AL MAZAYA HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

a) Valuation of investment properties

Investment properties of the Group represent a significant portion of the total assets as at 31 December 2017 and are carried at fair value. The management determined the fair value of its investment properties and used external appraisers to support the valuation at year end. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, and historical transactions. Given the size of investment properties and significance of assumptions and related estimation uncertainty used in the valuation, we considered this as a key audit matter. The accounting policies and the estimation uncertainty relating to valuation of investment properties are given in Note 6 to the consolidated financial statements.

As part of our audit procedures, we have reviewed the assumptions and estimates made by the management and the external appraisers, appropriateness of the valuation technique and reasonableness of data used in the valuation. We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of properties such as rental income, occupancy rates, discount rates, and historical transactions. We have considered the objectivity, independence and expertise of the external appraisers. We further assessed that the significant assumptions and related uncertainties are appropriately reflected in the sensitivity disclosure in Note 10 of the consolidated financial statements.

b) Properties held for trading

Properties held for trading represent a significant part of total assets and is carried at the lower of cost or net realisable value, which requires management's judgement in determining the appropriate costing basis and provision for write down of properties held for trading since they are based on forecast of estimated selling price less costs to sell and reviewing whether the provision is adequate. Given the size and complexity of determining the net releasable value of properties held for trading, we addressed this as a key audit matter.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

b) Properties held for trading (continued)

We have tested a sample of properties held for trading to assess the cost basis and tested the estimates made by management by assessing whether the estimates regarding sales forecasts and sales prices are based on the existing contracts and whether these are in line with historical revenues to date. Further, we reviewed the determination of the net realisable value by verifying recent sales transactions and the related costs necessary to make the sale. Further, we compared the properties held for trading provision to the Group's policy and evaluated management's judgement on the adequacy of this by performing a review of the overall level of provisions on an aggregate as well as understanding the levels of demand for properties. Finally, we reviewed the appropriateness of disclosures relating to properties held for trading, as shown in Note 13 of the consolidated financial statements.

Other Information Included in the Group's 2017 Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of 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 the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C.P. (continued)

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

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

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

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

8 February 2018
Kuwait

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 KD	(Restated) 2016 KD
ASSETS			
Non-current assets			
Goodwill	9	2,254,210	2,266,732
Property and equipment		508,918	595,221
Investment properties	10	131,665,239	129,286,975
Investment in an associate	11	9,670,587	9,352,843
Financial assets available-for-sale	12	8,308,067	9,126,960
Advances for purchase of properties		14,655,930	7,495,086
		167,062,951	158,123,817
Current assets			
Properties held for trading	13	34,271,531	69,036,258
Accounts receivable and other debit balances	14	17,544,507	17,438,418
Cash and bank balances	15	10,931,750	10,185,452
		62,747,788	96,660,128
Total assets		229,810,739	254,783,945
EQUITY AND LIABILITIES			
Equity			
Share capital	16	68,827,896	68,827,896
Share premium	16	21,655,393	21,655,393
Statutory reserve	17	13,945,422	13,195,539
Voluntary reserve	17	11,010,502	10,260,619
Fair value reserve		317,232	549,283
Treasury shares	18	(20,707,103)	(21,310,897)
Employee stock option plan	25	476,987	360,360
Other reserves		731,986	845,160
Foreign currency translation reserve		(1,259,633)	364,977
Retained earnings		13,821,599	13,460,761
Equity attributable to equity holders of the Parent Company		108,820,281	108,209,091
Non-controlling interests		10,287,600	9,471,589
Total equity		119,107,881	117,680,680
Liabilities			
Non-current liabilities			
Employees' end of service benefits		1,009,567	873,797
Tawarruq and ijara payable	19	60,057,211	66,522,971
Term loans	20	8,773,840	7,471,129
		69,840,618	74,867,897
Current liabilities			
Tawarruq and ijara payable	19	20,996,348	10,319,641
Term loans	20	2,292,375	2,322,458
Advances from customers		3,104,626	27,789,257
Accounts payable and other credit balances	22	14,468,891	21,804,012
		40,862,240	62,235,368
Total liabilities		110,702,858	137,103,265
TOTAL EQUITY AND LIABILITIES		229,810,739	254,783,945

Rasheed Y. Al Nafisi
Chairman

Ibrahim A. Al Soqabi
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Revenue from sale of properties held for trading		**60,831,419**	47,814,320
Rental income		**7,596,171**	7,112,362
Net management fees and commission income	23	**182,656**	245,543
REVENUE		**68,610,246**	55,172,225
Cost of sale of properties held for trading		**(56,733,970)**	(39,741,345)
Cost of rental		**(1,732,210)**	(1,444,129)
COST OF REVENUE		**(58,466,180)**	(41,185,474)
GROSS PROFIT		**10,144,066**	13,986,751
Net change in fair value of investment properties	10	**5,242,918**	(965,641)
Loss on disposal of investment properties		**-**	(303,633)
Net gain from business combination	7	**-**	2,425,221
Share of results from associate and joint venture	7 & 11	**339,582**	1,055,072
Net gain on sale of a subsidiary	33	**-**	1,184,979
Write back of (provision for) impairment loss on properties held for trading	13	**2,379,486**	(296,282)
General and administrative expenses		**(4,818,914)**	(4,634,002)
Net investment income	24	**248,480**	741,826
Other (expense) income	26	**(698,975)**	2,653,543
Finance costs		**(4,275,691)**	(4,062,517)
Profit for the year before contribution for Board of Directors' remuneration, Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		**8,560,952**	11,785,317
Board of Directors' remuneration	16	**(185,000)**	(185,000)
KFAS		**(30,038)**	(70,713)
Zakat		**(683)**	(48,192)
NLST		**(61,104)**	(159,507)
PROFIT FOR THE YEAR		**8,284,127**	11,321,905
Attributable to:			
Equity holders of the Parent Company		**7,222,003**	10,253,235
Non-controlling interests		**1,062,124**	1,068,670
		8,284,127	11,321,905
BASIC EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	8	**11.60 fils**	16.51 fils
DILUTED EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	8	**11.50 fils**	16.39 fils

The attached notes 1 to 34 form part of these consolidated financial statements.

