AQAR REAL ESTATE INVESTMENTS COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016
WITH
INDEPENDENT AUDITORS' REPORT

AQAR REAL ESTATE INVESTMENTS COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' 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 subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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

The valuation of the investment property is important to our audit as it represents a significant judgment area and an important part of the total assets of the Group. The valuation of the investment property is highly dependent on estimates. We therefore identified the valuation of investment property as a significant risk. The valuations are performed by licensed valuers once a year. These valuations are amongst others based on assumptions, such as estimated rental revenues, occupancy rates, market knowledge, developers risk and historical transactions. In estimating the fair value of investment properties, valuers had used the valuation techniques i.e. comparable market prices and income capitalization, and had considered the nature and usage of the investment properties. We reviewed the valuation reports from the licensed valuers. We further focused on the adequacy of the disclosures on the valuation of investment properties. Disclosures of this item are included in Note 7 to the consolidated financial statements.

Other Information

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

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

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

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

In preparing the consolidated financial statements, 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 in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, 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, 2016 that might have had a material effect on the business or financial position of the Parent Company.

Dr. Ali Owaid Rukheyes
Licence No. 72-A
Member Of Nexia International – (England)
ALWaha Auditing Office

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

State of Kuwait
February 12, 2017

AQAR REAL ESTATE INVESTMENTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
(All amounts are in Kuwaiti Dinars)

	Note	2016	2015
ASSETS			
Cash and cash equivalents	3	**4,531,958**	8,252,659
Other debit balances	4	**120,152**	131,930
Financial assets available for sale	5	**1,204,246**	1,204,246
Investment in an associate	6	**2,546,981**	2,138,480
Investment properties	7	**23,442,682**	20,483,429
Property and equipment		**1,693**	2,414
Total assets		**31,847,712**	32,213,158
LIABILITIES AND EQUITY			
liabilities:			
Term loans	8	**3,443,183**	2,856,180
Accounts payable and other credit balances	9	**693,187**	1,284,899
Provision for end of service indemnity	10	**73,352**	58,538
Total liabilities		**4,209,722**	4,199,617
Equity			
Capital	11	**23,425,000**	23,425,000
Share premium		**227,567**	227,567
Treasury shares	12	**(1,861,595)**	(976,848)
Treasury shares reserve		**8,523**	8,523
Statutory reserve	13	**1,476,730**	1,287,905
Voluntary reserve	14	**1,476,730**	1,287,905
Retained earnings		**2,883,910**	2,752,404
Equity attributable to Parent Company's shareholders		**27,636,865**	28,012,456
Non-controlling interests		**1,125**	1,085
Total equity		**27,637,990**	28,013,541
Total liabilities and equity		**31,847,712**	32,213,158

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements

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, 2016
(All amounts are in Kuwaiti Dinars)

	Note	2016	2015
Rental income from investment properties		1,548,260	1,756,556
Operating expenses for investment properties		(123,947)	(202,971)
Net rental income		1,424,313	1,553,585
Group's share of results from associate	6	548,501	320,408
Change in fair value of investment properties	7	331,433	335,715
Gain on sale of investment properties	7	-	675,000
Net operating income		2,304,247	2,884,708
Other income		62,531	34,360
Interest income		66,789	15,853
Dividend income		35,010	35,010
Depreciation		(807)	(1,366)
Lawsuit claims no longer required	9	-	235,732
General and administrative expenses	16	(383,047)	(362,450)
Finance charges		(163,627)	(126,244)
Foreign exchange loss		(32,807)	(69,873)
Profit for the year before Contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration		1,888,289	2,645,730
Contribution to Kuwait Foundation for the Advancement of Sciences		(11,509)	(20,607)
National Labor Support Tax		(47,577)	(66,669)
Contribution to Zakat		(13,196)	(23,114)
Board of Directors' remuneration	18	(35,000)	(45,000)
Net profit for the year		1,781,007	2,490,340
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,781,007	2,490,340
Attributable to:			
Shareholders of the Parent Company		1,780,967	2,490,283
Non-controlling interests		40	57
Net profit for the year		1,781,007	2,490,340
Earnings per share from (fils)	17	8.38	11.07

