference between:

- a) Total fair value of consideration received and fair value of remaining interest; and
- b) Carrying amount of assets before derecognition (including good will) and the subsidiary's liabilities as well as non-controlling entities' equity.

All amounts previously recognized in the statement of other comprehensive income with respect to the subsidiary is accounted for if the Group directly derecognized the assets and liabilities of the subsidiary. The fair value of any remaining investment in the "previous" subsidiary at the date of loss of control is considered as the fair value at initial recognition for the purpose of prospective accounting under IAS 39 or the cost at initial recognition of investment in associate or joint venture.

Business combination

Business combinations are accounted for using the acquisition method. The purchase price is measured at its acquisition-date fair value, which is calculated as the total fair values of assets transferred, liabilities incurred from former owners of a target company and equity interests issued by the Group for acquisition. Expenses related to acquisition are generally recognized in the consolidated statement of income when incurred.

The acquired assets and liabilities identified in the business combination is initially recognized at the acquisition date fair value excluding deferred tax assets and liabilities or equity instruments related to share based payment arrangements and assets classified as held for sale, which will be accounted for in accordance with the relevant IFRS.

Goodwill is measured as the excess of the consideration transferred, noncontrolling interest in the acquire and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities. If the net value of assets acquired and liabilities assumed is in excess of the consideration transferred, noncontrolling interest in the acquire and the acquisition-date fair value of the acquirer's previously held equity interest, such increase will be directly stated in the consolidated statement of income as profits.

The noncontrolling interest in the acquired subsidiary is measured at proportionate share of the acquiree's identifiable net assets or at fair value of such interest. The measurement method is selected for individual transactions.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

If the business combination is achieved in stages, the previously held equity interests in the acquire is re-measured at fair value as at the acquisition date (control commencement date) and the resulting profits or losses, if any, are recognized in the consolidated statement of income. The amounts recognized in the statement of comprehensive income with respect to the interests held before the acquisition date will be transferred to the consolidated statement of income as if the interest is entirely derecognized.

Goodwill

Goodwill arising on the acquisition of subsidiaries is recognized at cost as at the acquisition date less impairment losses, if any.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to cash generating units, which are expected to benefit from the business combination. Groups of CGUs to which goodwill is allocated are tested annually for impairment or over shorter periods when there is indication that the value of such groups has impaired.

If the recoverable amounts of CGUs is lower than their carrying amount, the impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis according to the carrying amounts of each asset of CGU. An impairment loss in respect of goodwill is not reversed, which are recognized in subsequent periods. Upon de-recognition of any CGUs, the value of related goodwill is considered in determining de-recognition profits and losses.

2.3.2 Investment in associates and joint ventures

Associates are those entities in which the Group has significant influence. Significant influence is the ability to participate in the decisions related to financial and operating policies of investee but not control or joint control over such policies.

A joint venture is an arrangement in which the parties that have joint control over the arrangement will have rights to the net assets of the arrangement. Joint control is contractually agreed sharing of control over the arrangement, which only exists when the decisions relating to the activities require the unanimous consent of the parties sharing control.

Business results, assets and liabilities of associates and joint ventures are carried in these consolidated financial statements using the equity method except when the investment or part thereof is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates or joint ventures are initially carried in the consolidated statement of financial position at cost as adjusted for changes in the Group share of the profits or losses and any other comprehensive income of associates or joint venture. When the Group's share of losses of an associate or a joint venture is in excess of the Group interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group net investment in the associate or joint venture), the Group discontinues to recognize its share of losses. Additional losses are recognized only to the extent that the Group has an obligation or has made payments on behalf of the associate or joint venture.

Upon acquisition of an associate or joint venture, any excess of the cost of acquisition over the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates or joint ventures. Any increase in the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost after the reassessment is recognized immediately in the consolidated statement of income.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize impairment loss on associates or joint ventures. The entire carrying amount of investment (including goodwill) is subject to impairment test as per the requirements of IAS 36 "impairment of assets".

When the Group has business with an associate or joint venture, profits or losses arising out of transactions with associates or joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture.

2.3.3 Financial instruments:

Classification

In accordance with IAS 39, the Group classifies its financial assets as "available for sale investments" and "loans and receivables". The financial liabilities are classified as "financial liabilities other than those classified at fair value through profit or loss". The management determines the appropriate classification upon acquisition.