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

	Note	***2017*** ***KD***	*2016* *KD*
Profit for the year		**8,284,127**	11,321,905
Other comprehensive (loss) income:			
Item that are (or) will be reclassified subsequently to consolidated statement of income:			
Foreign currency translation adjustments:			
Net exchange difference on translation of foreign operations		**(2,246,528)**	827,063
Financial assets available-for-sale:			
Transferred to consolidated statement of income on impairment	24	**326,445**	224,672
Transferred to consolidated statement of income on sale	24	**(256,681)**	(628,888)
Net changes in fair value of financial assets available-for-sale		**(301,815)**	484,169
		(232,051)	79,953
Total other comprehensive (loss) income for the year		**(2,478,579)**	907,016
Total comprehensive income for the year		**5,805,548**	12,228,921
Attributable to:			
Equity holders of the Parent Company		**5,365,342**	10,065,100
Non-controlling interests		**440,206**	2,163,821
		5,805,548	12,228,921

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Parent Company												
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Fair value reserve KD*	*Treasury shares KD*	*Employees' share option plan KD*	*Other reserves KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2017 (restated)	68,827,896	21,655,393	13,195,539	10,260,619	549,283	(21,310,897)	360,360	845,160	364,977	13,460,761	108,209,091	9,471,589	117,680,680
Profit for the year	-	-	-	-	-	-	-	-	-	7,222,003	7,222,003	1,062,124	8,284,127
Other comprehensive loss for the year	-	-	-	-	(232,051)	-	-	-	(1,624,610)	-	(1,856,661)	(621,918)	(2,478,579)
Total comprehensive (loss) income for the year	-	-	-	-	(232,051)	-	-	-	(1,624,610)	7,222,003	5,365,342	440,206	5,805,548
Employees' share based payment (Note 25)	-	-	-	-	-	-	342,996	-	-	-	342,996	-	342,996
Employee share options exercised (Note 25)	-	-	-	-	-	603,794	(226,369)	-	-	(377,425)	-	-	-
Transfer to reserves	-	-	749,883	749,883	-	-	-	-	-	(1,499,766)	-	-	-
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	(4,983,974)	(4,983,974)	-	(4,983,974)
Partial disposal of a subsidiary	-	-	-	-	-	-	-	(113,174)	-	-	(113,174)	375,805	262,631
As at 31 December 2017	**68,827,896**	**21,655,393**	**13,945,422**	**11,010,502**	**317,232**	**(20,707,103)**	**476,987**	**731,986**	**(1,259,633)**	**13,821,599**	**108,820,281**	**10,287,600**	**119,107,881**
As at 1 January 2016	68,827,896	21,655,393	12,123,874	9,188,954	465,563	(21,788,181)	268,693	845,160	636,832	11,922,391	104,146,575	7,307,768	111,454,343
Effect of restatement (Note 34)	-	-	-	-	-	-	-	-	-	(1,927,597)	(1,927,597)	-	(1,927,597)
As at 1 January 2016 (restated)	68,827,896	21,655,393	12,123,874	9,188,954	465,563	(21,788,181)	268,693	845,160	636,832	9,994,794	102,218,978	7,307,768	109,526,746
Profit for the year	-	-	-	-	-	-	-	-	-	10,253,235	10,253,235	1,068,670	11,321,905
Other comprehensive income (loss) for the year	-	-	-	-	83,720	-	-	-	(271,855)	-	(188,135)	1,095,151	907,016
Total comprehensive income (loss) for the year	-	-	-	-	83,720	-	-	-	(271,855)	10,253,235	10,065,100	2,163,821	12,228,921
Employees' share based payment (Note 25)	-	-	-	-	-	-	272,682	-	-	-	272,682	-	272,682
Employee share options exercised (Note 25)	-	-	-	-	-	477,284	(181,015)	-	-	(296,269)	-	-	-
Transfer to reserves	-	-	1,071,665	1,071,665	-	-	-	-	-	(2,143,330)	-	-	-
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	(4,347,669)	(4,347,669)	-	(4,347,669)
As at 31 December 2016	68,827,896	21,655,393	13,195,539	10,260,619	549,283	(21,310,897)	360,360	845,160	364,977	13,460,761	108,209,091	9,471,589	117,680,680

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the year before contribution for Board of Directors' remuneration, KFAS, NLST and Zakat		**8,560,952**	11,785,317
Adjustments to reconcile profit to net cash flows:			
Net change in fair value of investment properties	10	**(5,242,918)**	965,641
Loss on disposal of investment properties		**-**	303,633
Net gain on business combination	7	**-**	(2,425,221)
Share of results from associate and joint venture	7 & 11	**(339,582)**	(1,055,072)
(Write back of) provision for impairment loss on properties held for trading	13	**(2,379,486)**	296,282
Depreciation of property and equipment		**209,917**	192,848
Net investment income	24	**(248,480)**	(741,826)
Other expenses and foreign exchange differences	26	**3,098,975**	562,718
Finance costs		**4,275,691**	4,062,517
Provision for employees' end of service benefits		**255,479**	139,587
Provision for employees' stock option plan	25	**342,996**	272,682
		8,533,544	14,359,106
Working capital adjustments:			
Properties held for trading		**33,079,957**	14,649,669
Accounts receivable and other debit balances		**(106,089)**	3,262,994
Accounts payable and other credit balances		**(8,359,780)**	(15,106,858)
Advances from customers		**(24,684,631)**	(17,159,053)
Cash flows from operations		**8,463,001**	5,858
Employees' end of service benefits paid		**(119,709)**	-
Net cash flows from operating activities		**8,343,292**	5,858
INVESTING ACTIVITIES			
Decrease in restricted cash balances		**2,161,737**	5,880,653
Purchase of property and equipment		**(123,614)**	(122,676)
Proceeds from sale of financial assets available-for-sale		**517,078**	2,478,751
Advances for purchase of properties		**-**	8,661,961
Proceeds from partial disposal of a subsidiary		**275,153**	-
Acquisition of a subsidiary, net of cash acquired	7	**-**	(1,084,120)
Addition to investment properties	10	**(231,934)**	(1,931,115)
Proceeds from disposal of investment properties		**-**	1,165,619
Dividend income received	24	**358,300**	382,613
Net cash flows from investing activities		**2,956,720**	15,431,686
FINANCING ACTIVITIES			
Proceeds from tawarruq and ijara payable		**13,466,531**	4,629,925
Repayment of tawarruq and ijara payable		**(9,255,584)**	(8,153,759)
Proceeds from term loans		**225,953**	-
Repayment of term loans		**(1,344,522)**	-
Dividend paid		**(4,983,974)**	(4,347,669)
Finance costs paid		**(4,275,691)**	(4,062,517)
Net cash flows used in financing activities		**(6,167,287)**	(11,934,020)
NET INCREASE IN CASH AND BANK BALANCES		**5,132,725**	3,503,524
Foreign currency translation adjustments		**(2,224,690)**	589,383
Cash and bank balances at the beginning of the year		**6,023,890**	1,930,983
CASH AND BANK BALANCES AT THE END OF THE YEAR	15	**8,931,925**	6,023,890

The attached notes 1 to 34 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Al Mazaya Holding Company K.S.C.P. (the "Parent Company") was incorporated on 7 November 1998. These consolidated financial statements presents the results of the Parent Company and its Subsidiaries (collectively, the "Group"). The Parent Company is listed on Kuwait Stock Exchange and Dubai Financial Market. The registered head office of the Parent Company is at Mazaya Tower 01, Al Murqab, P.O. Box 3546, Safat 13036, State of Kuwait.

The principal activities of the Parent Company as per the memorandum of incorporation are as follows:
Ownership of Kuwaiti and foreign shareholding companies, ownership of shares and portions of limited liability Kuwaiti and foreign companies or participating in the formation of those companies, as well as managing and guaranteeing those companies, granting loans to the companies in which it owns shares in and guaranteeing them towards others, provided that the percentage of participation of the holding company in the capital of the borrowing company is not less than 20%, ownership of industrial property rights including intellectual rights, trade marks, industrial marks, industrial fees or any other rights relating to such assets and leasing them to other companies to utilize them whether inside or outside the state of Kuwait, ownership of the movable assets and real properties needed to operate within the applicable laws, utilization of its available financial surpluses by investing them in financial real estate portfolios managed by specialized companies.