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016
(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders									
	Capital	Share Premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2015	23,425,000	227,567	(523,309)	8,523	1,023,338	1,023,338	1,927,502	27,111,959	1,028	27,112,987
Cash dividend (Note 18)	-	-	-	-	-	-	(1,136,247)	(1,136,247)	-	(1,136,247)
Purchase of treasury shares	-	-	(453,539)	-	-	-	-	(453,539)	-	(453,539)
Total comprehensive income for the year	-	-	-	-	-	-	2,490,283	2,490,283	57	2,490,340
Transfer to reserves	-	-	-	-	264,567	264,567	(529,134)	-	-	-
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	1,085	28,013,541
Cash dividend (Note 18)	-	-	-	-	-	-	(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	40	1,781,007
Transfer 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**	**1,125**	**27,637,990**

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

(All amounts are in Kuwaiti Dinars)

	2016	2015
Cash flows from operating activities:		
Profit for the year before Contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remunerations	1,888,289	2,645,730
Adjustments:		
Group's share of results from associate	(548,501)	(320,408)
Change in fair value of investment properties	(331,433)	(335,715)
Gain on sale of investment properties	-	(675,000)
Interest income	(66,789)	(15,853)
Dividend income	(35,010)	(35,010)
Depreciation	807	1,366
Finance charges	163,627	126,244
Foreign exchange loss	32,807	69,873
Provision for end of service indemnity	15,906	21,588
	1,119,703	1,482,815
Changes in operating assets and liabilities:		
Other debit balances	7,543	(29,293)
Accounts payable and other credit balances	(499,542)	199,654
Paid for purchase of investment properties	(2,627,820)	(7,550)
Proceeds from sale of investment properties	-	6,640,000
Cash (used in) generated from operations	(2,000,116)	8,285,626
End of service indemnity paid	(1,092)	(490)
KFAS paid	(40,245)	-
NLST paid	(66,669)	(59,956)
Zakat paid	(23,114)	(21,609)
Board of Directors' remuneration paid	(45,000)	(40,000)
Net cash flows (used in) generated from operating activities	(2,176,236)	8,163,571
Cash flows from investing activities:		
Interest income received	68,896	15,853
Proceeds from sale of financial assets available for sale	-	40,124
Dividend income received from associate	140,000	105,000
Dividend income received	35,010	35,010
Payment for purchase of property and equipment	(86)	(1,020)
Net cash flows generated from investing activities	243,820	194,967
Cash flows from financing activities:		
Net movement on term loans	556,324	859,305
Finance charges paid	(162,669)	(128,398)
Dividends paid	(1,297,193)	(1,083,230)
Paid for purchase of treasury shares	(884,747)	(453,539)
Net cash flows used in financing activities	(1,788,285)	(805,862)
Net (decrease) increase in cash and cash equivalents	(3,720,701)	7,552,676
Cash and cash equivalents at the beginning of the year	8,252,659	699,983
Cash and cash equivalents at the end of the year (Note 3)	4,531,958	8,252,659

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements

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 based on Article of Incorporation Ref. No. 403/ Volume 1 dated October 9, 1997 and its subsequent amendments that were latest notarized in the commercial registry under Ref. No. 645 dated December 15, 2014.

The Parent Company is listed on the Kuwait Stock Exchange dated 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, after splitting, renting, developing or trading proposes.
- Renting and leasing lands and properties individually or sharing with others participation.
- Establishing buildings and real estate projects, residential and commercial complex, private and public parking lots and implementing those activities directly or by others, and it has the right for managing, renting, selling them for cash or by installments, and applying legal procedures related to those activities.
- Managing others' properties and investments for their benefit or for the Parent Company benefit.
- Preparing economic, technical, geometric studies and consultations related to real estate's aspects, which includes private and public real estate projects in all kinds and all related activities for its own or for other benefits.
- Investing surplus funds related to Parent Company in investment 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 and parks, buildings materials and all of its accessories.