Recognition and de-recognition

The financial assets and financial liabilities are recognized on the date the Group becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is derecognized when the contractual right to the cash flows from the financial asset expires or, when the Group transfers substantially all the risks and rewards of ownership and doesn't maintain control. If the Group maintains control, it will continue to report the asset throughout the period of its control over it. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Regular way purchase and sale of financial instruments is recognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Financial assets and financial liabilities are initially measured at fair value. Transaction costs are only added to the financial instruments not measured at fair value through profit or loss.

Available for Sale Financial Assets:

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

Subsequent to initial recognition, available-for-sale investments are measured at fair value and unrealized gains or losses are recognized as other comprehensive income in a separate item under equity until the investments are derecognized or impaired where the accumulated profit or losses previously stated will be stated in the other income in the consolidated statement of income. For available-for-sale investments whose fair value cannot be reliably determined, these are measured at cost less impairment losses, if any.

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost using the effective yield method.

Cash and bank balances, trade and other receivables, contract works in progress and due from customers are classified as loans and receivables.

Financial liabilities other than those classified at fair value through profit or loss

financial liabilities other than those classified at fair value through profit or loss are subsequently measured at amortized cost using effective yield method.

Bank payables, trade and other payables and term loans are classified as "financial liabilities other than those classified at fair value through profit or loss".

Fair values

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 measurement of fair value assumes that the transaction involving sale of asset or transfer of liability will be:

- in the principal market of the asset or liability, or
- in absence of principal market, the most advantageous market available.

Fair value of asset or liability is measured using assumptions to be used by market participants when pricing the asset or liability on the assumption that the market participants will act based on their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances for which adequate data are available to measure the fair value increasing the use of the relevant observable input and reduces the use of unobservable input.

All assets and liabilities measured at fair value or disclosed at fair value in the consolidated financial statements are classified as per the fair value hierarchy set out below based on the lowest level of inputs considered as material for measuring the fair value as a whole:

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

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

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

The fair value of financial assets recognized at amortized cost, other than short term financial instruments, is measured by discounting future contractual cash flows based on the current market interest rate for similar financial instruments.

Impairment

Assets stated at amortized cost

If there is objective evidence of losses that resulted from impairment of assets stated at amortized cost, the loss amount will be measured as the difference between the carrying amount of assets and present value of future cash flows (except for projected credit losses not incurred) discounted at the original effective discount rate of the financial asset (e.g. effective interest rate calculated upon initial recognition). The carrying amount is reduced using provision account and the impairment loss is recognized in the consolidated statement of income.

If, in a subsequent period, the impairment loss amount decreases and the decrease can be related objectively to an event occurring after the impairment provision was recognized, then the impairment loss previously recognized is reversed only to the extent that the carrying amount of asset doesn't exceed its amortized cost as at the reversal date. Any subsequent reversal of impairment loss is recognized in the consolidated statement of income.

Available for sale financial investments

For available-for-sale financial investments, significant or prolonged decline in the fair value of the assets below its cost is considered when determining whether there is impairment of such assets. If any such indication of impairment of available-for-sale assets, the accumulated loss measured as the difference between cost of acquisition and the present fair value less impairment losses recognized previously for such assets in the consolidated statement of income is eliminated from the statement of comprehensive income and included in the consolidated statement of income. Impairment losses on equity investments available for sale stated in the consolidated statement of income is not reserved through the consolidated statement of income.

2.3.4 Investment properties:

Investment properties comprise properties held to earn rentals or for capital appreciation (including property under construction held for the same purposes). Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair value. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income for the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement (computed at the amount of difference between the net proceeds from disposal and carrying amount of asset) are recognized in the consolidated statement of income for the period in which the retirement occurs.

2.3.5 Property and equipment:

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

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of other property and equipment as follows:

| Assets | Useful life (Years) |
|-------------------------|------------------------|
| Furniture and equipment | 3 – 5 |

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of Property, plant and equipment.

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

2.3.6 Impairment of assets:

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

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

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

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

2.3.7 End of service indemnity:

Provision is made for employees end of service indemnity under the Kuwaiti Labor Law in the private sector and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

2.3.8 Dividend distribution to shareholders

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

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

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

2.3.9 Treasury shares:

Treasury shares comprise the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet re-disposed of or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium. 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.