The Parent Company has the right to practice its aforementioned objectives inside the State of Kuwait and abroad for itself or as agent or representative to other, the Parent Company has the right as well to have interest or to participate with entities that practice similar operations or assist the Parent Company in achieving its objectives inside and outside Kuwait, and such it has the right to establish, form partnership, purchase or merge with those entities.

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 1 February 2018, and are issued subject to the approval of the Ordinary General Assembly of the shareholders of the Parent Company. The shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for financial assets available-for-sale and investment properties that have been measured at fair value.

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

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

3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of the amendments to the existing standards relevant to the Group, effective as of 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 21.

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

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 CHANGES IN ACCOUNTING POLICIES (continued)

Standard issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards issued is those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments (IFRS 9), the standard that will replace IAS 39 Financial instruments: recognition and measurement for annual periods on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date from 1 January 2018. The Group will avail the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement including impairment change. Differences in the classification and measurement of financial assets and impairment of financial assets, if any, resulting from the adoption of IFRS 9 will be recognised in opening retained earnings and reserves as at 1 January 2018.

(a) Classification and measurement
The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the consolidated income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39. Based on initial assessment and currently available information, the Group expects that the adoption of this standard will result in net decrease in cumulative changes in fair value reserve and corresponding net increase in retained earnings.

(b) Impairment
IFRS 9 will also change the impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Group will be required to record an allowance for expected losses for all financial assets measured at amortised cost. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months for financial assets that have a low credit risk such as bank balances.

For other financial assets such as accounts receivable and other debit balances and due from related parties, simplified approach for measuring the loss allowance that is based on the probability of default over the life of the asset will be applied. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity due to the effect of change in the impairment methodology.

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

(d) Disclosure
The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

3 CHANGES IN ACCOUNTING POLICIES (continued)

Standard issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

However, leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 16 Leases). The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Group is mainly in the business of selling real estate properties and letting out properties on rent. In addition, it earns fees from managing properties. The residential units are usually not bundled as package of goods and/or services and hence, does not contain variable consideration or a significant financing component. Group does not provide extended warranties in its contracts with customers.

The Group does not expect any impact on the accounting policies, financial position or performance upon adoption of this Standard on existing open contracts with customers at initial application date.

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

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

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (continued)

Standard issued but not yet effective (continued)

Transfers of Investment Property — Amendments to IAS 40
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. The Group does not expect any effect on its consolidated financial statements.

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

4 BASIS OF CONSOLIDATION

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

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

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

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

The financial statements of the subsidiary are prepared at the same reporting year as the Parent Company using consistent accounting policies. Subsidiaries are consolidated from the date on which the Group obtains control and continues to be consolidated until the date that such control ceases.

All material intra-group balances and transactions, including material unrealised gains and losses arising on intra-group transactions are eliminated on consolidation.

Non-controlling interest represents the portion of profit and loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position separately from equity attributable to the equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

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

4 BASIS OF CONSOLIDATION (continued)

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries, where the Parent Company has direct investment:

Entity	*Country of incorporation*	*Principal activities*	*Ownership interest %* 2017	2016
Al Mazaya Real Estate Development Company K.S.C. (Closed)	Kuwait	Real estate development	**99.7%**	99.7%
Seven Zones Real Estate Company K.S.C. (Closed)	Kuwait	Real estate development	**96%**	96%
Gulf Turkey for General Trading and Contracting Company W.L.L.	Kuwait	Real estate development	**98%**	98%
First Dubai Real Estate Development Company K.S.C.P. ("First Dubai")	Kuwait	Real estate development	**90.03%**	90.42%
Mezzan Combined For General Trading Company W.L.L.	Kuwait	Real estate development	**99%**	99%
First Kuwait for Projects Management Company W.L.L.	Kuwait	Real estate development	**98%**	98%
Al Mazaya Real Estate FZ LLC	UAE	Real estate development	**100%**	100%
Ritim Istanbul Insaat Anonim Sirketi ("Ritim")	Turkey	Real estate development	**90%**	90%
Al Yammar Kuwaiti Agriculture Co. OPC	Kuwait	Real estate development	**100%**	100%
Al Mazaya Emirates Real Estate Development Company O.P.C.	UAE	Real estate development	**100%**	100%
Mazaya Real Estate Turkey Gayrimenkul Yatirimlari Anonim Sirketi	Turkey	Real estate development	**100%**	100%
Advantage General Trading Co. O.P.C.	UAE	Real estate development	**99%**	99%
Al Mazaya Lebanon Company S.A.L. (Holding)	Lebanon	Real estate development	**99.85%**	99.85%
Grand Mazaya Real Estate Company W.L.L.	KSA	Real estate development	**99%**	99%
Al Mazaya Real Estate Development Company L.L.C.	Oman	Real estate development	**100%**	100%
Al Murooj Al Khadraa Real Estate LLC	UAE	Real estate development	**100%**	100%
Al Telal Al Khadraa Real Estate LLC	UAE	Real estate development	**100%**	100%

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
A business combination is the bringing together of separate entities or businesses into one reporting entity as a result one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Under this method, the Group recognises, separately from goodwill, identifiable assets acquired, liabilities assumed and any non-controlling interests in the acquiree at the acquisition date. For each business combination, the Group elects to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other expenses.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement
Financial assets within scope of IAS 39 are classified as loans and receivables, financial assets available-for-sale. The Group determines the appropriate classification of each instrument at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include bank balances and cash, accounts receivable and other debit balances and financial assets available-for-sale.

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

Cash and bank balances
For the purpose of the consolidated statement of cash flows, cash and bank balances consist of cash in hand and bank balances, net of restricted cash balances.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any. Amortised cost is calculated by taking into account any discount or premium arising on acquisition and fees or costs that are an integral part of the interest rate method.

The effective interest rate method amortisation is included in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income.

Bank deposit and accounts receivable are classified as “Loan and receivables”.

Financial assets available-for-sale
Financial assets available-for-sale are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables. After initial recognition at cost including transaction costs associated with the acquisition, financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

After initial recognition, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Derecognition
A financial asset (or, where applicable a part of financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive the cash flows from the asset have expired;
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Gain on sale of investments financial assets available-for-sale
Gain on sale of investment is measured by the difference between the sale proceeds and the carrying amount of investment at the date of disposal, and is recognised at the time of the sale.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Impairment of financial assets

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

Financial assets available-for-sale

For financial assets available-for-sale, the Group assess at each reporting date whether there is objective evidence that a financial asset available-for-sale or a group of financial assets available-for-sale is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of investment and 'prolonged' against the period in which fair value has been below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available-for-sale previously recognised in the consolidated statement of income is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses in equity investments are not reversed through consolidated statement of income; subsequent increase in their fair value after impairment is recognized directly in other comprehensive income.