The Parent Company allowed conducting 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 on February 12, 2017 authorized the consolidated financial statements for issue. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant Accounting Policies

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

a) Basis of Preparation

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company, and are prepared under the historical cost convention, except for the investments properties that are stated at their fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2 (w).

- **Standards and Interpretations issued and effective**

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2016:

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments, effective prospectively for annual periods beginning on or after January 1, 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets

Amendments to IAS 27 – Equity method in separate financial statements

The amendment, effective for annual periods beginning on or after January 1, 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

Amendments to IAS 1 – Disclosure Initiative

The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify some judgments used in the presentation of financial reports. The amendments make changes about:

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

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

- Notes, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

Annual Improvements to IFRS – 2012 – 2014 Cycle:

Amendments to IFRS 7 – Financial Instruments: Disclosures
The amendments to this standard are effective for annual periods beginning on or after 1 January 2016. They clarify that for servicing agreements, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context, and adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. Another amendment to IFRS 7 clarifies that the additional disclosure required by the amendments to IFRS 7 is not specifically required for all interim periods, unless required by IAS 34.

Amendment to IAS 34 – Interim Financial Reporting
The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify that certain disclosures, if not included in the notes to interim financial information, may be disclosed "elsewhere in the interim financial report" (i.e. incorporated by cross-reference from the interim financial information to another part of the interim financial report (e.g. management commentary or risk report)). The interim financial report is considered incomplete if the interim financial information and any disclosure incorporated by cross-reference are not made available to users of the interim financial information on the same terms and at the same time.

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

- **Standards and Interpretations issued but not effective**

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

Amendment to IAS 7 – Disclosure Initiative
The amendment to this standard which is effective prospectively for annual periods beginning on or after 1 January 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes, early application of this amendment is permitted

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

IFRS 15 - Revenue from contracts with customers
This standard, effective for annual periods beginning on or after January 1, 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

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

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

These amendments and standards are not expected to have any material impact on the consolidated financial statements.

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

Name of subsidiary	Country of incorporation	Activities	Percentage of holding % 2016	2015
Gulf Spring Kuwait for Real Estate Development Company - W.L.L	State of Kuwait	Real Estates Development	**99.98%**	99.98%

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:
- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns.

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

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

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination. Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

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

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

c) Financial instruments:
Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

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

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, receivables, financial assets available for sale, bank borrowings, and payables.

Financial assets

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

Accounts receivable:

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

Financial Investments:

Initial recognition and measurement

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

Financial assets available for sale

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

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

Subsequent measurement

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

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

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

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

Derecognition

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

a) the contractual rights to receive the cash flows from the financial asset have expired; or
b) the Group has transferred its rights to receive cash flows from the financial asset and either
    1. has transferred substantially all the risks and rewards of ownership of the financial asset.
    2. has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

    Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Impairment

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

Financial liabilities

Accounts payable:

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

Borrowings:

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

d) Investment in Associates:

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

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

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

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

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

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

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

e) Investment properties:

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

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

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

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

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

f) 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 for the period.

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.

g) 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.

h) End of service indemnity:
Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, 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.

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

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

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

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

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

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

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

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

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

n) 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 an entity incurs in connection with the borrowing of funds.

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

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

<u>Interest income</u>
Interest income are recognized 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 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.

<u>Dividend income</u>
Dividend income is recognized when the right to receive payment is established.

<u>Rent</u>
Rental income is recognized, when earned, on a time apportionment basis.

<u>Gain on sale of investments</u>
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.

<u>Revenue on sale of properties</u>
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, to 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.

<u>Other income</u>
Other income is recognized on accrual basis.

p) 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.

q) 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.

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

s) 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.

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

t) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS):
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the consolidated profit of the Company before contribution to KFAS, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of income from shareholding associates, transfer to statutory reserve, and any accumulated losses.

u) National Labor Support Tax (NLST):
National Labor Support Tax (NLST) is calculated at 2.5% on the consolidated profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences, NLST, Zakat, and Board of Directors' remuneration, in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

v) Zakat:
Zakat is calculated at 1% on the consolidated profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associates and cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial Resolution No. 58 for year 2007 and their executive regulations.

w) 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:

  1. 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.