2.3.10 Provisions:

Provisions, including guarantee provision, are created when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2.3.11 Borrowing costs:

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

2.3.12 Revenue recognition:

Revenue comprises the fair value of the consideration received or receivable for the lease of units or provision of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

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

- Interest income

Interest income are recognized on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the financial instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

- Dividend income

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

- Rental

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

- Gain on sale of investments

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

- Revenue on sale of properties

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

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

- Other income

Other income is recognized on accrual basis.

2.3.13 Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.3.14 Foreign currencies:

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

2.3.15 Segment reporting:

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are used by the Group's management to allocate resources and assess performance. The operating segments that have similar economic, characteristics, products, services and customers categories are grouped and reported as segments.

2.3.16 Contingencies:

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

3. Financial Risk Management Financial Risks

In the normal course of business, the Group uses certain primary financial instruments such as cash and cash equivalents, receivables, available for sale financial assets, term loans and payables and as a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk:

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

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

| | | 2017 | | |
|-------------------------|--|-----------------|--|---|
| | Increase (Decrease) in interest rate | Balance (KD) | | Effect on consolidated statement of profit or loss and other comprehensive income (KD) |
| Short term bank deposit | ± 0.5% | 4,150,000 | | 20,750 ± |
| Term loans | ± 0.5% | 2,422,295 | | 12,111 ± |
| | | | | <u>32,861 ±</u> |
| | | 2016 | | |
| | Increase (Decrease) in interest rate | Balance (KD) | | Effect on consolidated statement of profit or loss and other comprehensive income (KD) |
| Short term bank deposit | ± 0.5% | 4,005,000 | | 20,025 ± |
| Term loans | ± 0.5% | 3,443,183 | | 17,216 ± |
| | | | | <u>37,241 ±</u> |

b) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consists principally of cash at banks, short term bank deposits, receivables and due from related parties. The Group's cash and short term bank deposits are placed with high credit rating financial institutions. The debtor related parties are of strong creditworthiness. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of lessees.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, short-term deposits, receivables and due from related party.

c) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

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

| | | 2017 | |
|--|------|---|--|
| | | Effect on consolidated statement of profit or loss (KD) | Effect on consolidated other comprehensive income (KD) |
| Increase (Decrease) against Kuwaiti Dinar | | | |
| AED | ± 5% | <u>120,358 +</u> | <u>120,358 +</u> |
| | | 2016 | |
| | | Effect on consolidated statement of profit or loss (KD) | Effect on consolidated other comprehensive income (KD) |
| Increase (Decrease) against Kuwaiti Dinar | | | |
| AED | ± 5% | <u>130,770 +</u> | <u>130,770 +</u> |

d) Liquidity risk:

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

Maturity Table for financial liabilities:

| | 2017 | | | |
|---|-----------------|------------------|------------------|------------------|
| | 1 – 3 months | 3 – 12 months | Above 1 year | Total |
| Term loans | 31,899 | 404,402 | 1,985,994 | 2,422,295 |
| Accounts payable and other credit balances | 106,817 | 356,862 | 84,800 | 548,479 |
| | <u>138,716</u> | <u>761,264</u> | <u>2,070,794</u> | <u>2,970,774</u> |
| | 2016 | | | |
| | 1 – 3 months | 3 – 12 months | Above 1 year | Total |
| Term loans | - | 985,884 | 2,457,299 | 3,443,183 |
| Accounts payable and other credit balances | 254,507 | 438,680 | - | 693,187 |
| | <u>254,507</u> | <u>1,424,564</u> | <u>2,457,299</u> | <u>4,136,370</u> |

Fair value measurement

The fair value of financial assets and liabilities is measured as follows:

- The fair value of financial assets and liabilities is measured using specific measurements and conditions and traded in active market based on the market prices.
- The fair value of other financial assets and liabilities is measured as per pricing methods based on discounted cash flows.

The table below illustrates the analysis of financial instruments, which are measured after initial recognition at fair value based on three levels of the fair value hierarchy:

- Level 1: Quoted prices for financial instruments in active markets
- Level 2: Quoted prices in active markets for similar instruments or quoted prices from fund managers or other valuation techniques in which all significant inputs are based on comparative market information directly or indirectly.
- Level 3: Valuation techniques in which any significant inputs are not based on comparative market information.