Impairment of receivables

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

iii) Financial liabilities

Initial recognition and measurement

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

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, including directly attributable transaction costs.

The Group's financial liabilities include tawarruq and ijara payable, term loans and accounts payable and other credit balances.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Term loans and bank borrowings

After initial recognition, interest bearing term loans and bank overdraft are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognized as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income.

Term loans are carried on the consolidated statement of financial position at their principal amounts less any repayment. Installments due within one year from the reporting date are shown as current liabilities.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

iii) Financial liabilities (continued)

Subsequent measurement (continued)

Tawarruq payables
Tawarruq payable represent amounts due to financial institutions arising from an Islamic financing arrangement where the liability is settled on a deferred settlement basis for assets purchased. Tawarruq payable are stated at the gross amount of the payables, net of deferred profit payable. Tawarruq cost is expensed on a time apportionment basis by taking account of the profit rate attributable and the balance outstanding. Amount due within one year are shown as current liabilities.

Ijara payables
Ijara payable represents the amount payable on a deferred settlement basis for assets purchased under ijara and leasing arrangements. Ijara payable is stated at the aggregate of the minimum lease payment due, net of any deferred costs.

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

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

(iv) Offsetting of financial instruments
Financial assets and liabilities are offset and net amount is reported in the consolidated statement of financial position when the Group has currently legal enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement
The Group measures financial instruments, such as, financial asset available-for-sale and non-financial assets, at fair value at each consolidated statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including financial instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

The fair value of financial instruments carried at amortised cost, other than short-term in nature is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

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

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

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

Investment in an associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity that have been recognised in the associate's statement of comprehensive income.

The Group's share of those changes is recognised directly in equity. Unrealised gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 36, indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of income.

Investment properties
Investment properties comprises developed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment properties when the definition of an investment property is met.

Investment properties is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of income in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

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. 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.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

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

• Computer hardware and software	3 years
• Furniture and fixtures	5 years
• Motor vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which goodwill allocated. These budgets and forecast cash flow calculations generally cover a period of two to five years.

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Properties held for trading
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital operation, is held as properties held for trading and is measured at lower of cost and net realisable value.

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

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money of material, less costs of completion and estimated cost of sale.

The cost of properties held for trading recognised in consolidated statement of income on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Employees' end of service benefits
The Group provides end of service benefits to all its employees. Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. The expected costs of these benefits are accrued over the period of employment.

Also, with respect to its national employees, the Parent Company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries, which are expensed when due.

Share based payment transactions
The Group operates an equity-based payment plan to its employees. Under the terms of the plan, shares are granted to permanent employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the shares is measured based on market prices available taking into account the terms and conditions upon which those shares were granted.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payment transactions (continued)
The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of 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.

Other reserves
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Provisions
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects some or all of a provision to be reimbursed, for example, under an issuance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of property held for trading
A property is regarded as sold when the significant risks and rewards of ownership of real estate property have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Sales of property under development
Where property is under development and agreement has been reached to sell such property when construction is complete, the Group consider whether the contract comprises:

i) A contract to construct a property or,
ii) A contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sales of properties under development (continued)

- The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer; and
- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term.

Dividends income
Dividend income is recognized when the right to receive payment is established, which is generally when shareholders approve the dividend.

Management fees
Management fees earned for the provision of services over a period of time are accrued over that period.

Finance income
Finance income is recognised as accrued using the effective yield method.

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

A property interest that is held by the Group under an operating lease may be classified and accounted for as an investment property when the property otherwise meets the definition of an investment property, evaluated property by property, and based on management's intention. The initial cost of a property interest held under a lease and classified as an investment property is determined at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

Borrowing costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to a project, as part of projects under construction, over the period of the construction until the project concerned is completed and becomes ready for its intended use on the basis of actual borrowings and actual expenditure incurred on the project. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the project for its intended use are complete. Borrowing costs capitalised is calculated using the Group's weighted average cost of borrowings.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries which are subjected to KFAS, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance and the reporting is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Foreign currency translation
Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of income.

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

Group companies
The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their statement of incomes are translated at average exchange rates during the period where such averages are reasonable approximation of actual rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of property

The Group determines whether a property is classified as investment properties or properties held for trading:

- Investment properties comprise land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation.
- Properties held for trading comprise properties that are held for sale in the ordinary course of business.

Estimates and assumptions

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

The Group had based its assumptions and estimation on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however may change due to market changes or circumstances arising beyond the content of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of net realisable value for property held for trading

Property held for trading is stated at the lower of cost and net realisable value (NRV). NRV for completed property held for trading is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

NRV in respect of property held for trading under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Valuation of investment properties

Fair value of investment properties have been assessed by an independent real estate appraiser. Three main methods were used to determine the fair value of property interests in investment properties; (a) formula based discounted cash flow analysis (b) Income approach and (c) comparative analysis as follows:

(a) Formula based discounted cash flow, is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

(c) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

The significant methods and assumptions used by valuers in estimating fair value of investment properties are stated in Note 10 and 30.

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)
Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. Where this estimation cannot be reliably determined these investments are carried at cost less impairment.

Impairment of trade receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the actual amounts collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of goodwill
The Group tests whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair values of assets and liabilities including intangibles
Considerable judgement by management is required in the estimation of the fair value of the assets including intangibles with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

7 BUSINESS COMBINATION

During the prior year, the Parent Company acquired additional 50% equity interest in Ritim Istanbul Insaat Anonim Sirketi from the other shareholders of the company. As this transaction met the criteria of IFRS 3 – Business Combination for the business combination achieved in stages, the Group reclassified its investment in Ritim from investment in joint venture to investment in subsidiary and consolidated Ritim from the effective date of control.

The acquisitions have been accounted based on the fair values assigned to the identifiable assets and liabilities assumed of the acquiree Company as on the reporting date.

The consideration paid and the values of assets acquired and liabilities assumed, as well as the non-controlling interests at the proportionate share of the acquiree's identifiable net assets, are summarized as follows:

7 BUSINESS COMBINATION (continued)

	2016 *KD*
ASSETS	
Investment properties (Note 10)	13,825,998
Properties held for trading (Note 13)	12,309,657
Deferred tax assets (included in accounts receivables and other debit balances)	7,095,308
Accounts receivable and other debit balances	3,582,920
Cash and bank balances	418,183
	37,232,066
LIABILITIES	
Term loans	10,023,718
Advances from customers	1,041,594
Accounts payable and other credit balances	13,570,939
	24,636,251
Total identifiable net assets at provisional fair value	12,595,815
Cash consideration for the acquisition	(1,502,303)
Non-controlling interests share in the acquiree's identifiable net assets	(1,547,333)
Fair value of acquirer's previously held equity interests	(6,189,334)
Settlement of pre-existing relationship *	(3,000,000)
Gain on bargain purchase on acquisition	356,845
Gain on remeasurement of previously held equity interest **	2,068,376
Net gain arising on business combination	2,425,221
Consideration paid	(1,502,303)
Cash and cash equivalents in subsidiary acquired	418,183
Net cash outflow on acquisition	(1,084,120)

* Settlement of pre-existing relationship represents certain properties owned by the seller before the business combination and considered part of the consideration.