  2. 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'.

  3. 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.

3. Cash and cash equivalents

	2016	2015
Cash on hand and at banks	**526,958**	552,659
Short term bank deposits	**4,005,000**	7,700,000
	4,531,958	8,252,659

The effective interest rate on short term bank deposits is ranging from 1% to 1.94% (2015 – From 0.75% to 1.75%) per annum; these deposits have an average maturity of 61 days (2015 – 34 days).

4. Other debit balances

	2016	2015
Prepaid expenses and others	**34,765**	30,168
Accrued revenues	**33,021**	14,962
Due from brokerage company	**20,000**	44,898
Refundable deposits	**19,594**	20,352
Staff receivables	**9,772**	18,550
Due from related party (Note 15)	**3,000**	3,000
	120,152	131,930

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

5. Financial assets available for sale:
Financial assets available for sale represented by:

	2016	2015
Unquoted equity securities	**862,010**	862,010
Investment fund	**342,236**	342,236
	1,204,246	1,204,246

It was not possible to reliably measure the fair value of unquoted securities due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses.

The movement during the year was as follows:

	2016	2015
Balance at the beginning of the year	1,204,246	1,244,370
Refunded	-	(40,124)
Balance at the end of the year	1,204,246	1,204,246

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

	2016	2015
Kuwaiti Dinar	322,625	322,625
US Dollar	342,236	342,236
Bahraini Dinar	539,385	539,385
	1,204,246	1,204,246

6. Investment in an associate

			Percentage of ownership		Amount	
Name of the associate	Country of incorporation	Principal activities	2016	2015	2016	2015
Al Barsha Real Estate Company - K.S.C. (Closed)	State of Kuwait	Real Estate	35%	35%	2,546,981	2,138,480

The movement during the year was as follows:

	2016	2015
Balance at the beginning of the year	2,138,480	1,923,072
Group's share of results from associate	548,501	320,408
Dividend received from associate	(140,000)	(105,000)
Balance at the end of the year	2,546,981	2,138,480

Summarized financial information for associate is as follows:

Summarized statement of financial position:

	2016	2015
Current assets	682,415	519,647
Non-current assets	11,313,845	10,340,424
Total assets	11,996,260	10,860,071
Current liabilities	3,690,314	3,721,270
Total liabilities	3,690,314	3,721,270
Net assets	8,305,946	7,138,801
Group's ownership percentage in the associate	35%	35%
	2,907,081	2,498,580
Adjustment related to impairment losses	(360,100)	(360,100)
Carrying value of investment in associate	2,546,981	2,138,480

Summarized statement of profit or loss and other comprehensive income:

	2016	2015
Total Revenue	1,938,033	1,258,371
Total expenses	(370,888)	(342,918)
Net profit	1,567,145	915,453
Group's ownership percentage in the associate	35%	35%
Group's share of result in associate	548,501	320,408

7. Investment properties

The movement during the year as follows:

	2016	2015
Balance at the beginning of the year	20,483,429	20,035,064
Additions	2,627,820	6,077,650
Disposals	-	(5,965,000)
Change in fair value	331,433	335,715
Balance at the end of the year	23,442,682	20,483,429

During the year ended December 31, 2015, the Group sold investment properties for an amount of KD 6,640,000, which resulted in a gain of KD 675,000.

Investment property with carrying value KD 1,767,500 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 end on February 10, 2019, and the contract is renewable for similar period with new contracts and new terms.

Fair value of investment properties was determined by accredited independent valuation experts and certified with experience and professionalism by using recognized valuation techniques and principles, where these properties were assessed an amount 23,442,682 KD and the amount of 25,123,305 KD respectively. The group registered the lowest valuation in accordance with the instructions of the Capital Markets Authority in July 23, 2012 on Valuation of investment properties instructions.