As at December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note (7). The management of the Group management has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

The fair value of investments properties is mentioned in Note 9.

Capital risk management

The Group manages its capital to ensure that the Group's companies will be able to continue as a going concern and provide high returns for shareholders through optimal use of equity.

The Group's capital structure comprises net debts (loans and Islamic debt instruments less cash and cash equivalent) and equity (including capital, reserves, retained earnings and non-controlling interests).

The following is the gearing ratio as at 31 December:

| | 2017 | 2016 |
|--------------------------------|-------------|-------------|
| Total loans | 2,422,295 | 3,443,183 |
| Less: cash and cash equivalent | (4,551,752) | (4,531,958) |
| Net debts | (2,129,457) | (1,088,775) |
| Total equity | 28,128,518 | 27,637,990 |
| Total capital | 25,999,061 | 26,549,215 |

4. Critical accounting judgments, estimates and assumptions:

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

a) Judgments:

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

- Revenue Recognition:

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

- Classification of lands:

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

- Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

- Work in progress

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

- Properties held for trading
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.
- Investment properties
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

- Provision for doubtful debts:

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

- Classification of financial assets

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "available for sale". The Group follows the guidance of IAS 39 on classifying its financial assets.

The Group classifies financial assets as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies financial assets as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other financial assets are classified as "available for sale".

- Impairment of financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity instruments is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Fair value of unquoted financial assets

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

- Provision for doubtful debts:

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The provisions and write-down of accounts receivable are subject to management approval.

• Valuation of investment properties

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

- Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
- Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

• Impairment of non-financial assets:

Impairment exists when the carrying value of an asset (or cash generating unit) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in their related Notes.

5. Cash and cash equivalents

| | 2017 | 2016 |
|---------------------------|------------------|------------------|
| Cash on hand and at banks | 401,752 | 526,958 |
| Short term bank deposits | 4,150,000 | 4,005,000 |
| | <u>4,551,752</u> | <u>4,531,958</u> |

The effective interest rate on short term bank deposits is ranging from 0.5% to 2% (2016 – From 1% to 1.94%) per annum; these deposits have an average maturity of 90 days (2016 – 61 days).

6. Other debit balances

| | 2017 | 2016 |
|--|----------------|----------------|
| Prepaid expenses and others | 27,557 | 34,765 |
| Accrued revenues | 163,004 | 33,021 |
| Due from brokerage company | 64,535 | 20,000 |
| Refundable deposits | 19,532 | 19,594 |
| Staff receivables | 5,208 | 9,772 |
| Due from contractors – advance payment | 60,809 | - |
| Due from related party (Note 16) | - | 3,000 |
| | <u>340,645</u> | <u>120,152</u> |

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Other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Further, the Group does not hold any collateral as security, for accounts and other receivable.

7. Available for sale investment:

Financial assets available for sale represented by:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|----------------|------------------|
| Quoted equity securities – local | 25,465 | - |
| Unquoted equity securities – local | 322,626 | 322,626 |
| Unquoted equity securities – foreign | 389,384 | 539,384 |
| Investment fund – foreign | 234,807 | 342,236 |
| | <u>972,282</u> | <u>1,204,246</u> |

The Group tested the impairment of available for sale investments as at 31 December 2017. This resulted in recognizing impairment losses on foreign available for sale investments amounting to KD 257,429, which is stated in the consolidated statement of income.

The movement during the year was as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|----------------|------------------|
| Balance at the beginning of the year | 1,204,246 | 1,204,246 |
| Additions | 25,465 | - |
| Impairment | (257,429) | - |
| Balance at the end of the year | <u>972,282</u> | <u>1,204,246</u> |

The financial assets available for sale are denominated in the following currencies:

| | <u>2017</u> | <u>2016</u> |
|----------------|----------------|------------------|
| Kuwaiti Dinar | 348,091 | 322,626 |
| US Dollar | 234,807 | 342,236 |
| Bahraini Dinar | 389,384 | 539,384 |
| | <u>972,282</u> | <u>1,204,246</u> |