** The gain on remeasurement of previously held equity interest is the net of the fair value of acquirer's previously held equity interest of KD 6,189,334, carrying value of KD 3,904,559, foreign currency translation reserve of KD 625,595 and effect of the upstream/downstream transaction of KD 409,196.

Had the business combinations taken place at the beginning of the year, revenue of the Group and profit attributable to equity holders of the Parent Company, would have been higher by KD 29 million and KD 1.4 million, respectively.

The share of results from the joint venture included in the consolidated statement of income for the year 2016 amounted to KD 1,052,805.

8 BASIC AND DILUTED EARNING PER SHARE

Basic:
Basic earnings per share is computed by dividing the profit for the year attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year less weighted average numbers of treasury shares.

	2017	*2016*
	KD	*KD*
Profit for the year attributable to equity holders of the Parent Company	**7,222,003**	10,253,235
	Shares	*Shares*
Weighted average number of ordinary shares	**688,278,956**	688,278,956
Less: weighted average number of treasury shares	**(65,444,157)**	(67,272,742)
Weighted average number of shares outstanding adjusted for treasury shares	**622,834,799**	621,006,214
Basic earnings per share attributable to the equity holders of the Parent Company (fils)	**11.60**	16.51

Diluted:
Diluted earnings per share is calculated by dividing the profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding plus the weighted average number of ordinary shares that would be issued on the conversion of all employees stock options. The Parent Company has outstanding share options, issued under the share based payment transaction, which have a dilutive effect on earnings.

	2017	*2016*
	KD	*KD*
Profit for the year attributable to equity holders of the Parent Company	**7,222,003**	10,253,235
	Shares	*Shares*
Weighted average number of shares outstanding adjusted for treasury shares	**622,834,799**	621,006,214
Add: effect of share options on issue	**5,233,581**	4,429,914
Weighted average number of shares outstanding adjusted for the effect of dilution	**628,068,380**	625,436,128
Diluted earnings per share attributable to the equity holders of the Parent Company (fils)	**11.50**	16.39

9 GOODWILL

Goodwill represents excess of consideration paid for acquisition of First Dubai Real Estate Development Company K.S.C.P. shares over and above the fair value of the identifiable assets and liabilities. The management assessed the carrying value of goodwill for impairment and did not notice any indication for impairment as at 31 December 2017.

The carrying value of goodwill is tested for impairment on an annual basis (or more frequently if evidence exists that goodwill might be impaired) by estimating the recoverable amount of the cash-generating unit ("CGU") based on fair value less cost of sales which is higher than the carrying value of the CGU.

10 INVESTMENT PROPERTIES

	2017 *KD*	*2016* *KD*
Balance at the beginning of the year	**129,286,975**	115,006,585
Additions	**2,901,696**	2,410,200
Arising on business combination (Note 7)	-	13,825,998
Disposals	-	(1,469,252)
Transferred to properties held for trading (Note 13)	**(3,096,588)**	-
Net gain (loss) from change in fair value	**5,242,918**	(965,641)
Foreign currency translation adjustments	**(2,669,762)**	479,085
Balance at the end of the year	**131,665,239**	129,286,975

Investment properties mainly comprise of the following:

	2017 *KD*	*2016* *KD*
Land	**10,663,948**	10,948,252
Properties under development	-	8,959,695
Developed properties held for earning rental income	**121,001,291**	109,379,028
	131,665,239	129,286,975

Certain investment properties with a carrying value of KD 54,960,610 (2016: KD 45,790,665) are collateralised against tawarruq payable amounting to KD 41,444,839 (2016: KD 39,322,973) (Note 19).

Certain investment properties with a carrying value of KD 34,274,669 (2016: KD 33,060,275) are collateralised against ijara payable amounting to KD 17,590,800 (2016: KD 18,753,945) (Note 19).

Certain investment properties with a carrying value of KD 14,615,323 (2016: KD 13,825,998) are collateralised against term loans amounting to KD 11,066,215 (2016: KD 9,793,588) (Note 20).

Valuations of investment properties were conducted by two independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of investment properties being valued.

For valuation purpose, the Group has selected the lower of these two valuations (2016: the lower of two valuations) as required by the Capital Market Authority (CMA). Based on these valuations, the Group has recorded a fair value gain of KD 5,242,918 (2016: fair value loss of KD 965,641) in the consolidated statement of income.

Fair value of the investment properties is arrived by reference to industry acknowledged methods of valuations that depend on market data including recent sales comparison approach, income capitalisation approach, discounted future cashflow method and property market value method,. Further details are provided in Note 30. Operating expenses incurred on non-rental income generating investment property is not material.

Sensitivity analysis

Significant increase (decrease) in average rent per sqm, yield rate and price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

10 INVESTMENT PROPERTIES (continued)

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties located in Kuwait, United Arab Emirates, Kingdom of Bahrain, Kingdom of Saudi Arabia, Lebanon and Turkey.

	Changes in valuation assumptions	*Impact on profit for the year*	
		2017	*2016*
		KD	*KD*
Average rent	+/- 5%	**2,107,872**	4,724,225
Yield rate	+/- 50 bp	**2,364,175**	5,975,287
Price per sqm	+/- 5%	**1,731,527**	691,300

11 INVESTMENT IN AN ASSOCIATE

	Country of Incorporation	*Ownership %*		*Principal activities*
		2017	*2016*	
First Qatar Real Estate Development K.S.C.(Closed)	Kuwait	**17.53**	17.53	Real Estate Development Services

Movement in the carrying amount of investment in associate during the year is as follows:

	2017	*2016*
	KD	*KD*
Balance at the beginning of the year	**9,352,843**	9,293,012
Share of results from associate and joint venture	**339,582**	2,267
Share of associate's foreign currency translation reserve	**(21,838)**	57,564
Balance at the end of the year	**9,670,587**	9,352,843

Although the Group holds less than 20% of the ownership interest and voting rights of the associate, the Group has the ability to exercise significant influence through its nominated director's participation in the associate's board. Investment in associate with carrying value of KD 9,670,587 (2016: KD 9,352,843) is collateralised against certain tawarruq payable (Note 19).

	2017	*2016*
	KD	*KD*
Movement in the carrying amount of investment in an associate is as follows:		
Assets	**89,769,411**	69,813,134
Liabilities	**(34,603,486)**	(16,459,780)
Equity	**55,165,925**	53,353,354
Proportion of the Group's ownership	**17.53%**	17.53%
Carrying value of the investment	**9,670,587**	9,352,843
Share of associates' results for the year:		
Revenues	**42,796**	75,045
Profit for the year	**1,937,148**	12,930
Group's share of profit for the year	**339,582**	2,267

12 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2017 *KD*	*2016* *KD*
Quoted:		
Equity securities	-	60,013
Unquoted:		
Equity securities	**1,833,956**	1,863,979
Funds and managed portfolios	**6,474,111**	7,203,068
	8,308,067	9,126,960

Financial assets available-for-sale with a fair value of KD 5,725,093 (2016: KD 6,081,296) are collateralised against certain tawarruq payable (Note 19).