The following is the description of valuation techniques used 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	21,726,682	-	21,726,682
Commercial investment property	Income capitalization	-	1,716,000	1,716,000
		21,726,682	1,716,000	23,442,682

As of December 31, 2016, certain investment properties with a carrying value of KD 11,018,335 (2015 - KD 8,262,720) are pledged to local and foreign banks against bank term loans as stated in Note (8).

During the year ended December 31, 2016, the Parent Company had signed bank facilities contract with a local bank where an investments property amounting to KD 1,540,000 has been pledged, until the date of the consolidated statement of financial position the Parent Company did not use these facilities.

8. Term loans

	2016	2015
Term loans – current portion	986,284	656,250
Term loans – noncurrent portion	2,456,899	2,199,930
Total term loan	3,443,183	2,856,180

The balance represents as follows:

- Loans are granted 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 value amounting to KD 8,078,335 (2015 - KD 5,262,720). The balance of the loans are denominated in AED.
- Loan is granted to the Parent Company by a local bank with an interest rate of 2.5 % per annum over Central Bank of Kuwait, and is secured by mortgage of investment properties with carrying value amounting to KD 2,940,000.

9. Accounts payable and other credit balances

	2016	2015
Trade payables	14,426	33,832
Due to contractors (a)	181,758	213,111
Rent received in advance	178,220	155,227
Accrued expenses	72,984	80,142
Dividend payable	58,636	84,018
Tenants' deposits	54,968	53,873
NLST payable	48,358	67,450
Board of Directors' remunerations payable	35,000	45,000
Accrued leave	23,269	18,024
Zakat payable	13,196	23,114
KFAS payable	12,372	41,108
Advanced payment on sale of investment property (b)	-	470,000
	693,187	1,284,899

(a) Due to contractors balance related to maintenance and supervision expenses and other expenses obligated to the contractor of the investment property of the subsidiary, the balance includes provision estimated by the subsidiary's management for conservative purposes against legal cases raised by others for any future obligations.

(b) During the financial year ended December 31, 2015, the subsidiary has made a contract to sell an investment property and has collected an advance payment of KD 470,000. During the year ended December 31, 2016, the sale contract had been cancelled and the company had refunded the amount to the buyer.

(c) On February 1, 2015, a judgment of the Court of Cassation against the Parent Company was issued with respect to the legal cases raised from National Projects Company; accordingly, it paid the amount of KD 64,678 and reversed the other balance of the lawsuits claims to the consolidated statement of profit or loss with KD 235,732.

10. Provision for end of service indemnity

	2016	2015
Balance at the beginning of the year	58,538	37,440
Charge for the year	15,906	21,588
Paid during the year	(1,092)	(490)
Balance at the end of the year	73,352	58,538

11. Capital

The Parent Company's authorized, issued and paid-up capital consist of 234,250,000 shares (2015 - 234,250,000 shares) of par value of 100 Kuwaiti fils each, and all shares are in cash.

12. Treasury shares

	2016	2015
Number of treasury shares	**22,281,538**	11,230,392
Percentage to issued shares (%)	**9.51%**	4.79%
Market value (KD)	**1,537,426**	842,250
Cost (KD)	**1,861,595**	976,848

The Parent Company's management has allotted part of the reserves 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.

13. 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 equity holders 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.

14. 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.

15. Related party disclosures

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	2016	2015
Al Barsha Real Estate Company - K.S.C. (Closed) (Note 4)	Associate	**3,000**	3,000

Transactions included in the consolidated statement of profit or loss:

	2016	2015
Fees for managing investment properties of associate	**18,000**	18,000

Key management compensation

	2016	2015
Short term benefits	**112,047**	101,552
Post employment benefits	**10,615**	14,298
Board of Directors' remuneration	**35,000**	45,000
	157,662	160,850

16. General and administrative expenses

General and administrative expenses include staff costs amounting to KD 254,321 (2015 – KD 267,492).