8. Investment in an associate

| Name of the associate | Country of incorporation | Principal activities | Percentage of ownership | | Amount | |
|---|--------------------------|----------------------|-------------------------|-------------|------------------|------------------|
| | | | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Al Barsha Real Estate Company - K.S.C. (Closed) | State of Kuwait | Real Estate | - | %35 | - | 2,546,981 |
| Aqar Al Khalijiya General Trading & Contracting Company - WLL | State of Kuwait | General trading | 21% | - | 1,589,438 | - |
| | | | | | <u>1,589,438</u> | <u>2,546,981</u> |

- During the year, the Group sold its investment in Al Barsha Real Estate Company - K.S.C. (Closed) to an external party. Such transaction resulted in profit of KD 581,074, which was recognized in the consolidated statement of income.

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- During the year, the Group acquired interests at 21% in Aqar Al Khalijiya General Trading & Contracting Company - WLL. This investment was initially recognized at the consideration paid pending the finalization of process for determining net value of acquired assets.

The movement during the year was as follows:

| | 2017 | 2016 |
|---|------------------|------------------|
| Balance at the beginning of the year | 2,546,981 | 2,138,480 |
| Group's share of results from associate | 202,339 | 548,501 |
| Acquisition of interest in associate | 1,589,438 | - |
| Disposals – sale of Al-Barsha Real Estate Company | (2,504,320) | - |
| Cash dividend received from associate | (245,000) | (140,000) |
| Balance at the end of the year | <u>1,589,438</u> | <u>2,546,981</u> |

Summarized financial information for associate is as follows:

Summarized statement of financial position:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Current assets | 561,568 | 682,415 |
| Non-current assets | 11,313,844 | 11,313,845 |
| Total assets | <u>11,875,412</u> | <u>11,996,260</u> |
| Current liabilities | 291,359 | 3,690,314 |
| Total liabilities | <u>3,691,355</u> | <u>3,690,314</u> |
| Net assets | <u>8,184,057</u> | <u>8,305,946</u> |
| Group's ownership percentage in the associate | %35 | %35 |
| | 2,864,420 | 2,907,081 |
| Adjustment related to impairment losses | (360,100) | (360,100) |
| Carrying value of investment in associate | <u>2,504,320</u> | <u>2,546,981</u> |

Summarized statement of profit or loss and other comprehensive income:

| | 2017 | 2016 |
|---|----------------|------------------|
| Total Revenue | 821,628 | 1,938,033 |
| Total expenses | (243,516) | (370,888) |
| Net profit | <u>578,112</u> | <u>1,567,145</u> |
| Group's ownership percentage in the associate | %35 | %35 |
| Group's share of result in associate | <u>202,339</u> | <u>548,501</u> |

9. Investment properties

| | 2017 | 2016 |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 23,442,682 | 20,483,429 |
| Additions | 153,538 | 2,627,820 |
| Change in fair value | 176,609 | 331,433 |
| Balance at the end of the year | <u>23,772,829</u> | <u>23,442,682</u> |

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Investment property with carrying value KD 1,648,000 is constructed on right of utilization for plots No. 1410 and 1411 with an area of 2,000 square meters in Alrai industrial area under No. 169 from the Public Authority of Industry, which will expire on February 10, 2019, and the contract is renewable for similar periods under new contract and terms.

Fair value of investment properties was determined by accredited independent valuation experts with professional experience and efficiency using recognized valuation techniques and principles, where these properties were assessed an amount KD 23,772,829 and KD 24,195,990 respectively. The Group recognized the lowest valuation in accordance with the instructions of the Capital Markets Authority dated July 23, 2012 on Valuation of investment properties guidance.

The following is the description of valuation techniques used by valuers and key inputs to valuation considered the nature and usage of the investment properties:

| Class of investment property | Valuation technique | Level 2 | Level 3 | Total |
|--|--------------------------|-------------------|------------------|-------------------|
| Residential and commercial investment properties | Comparable market prices | 22,124,829 | - | 22,124,829 |
| Commercial investment property | Income capitalization | - | 1,648,000 | 1,648,000 |
| | | <u>22,124,829</u> | <u>1,648,000</u> | <u>23,772,829</u> |

As of December 31, 2017, certain investment properties with a carrying value of KD 9,598,920 (2016 - KD 11,018,335) are pledged to local and foreign banks against bank term loans as stated in Note (10).