Certain unquoted equity shares amounting to KD 1,833,956 (2016: KD 1,863,879) are carried at cost, less impairment, if any, due to the non-availability of reliable measures of their fair values. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of Nil (2016: KD 76,000) in the consolidated statement of income. Based on the latest available financial information, management is of the view that no further impairment loss is required as at 31 December 2017 in respect of these investments. Impairment loss of KD 326,445 (2016: KD 148,672) is recorded in consolidated statement of income on funds and managed portfolios.

13 PROPERTIES HELD FOR TRADING

	2017 *KD*	*2016* *KD*
Balance at the beginning of the year	**69,036,258**	71,653,133
Additions	**15,963,208**	16,977,740
Transferred from investment properties (Note 10)	**3,096,588**	-
Arising on business combination (Note 7)	-	12,309,657
Disposals	**(54,355,105)**	(31,627,409)
Write back of (provision for) impairment loss on properties held for trading	**2,379,486**	(296,282)
Foreign currency translation adjustments	**(1,848,904)**	19,419
Balance at the end of the year	**34,271,531**	69,036,258

Valuation of properties held for trading were conducted by two independent appraisers with recognised and relevant professional qualifications and experience of the location and category of properties being valued. The reversal of impairment provision was calculated based on the lower of the two valuations.

13 PROPERTIES HELD FOR TRADING (continued)

Properties held for trading mainly comprise the following:

	2017 *KD*	*2016* *KD*
Land	-	8,863,578
Properties under development	**27,199,333**	58,285,730
Developed properties	**7,072,198**	1,886,950
	34,271,531	69,036,258

As at 31 December 2017, certain properties under development of KD 3,460,700 (2016: KD 23,201,640) and developed properties of Nil (2016: KD 674,749) were sold, however since the legal formalities were not finalized and title deeds were not transferred, these properties were still recorded in the books of the Group. The group collected advances with total amount of KD 3,104,626 (2016: 27,571,990) and KD Nil (2016: KD 217,267) relating to properties under development and developed properties respectively.

Certain properties held for trading with a carrying value of KD 5,838,250 (2016: KD 12,309,657) are collateralised against term loan amounting to KD 11,066,215 (2016: KD 9,793,587) (Note 20).

14 ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2017 *KD*	*2016* *KD*
Trade receivables	**4,331,721**	5,693,880
Advance payments	**7,911,460**	4,119,062
Amounts due from related parties (Note 25)	**20,447**	16,356
Other receivables	**7,116,737**	8,951,953
	19,380,365	18,781,251
Provision for doubtful debts	**(1,835,858)**	(1,342,833)
	17,544,507	17,438,418

Gross amount due amounting to KD 1,835,858 (2016: KD 1,342,833) were impaired with a provision of KD 1,835,858 (2016: KD 1,342,833). The movement in provision allowance during the year is as follows:

	2017 *KD*	*2016* *KD*
Balance at the beginning of the year	**1,342,833**	1,800,670
Charge for the year	**594,139**	154,490
Reversal during the year	**(101,114)**	(612,327)
Balance at the end of the year	**1,835,858**	1,342,833

15 CASH AND BANK BALANCES

	2017 *KD*	*2016* *KD*
Cash in hand and at banks	**10,919,475**	9,796,605
Cash in portfolios	**12,275**	388,847
	10,931,750	10,185,452
Restricted bank balances	**(1,999,825)**	(4,161,562)
	8,931,925	6,023,890

Restricted bank balances represent escrow accounts restricted for receiving and making payments for specific construction activity and these may not be available for use within 90 days.

16 SHARE CAPITAL, SHARE PREMIUM, ANNUAL GENERAL ASSEMBLY AND CASH DIVIDEND

a) Share capital:

	Authorised, issued and fully paid	
	2017 *KD*	*2016* *KD*
688,278,956 Shares of KD 0.100 each	**68,827,896**	68,827,896

b) Share premium:
Share premium represents the cash received in excess of the par value of the share issued. This is not available for distribution.

c) Dividend and annual general meeting:
The board of directors have proposed a cash dividend of 8% (2016: 8%) for the year ended 31 December 2017 which is subject to approval at the annual general meeting.

The annual general meeting of the shareholders held on 28 March 2017, has approved the cash dividend of 8% for the fiscal year ended 31 December 2016.

d) Board of directors remuneration:
The board of directors' have proposed directors' remuneration for the year ended 31 December 2017 amounting to KD 185,000, which is subject to approval by annual general assembly.

The proposed board of director's remuneration amounting to KD 185,000 for the year ended 31 December 2016 was approved by the annual general assembly held on 28 March 2017.

17 RESERVES

i) Statutory reserve
In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation, 10% of the profit for the year attributable to shareholders of the Parent Company (before contributions to KFAS, NLST, board of directors' remuneration and Zakat) has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for such dividend payment.

17 RESERVES (continued)

ii) Voluntary reserve

The Parent Company's Memorandum of Incorporation require that 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, board of directors' remuneration and Zakat) has to be transferred to a voluntary reserve. There are no restrictions on distribution of voluntary reserve. An amount equivalent to the cost of purchase of treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of treasury shares.

18 TREASURY SHARES

	2017	*2016*
Number of shares	**65,282,510**	67,185,771
Percentage of issued shares (%)	**9.48**	9.76
Market value (KD)	**7,246,359**	7,256,063

One of the Group's subsidiaries had pledged shares of the Parent Company, included in treasury shares above against tawarruq payable amounting to KD 2,684,535 (2016: KD 2,611,980) (Note 19) as detailed below:

	2017	*2016*
Number of shares (numbers)	**24,185,000**	24,185,000
Cost (KD)	**7,671,327**	7,671,327
Market value (KD)	**2,684,535**	2,611,980

Reserves (share premium and a part of voluntary reserve) of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

19 TAWARRUQ AND IJARA PAYABLE

	2017 *KD*	*2016* *KD*
Tawarruq payable	**63,462,759**	58,088,667
Ijara payable	**17,590,800**	18,753,945
	81,053,559	76,842,612

	2017 *KD*	*2016* *KD*
a) Tawarruq payable:		
Gross amount	**73,168,846**	66,731,206
Less: deferred profit payable	**(9,706,087)**	(8,642,539)
	63,462,759	58,088,667
Non-current	**43,803,758**	48,896,174
Current	**19,659,001**	9,192,493
	63,462,759	58,088,667

19 TAWARRUQ AND IJARA PAYABLE (continued)

	2017 *KD*	*2016* *KD*
b) Ijara payable:		
Gross amount	**21,127,795**	22,250,721
Less: deferred profit payable	**(3,536,995)**	(3,496,776)
	17,590,800	18,753,945
Non-current	**16,253,453**	17,626,797
Current	**1,337,347**	1,127,148
	17,590,800	18,753,945

The average cost rate attributable to tawarruq payable is 5.13% per annum (2016: 4.70%). The cost rate attributable to ijara payable is 4.50% per annum (2016: 3.75%).