17. Earnings per share

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

	2016	2015
Net profit for the year attributable to Shareholders of the Parent Company	1,780,967	2,490,283
Number of outstanding shares	234,250,000	234,250,000
Less: weighted average number of treasury shares	(21,828,783)	(9,282,276)
Weighted average number of shares outstanding	212,421,217	224,967,724
Earnings per share (fils)	8.38	11.07

18. General Assembly

The Parent Company's Board of Directors held on January 4, 2017 has proposed remuneration for the Board of Directors amounting to KD 35,000 for the year ended December 31, 2016. This proposal is subject to the approval of the Shareholders' General Assembly.

The Parent Company's Board of Directors held on February 12, 2017 has proposed to distribute cash dividends of 6% of the capital for the year ended December 31, 2016. This proposal is subject to the approval of the Shareholders' General Assembly.

The Parent Company Shareholders' General Assembly Meeting held on March 23, 2016 had approved to distribute cash dividends of 6% of capital and KD 45,000 as Board of Directors remuneration for the financial year ended December 31, 2015.

The Parent Company's Shareholders General Assembly Meeting held on March 29, 2015 approved to distribute cash dividends at 5% of the capital for the year ended December 31, 2014 and KD 40,000 as remuneration for Board of Directors.

19. 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

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

	2016			
	Real estate segment	Investments segment	Other	Total
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 currency exchange	-	-	(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	1,755,746	583,511	(558,290)	**1,780,967**
Other information:				
Segment assets	23,442,682	3,751,227	4,653,803	**31,847,712**
Segment liabilities	3,443,183	-	766,539	**4,209,722**

	2015			
	Real estate segment	Investments segment	Other	Total
Real estate's rental income	1,756,556	-	-	1,756,556
Real estate's operating expenses	(202,971)	-	-	(202,971)
Net real estate's rental income	1,553,585	-	-	1,553,585
Group's share of results from associates	-	320,408	-	320,408
Change in fair value of investment properties	335,715	-	-	335,715
Gain on sale investment properties	675,000	-	-	675,000
Net operating income	2,564,300	320,408	-	2,884,708
Other income	-	-	34,360	34,360
Interest income	-	-	15,853	15,853
Dividend income	-	35,010	-	35,010
Depreciation	-	-	(1,366)	(1,366)
Lawsuit claims no longer required	-	-	235,732	235,732
General and administrative expenses	-	-	(362,450)	(362,450)
Finance charges	-	-	(126,244)	(126,244)
Foreign exchange loss	-	-	(69,873)	(69,873)
Contribution to Kuwait Foundation for the Advancement of Sciences	-	-	(20,607)	(20,607)
National Labor Support Tax	-	-	(66,669)	(66,669)
Contribution to Zakat	-	-	(23,114)	(23,114)
Board of Directors' remuneration	-	-	(45,000)	(45,000)
Non - controlling interests	-	-	(57)	(57)
Net profit (loss) for the year attributable to the Parent Company's Shareholders	2,564,300	355,418	(429,435)	2,490,283
Other information:				
Segment assets	20,483,429	3,342,726	8,387,003	32,213,158
Segment liabilities	2,856,180	-	1,343,437	4,199,617

20. Lawsuit claims

There are certain lawsuits raised by / against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's management, 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.

21. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, receivables, financial assets available for sale, 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 demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings:

	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**
			±37,241

	2015		
	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%	7,700,000	± 38,500
Term loans	± 0.5%	2,856,180	± 14,281
			± 52,781

b) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, 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 customers

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:

	2016		
	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss (Kuwaiti Dinar)	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
AED	± 5%	± 130,770	± 130,770

	2015		
	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss (Kuwaiti Dinar)	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
AED	± 5%	± 79,559	± 79,559

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:

	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
	254,507	1,424,564	2,457,299	4,136,370

	2015			
	1 – 3 months	3 – 12 months	Above 1 year	Total
Term loans	-	656,250	2,199,930	2,856,180
Accounts payable and other credit balances	999,891	285,008	-	1,284,899
	999,891	941,258	2,199,930	4,141,079

22. Fair value measurement

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 (5). The management of the Group has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

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 7.

23. Capital risk management

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

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