10. Term loans

| | 2017 | 2016 |
|---------------------------------|------------------|------------------|
| Term loans – current portion | 436,301 | 986,284 |
| Term loans – noncurrent portion | 1,985,994 | 2,456,899 |
| Total term loan | <u>2,422,295</u> | <u>3,443,183</u> |

The term loans include the loans extended to the Parent Company by a foreign bank with an interest rate of 3.75 % per annum over Libor, and they are secured by mortgage of investment properties with carrying amount of KD 8,067,458 (2016 - KD 8,078,335).

During the financial year ended 31 December 2017, the Parent Company entered into bank facilities agreement with a local bank whereby an investment property of KD 1,531,462 is pledged. Up to the reporting date, the Group did not utilize such facilities.

11. Accounts payable and other credit balances

| | 2017 | 2016 |
|---|----------------|----------------|
| Trade payables | 16,158 | 14,426 |
| Due to contractors | 14,142 | 181,758 |
| Rentals received in advance | 160,352 | 178,220 |
| Accrued expenses | 71,816 | 72,984 |
| Dividend payable | 85,358 | 58,636 |
| Tenants' deposits | 59,774 | 54,968 |
| NLST payable | 49,092 | 48,358 |
| Board of Directors' remunerations payable | 35,000 | 35,000 |
| Accrued staff leave | 25,025 | 23,269 |
| Zakat payable | 16,033 | 13,196 |
| KFAS payable | 15,729 | 12,372 |
| | <u>548,479</u> | <u>693,187</u> |

12. Capital

The Parent Company's authorized, issued and paid-up capital consist of 234,250,000 shares (2016 - 234,250,000 shares) of par value of 100 Kuwaiti fils each, and all shares are in cash.

13. Treasury shares

| | 2017 | 2016 |
|-----------------------------------|------------|------------|
| Number of treasury shares (share) | 22,281,538 | 22,281,538 |
| Percentage to issued shares (%) | %9.51 | %9.51 |
| Market value (KD) | 1,492,863 | 1,537,426 |
| Cost (KD) | 1,861,595 | 1,861,595 |

The Parent Company's management has set aside part of the retained earnings equal to treasury shares balance as at the date of consolidated financial statements. Such amount will not be available for distribution during treasury shares holding period. Treasury shares are not pledged.

14. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

15. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

16. Related party transactions

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

Balances included in consolidated statement of financial position:

Due from related party

| | Nature of relationship | 2017 | 2016 |
|---|---------------------------|------|-------|
| Al Barsha Real Estate Company - K.S.C. (Closed) (Note 4) | Associate | - | 3,000 |

Transactions included in the consolidated statement of profit or loss:

| | 2017 | 2016 |
|--|--------|--------|
| Fees for managing investment properties of associate | 16,500 | 18,000 |

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Key management compensation

| | 2017 | 2016 |
|----------------------------------|----------------|----------------|
| Short term benefits | 117,774 | 112,047 |
| Post-employment benefits | 10,615 | 10,615 |
| Board of Directors' remuneration | 35,000 | 35,000 |
| | <u>163,389</u> | <u>157,662</u> |

17. General and administrative expenses

General and administrative expenses include staff costs amounting to KD 304,249 (2016 – KD 254,321).

18. Earnings per share

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

| | 2017 | 2016 |
|--|--------------|--------------|
| Net profit for the year attributable to shareholders of the Parent Company | 1,762,406 | 1,780,967 |
| Number of outstanding shares | 234,250,000 | 234,250,000 |
| Less: weighted average number of treasury shares | (22,281,538) | (21,828,783) |
| Weighted average number of shares outstanding | 211,968,462 | 212,421,217 |
| Earnings per share (fils) | <u>8.31</u> | <u>8.38</u> |

19. General Assembly

The Parent Company's Board of Directors held on 29 January 2018 has proposed to distribute cash dividends at 6% of the capital, and remuneration for the Board of Directors amounting to KD 35,000 for the year ended December 31, 2017. These proposals are subject to the approval of the Shareholders' General Assembly.

The Parent Company Shareholders' General Assembly Meeting held on March 28, 2017 agreed to distribute cash dividends of 6% of capital and KD 35,000 as Board of Directors remuneration for the financial year ended December 31, 2016.