Certain assets with carrying value of KD 61,792,290 (2016: KD 60,502,340) are collateralised against tawarruq payable (Note 10, 11 and 12).

Certain shares in a subsidiary with a fair value of KD 27,560,043 (2016: KD 41,819,968) are pledged against tawarruq payable maturing on 31 December 2018. Furthermore, certain treasury shares are pledged as collateral against tawarruq payable (Note 18).

Certain investment properties with carrying value of KD 34,274,669 (2016: KD 33,060,275) are collateralised against ijara payable (Note 10).

20 TERM LOANS

Term loans are denominated in Euro, USD and TRY and carries effective interest rate ranging between 5.56% to 6.67% for EUR and USD, and 16.48% to 18% for TRY (2016: 5.6% to 5.98% for EUR and USD, and 16% for TRY).

Certain properties held for trading with carrying value of KD 5,838,250 (2016: KD 12,309,657) are collateralized against term loans (Note 13).

Certain investment properties with carrying value of KD 14,615,323 (2016: KD 13,825,998) are collateralised against term loans (Note 10).

21 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2017 KD	*Cash inflows KD*	*Cash outflows KD*	*Other KD*	*31 December 2017 KD*
Tawarruq payable and ijara payable	**76,842,612**	**13,466,531**	**(9,255,584)**	**-**	**81,053,559**
Term loans	**9,793,587**	**225,953**	**(1,344,522)**	**2,391,197**	**11,066,215**

	1 January 2016 KD	*Cash inflows KD*	*Cash Outflows KD*	*Other KD*	*31 December 2016 KD*
Tawarruq payable and ijara payable	80,366,446	4,629,925	(8,153,759)	-	76,842,612
Term loans	9,793,587	-	-	-	9,793,587

22 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2017 *KD*	*2016* *KD*
Trade payables	**4,933,755**	14,164,663
Retentions payable	**3,950,456**	2,136,448
Accrued development costs	**-**	59,973
Dividends payable	**272,273**	246,961
Due to related parties (Note 25)	**-**	761,101
Deferred tax liability	**1,002,453**	1,004,131
Other payables and accrued expenses	**4,309,954**	3,430,735
	14,468,891	21,804,012

23 NET MANAGEMENT FEES AND COMMISSION INCOME

	2017 *KD*	*2016* *KD*
Management fees and commission income	**257,807**	304,639
Cost of management fees and commission income	**(75,151)**	(59,096)
	182,656	245,543

24 NET INVESTMENT INCOME

	2017 *KD*	*2016* *KD*
Realized gain on disposal of financial assets available-for-sale	**256,681**	628,888
Dividend income	**358,300**	382,613
Portfolio management fees	**(40,056)**	(45,003)
Impairment loss on financial assets available-for-sale (Note 12)	**(326,445)**	(224,672)
	248,480	741,826

25 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. subsidiaries, shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

25 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties included in the consolidated financial statements are as follows:

	Major shareholders KD	*Key management personnel KD*	*2017 KD*	*2016 KD*
Consolidated statement of financial position:				
Accounts receivable and other debit balances (Note 14)	**20,447**	-	**20,447**	16,356
Accounts payable and other credit balances (Note 22)	-	-	-	761,101
Advances from customers	**15,608**	-	**15,608**	-
Consolidated statement of income:				
Revenue from sale of properties held for trading	-	**145,190**	**145,190**	-
Cost of sale of properties held for trading	-	**(124,108)**	**(124,108)**	-
Gain on sale of a subsidiary (Note 33)	-	-	-	1,184,979

Amounts due from/to related parties are interest free and are receivable/ payable on demand.

Compensation for key management members for the year are as follows:

	2017 KD	*2016 KD*
Salaries and other short term benefits	**573,225**	977,461
Terminal benefits	**34,399**	59,830
Share based payment	**342,996**	272,682
	950,620	1,309,973

The Group granted share based payment to its senior executives with more than 6 months' service over a vesting period of 3 years from the grant date.

During the year ended 31 December 2017, the Parent Company recognised an expense of KD 342,996 (2016: KD 272,682) relating to equity-settled share-based payment transactions to its employees. Certain employees exercised 1,903,549 (2016: 1,504,708) shares that were issued from treasury shares held by the Group.

26 OTHER (EXPENSE) INCOME

	2017 KD	*2016 KD*
Reversal of provision no longer required	**2,000,000**	1,204,730
Reversal of provisions for legal cases	**400,000**	2,011,531
Other expenses and foreign exchange differences	**(3,098,975)**	(562,718)
	(698,975)	2,653,543

27 SIGNIFICANT NON-CONTROLLING INTEREST

Financial information of the subsidiaries that have material non-controlling interest is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation	*Percentage 2017*	*Percentage 2016*
First Dubai Real Estate Development Company K.S.C.P.	Kuwait	**9.58%**	9.58%
Ritim Istanbul Insaat Anonim Sirketi	Turkey	**10%**	10%

	First Dubai KD	*Ritim KD*	*2017 KD*	*2016 KD*
Summarised statement of income:				
Revenue	**8,409,367**	**7,446,170**	**15,855,537**	20,542,803
Expenses	**(2,511,035)**	**(7,304,723)**	**(9,815,758)**	(18,089,425)
Profit for the year	**5,898,332**	**141,447**	**6,039,779**	2,453,378
Attributable to non-controlling interests	**981,925**	**14,145**	**996,070**	444,429

	First Dubai KD	*Ritim KD*	*2017 KD*	*2016 KD*
Summarised statement of financial position as at 31 December:				
Current assets	**8,824,056**	**12,925,867**	**21,749,923**	30,084,004
Non-current assets	**97,876,961**	**14,659,415**	**112,536,376**	101,483,574
Current liabilities	**20,329,387**	**2,901,324**	**23,230,711**	21,739,917
Non-current liabilities	**120,824**	**19,962,621**	**20,083,445**	26,109,310
Total equity	**86,250,806**	**4,721,337**	**90,972,143**	83,718,351
Attributable to:				
Non-controlling interests	**8,262,827**	**472,134**	**8,734,961**	8,073,120
Summarised cash flow statement for the year ended 31 December:				
Operating	**8,203,490**	**4,267,462**	**12,470,952**	(4,271,429)
Investing	**(4,623,042)**	**(116,794)**	**(4,739,836)**	(1,485,771)
Financing	**(3,045,460)**	**(791,480)**	**(3,836,940)**	6,062,287
Net increase in cash and cash balances	**534,988**	**3,359,188**	**3,894,176**	305,087

28 SEGMENT INFORMATION

i) Primary segment information

For management purposes, the Group is divided into five main geographical segments that are: State of Kuwait, United Arab Emirates (UAE), Kingdom of Saudi Arabia (KSA), Turkey and others, where the Group performs its main activities in the real estate segment. There is no income generating transactions between the Group's segments.