20. Segment reporting

The Group is organized into functional divisions to manage its various lines of business. The Group operates in the State of Kuwait, United Arab Emirates and other countries. For the purposes of segment reporting, the Group's management has grouped its products and services into the following business segments:

- Real estate segment
- Investments segment
- Other segments

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Details of the above segments, which constitute the segment information, are as follows:

| | 2017 | | | |
|---|------------------------|------------------------|------------------|-------------------|
| | Real estate segment | Investments segment | Other | Total |
| Real estate's rental income | 1,695,622 | - | - | 1,695,622 |
| Real estate's operating expenses | (164,014) | - | - | (164,014) |
| Net real estate's rental income | 1,531,608 | - | - | 1,531,608 |
| Realized revenues from sale of associate | - | 581,074 | - | 581,074 |
| Group's share of results from associate | - | 202,339 | - | 202,339 |
| Change in fair value of investment properties | - | 176,609 | - | 176,609 |
| Net operating income | 1,531,608 | 960,022 | - | 2,491,630 |
| Other income | - | - | 23,182 | 23,182 |
| Interest income | - | - | 37,494 | 37,494 |
| Dividend income | - | 126,900 | - | 126,900 |
| Depreciation | - | - | (878) | (878) |
| General and administrative expenses | - | - | (424,875) | (424,875) |
| Impairment of available for sale investments | - | (257,429) | - | (257,429) |
| Finance charges | - | - | (150,791) | (150,791) |
| Foreign exchange gains | - | - | 31,411 | 31,411 |
| Contribution to Kuwait Foundation for The Advancement of Sciences | - | - | (14,866) | (14,866) |
| National Labor Support Tax | - | - | (48,311) | (48,311) |
| Contribution to Zakat | - | - | (16,032) | (16,032) |
| Board of Directors' remuneration | - | - | (35,000) | (35,000) |
| Non - controlling interests | - | - | (29) | (29) |
| Net profit (loss) for the year attributable to the Parent Company's Shareholders | <u>1,531,608</u> | <u>829,493</u> | <u>(598,695)</u> | <u>1,762,406</u> |
| Other information: | | | | |
| Segment assets | <u>23,772,829</u> | <u>2,561,720</u> | <u>4,893,914</u> | <u>31,228,463</u> |
| Segment liabilities | <u>2,422,295</u> | <u>-</u> | <u>677,650</u> | <u>3,099,945</u> |

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| | 2016 | | | Total |
|--|---------------------|---------------------|------------------|-------------------|
| | Real estate segment | Investments segment | Other | |
| Real estate's rental income | 1,548,260 | - | - | 1,548,260 |
| Real estate's operating expenses | (123,947) | - | - | (123,947) |
| Net real estate's rental income | 1,424,313 | - | - | 1,424,313 |
| Group's share of results from associate | - | 548,501 | - | 548,501 |
| Change in fair value of investment properties | 331,433 | - | - | 331,433 |
| Net operating income | 1,755,746 | 548,501 | - | 2,304,247 |
| Other income | - | - | 62,531 | 62,531 |
| Interest income | - | - | 66,789 | 66,789 |
| Dividend income | - | 35,010 | - | 35,010 |
| Depreciation | - | - | (807) | (807) |
| General and administrative expenses | - | - | (383,047) | (383,047) |
| Finance charges | - | - | (163,627) | (163,627) |
| Foreign exchange loss | - | - | (32,807) | (32,807) |
| Contribution to Kuwait Foundation for the advancement of Sciences | - | - | (11,509) | (11,509) |
| National Labor Support Tax | - | - | (47,577) | (47,577) |
| Contribution to Zakat | - | - | (13,196) | (13,196) |
| Board of Directors' remuneration | - | - | (35,000) | (35,000) |
| Non - controlling interests | - | - | (40) | (40) |
| Net profit (loss) for the year attributable to the Parent Company's Shareholders | <u>1,755,746</u> | <u>583,511</u> | <u>(558,290)</u> | <u>1,780,967</u> |
| Other information: | | | | |
| Segment assets | <u>23,442,682</u> | <u>3,751,227</u> | <u>4,653,803</u> | <u>31,847,712</u> |
| Segment liabilities | <u>3,443,183</u> | <u>-</u> | <u>766,539</u> | <u>4,209,722</u> |

21. Lawsuit claims

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