28 SEGMENT INFORMATION (continued)

i) Primary segment information (continued)

	2017						2016					
	Kuwait KD	*UAE KD*	*KSA KD*	*Turkey KD*	*Others KD*	*Total KD*	*Kuwait KD*	*UAE KD*	*KSA KD*	*Turkey KD*	*Others KD*	*Total KD*
Revenue	**3,519,286**	**55,477,645**	**1,164,293**	**7,446,170**	**1,002,852**	**68,610,246**	3,363,364	40,706,002	1,178,239	9,566,732	357,888	55,172,225
Cost of revenue	**(2,590,700)**	**(49,496,436)**	-	**(5,816,926)**	**(562,118)**	**(58,466,180)**	(782,593)	(32,008,454)	(180,530)	(8,113,936)	(99,961)	(41,185,474)
Net change in fair value in investment properties	**806,409**	**1,709,201**	**324,080**	**2,497,979**	**(94,751)**	**5,242,918**	(59,353)	307,933	(490,831)	-	(723,390)	(965,641)
Net gain from business combination	-	-	-	-	-	-	-	-	-	2,425,221	-	2,425,221
Share of results from associate and joint venture	**339,582**	-	-	-	-	**339,582**	1,055,072	-	-	-	-	1,055,072
Loss on disposal of investment properties	-	-	-	-	-	-	-	(303,633)	-	-	-	(303,633)
Net gain on sale of subsidiary	-	-	-	-	-	-	-	-	-	1,184,979	-	1,184,979
Write back of (provision for) impairment loss on properties held for trading	-	**1,611,217**	-	-	**768,269**	**2,379,486**	-	(296,282)	-	-	-	(296,282)
General and administrative expenses	**(1,157,615)**	**(2,868,793)**	**(64,473)**	**(658,065)**	**(69,968)**	**(4,818,914)**	(1,632,964)	(3,001,038)	-	-	-	(4,634,002)
Other (expenses) income	**(116,137)**	**2,276,747**	-	**(2,670,732)**	**(188,853)**	**(698,975)**	2,289,732	585,624	-	(221,813)	-	2,653,543
Finance costs	**(2,606,059)**	**(872,219)**	-	**(797,413)**	-	**(4,275,691)**	(1,099,929)	(2,464,710)	-	(497,878)	-	(4,062,517)
Others	**(28,345)**	-	-	-	-	**(28,345)**	278,414	-	-	-	-	278,414
Segment results*	**(1,833,579)**	**7,837,362**	**1,423,900**	**1,013**	**855,431**	**8,284,127**	3,411,743	3,525,442	506,878	4,343,305	(465,463)	11,321,905

*Segment results are computed after allocating common costs to the geographical segments based on asset base of the segment.

28 SEGMENT INFORMATION (continued)

ii) Primary segment information (continued)

	2017						*2016*					
	Kuwait KD	***UAE KD***	***KSA KD***	***Turkey KD***	***Others KD***	***Total KD***	*Kuwait KD*	*UAE KD*	*KSA KD*	*Turkey KD*	*Others KD*	*Total KD*
Total segment assets	**81,713,748**	**89,734,631**	**16,235,027**	**27,796,452**	**14,330,881**	**229,810,739**	78,810,934	113,559,934	16,325,350	35,245,806	10,841,921	254,783,945
Total segment liabilities	**64,931,201**	**29,460,969**	**174,750**	**14,000,856**	**2,135,082**	**110,702,858**	58,531,395	51,242,961	176,822	26,687,634	464,453	137,103,265

28 SEGMENT INFORMATION (continued)

iii) Secondary segment information

	2017			
	Residential	***Commercial***	***Others***	***Total***
	KD	***KD***	***KD***	***KD***
Total segment revenue	**59,971,783**	**8,638,463**	**-**	**68,610,246**
Total segment non current assets	**37,309,616**	**109,011,552**	**20,741,783**	**167,062,951**

	2016			
	Residential	*Commercial*	*Other*	*Total*
	KD	*KD*	*KD*	*KD*
Total segment revenue	49,708,896	5,463,329	-	55,172,225
Total segment non current assets	39,113,557	97,668,503	21,341,757	158,123,817

29 CAPITAL COMMITMENTS

The Group has concluded construction contracts with third parties and is consequently committed to future capital expenditure in respect of properties under construction amounting to KD 8,237,746 (2016: KD 13,191,774).

The Group has commitments amounting to KD Nil (2016: KD 5,218,925) to purchase land from a third party.

30 FAIR VALUES MEASUREMENT

Financial instruments comprise financial assets and financial liabilities.

The fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Note 6: Significant Accounting Policies.

Financial instruments
The Group held the following financial instruments available-for-sale that are fair valued at the reporting date in the consolidated statement of financial position:

	Level 1	***Level 3***	***Total***
	KD	***KD***	***KD***
2017			
Financial assets available-for-sale	**-**	**6,474,111**	**6,474,111**
2016			
Financial assets available-for-sale	60,013	7,203,068	7,263,081

Certain unquoted investments with carrying value of KD 1,833,956 (2016: KD 1,863,879) are carried at cost less impairment losses.

30 FAIR VALUES MEASUREMENT (continued)

Financial instruments (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 assets which are recorded at fair value:

	At 1 January 2016 KD	*Reclassification from level 1 to level 3 KD*	*Loss recorded in the consolidated statement of income KD*	*Loss recorded in other comprehensive income KD*	*Net purchases, sales and settlements KD*	*At 31 December 2017 KD*
Financial assets available-for-sale:						
Funds and managed portfolio	**7,203,068**	**-**	**(326,445)**	**(241,047)**	**(161,465)**	**6,474,111**

	At 1 January 2016 KD	*Reclassification from level 1 to level 3 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in other comprehensive income KD*	*Net purchases, sales and settlements KD*	*At 31 December 2016 KD*
Financial assets available-for-sale:						
Funds and managed portfolio	7,146,012	1,961,956	(148,672)	92,046	(1,848,274)	7,203,068

Description of significant unobservable inputs to valuation of financial assets:

Managed portfolio and funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund. The information relating to valuation techniques and significant unobservable inputs to valuation to compute the sensitivity of the fair value measurement to changes in unobservable inputs in not available.

Non-financial assets

Investment properties were classified under level 2 and level 3 fair value hierarchy as follows:

	Level 2 KD	*Level 3 KD*	*Total KD*
2017			
Investment properties	**38,031,686**	**93,633,553**	**131,665,239**
2016			
Investment properties	20,973,946	108,313,029	129,286,975

30 FAIR VALUES MEASUREMENT (continued)

Non-financial assets (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 non-financial assets which are recorded at fair value:

	At 1 January 2017 KD	Reclassification from level 2 to level 3	Reclassification from level 3 to level 2	Gain recorded in the consolidated statement of income KD	Loss recorded in other comprehensive income KD	Net purchases, sales and settlements KD	At 31 December 2017 KD
Investment properties	**108,313,029**	**14,920,665**	**(33,872,179)**	**3,825,668**	**(2,099,563)**	**2,545,933**	**93,633,553**

	At 1 January 2016 KD	Reclassification from level 2 to level 3	Loss recorded in the consolidated statement of income KD	Gain recorded in other comprehensive income KD	Net purchases, sales and settlements KD	At 31 December 2016 KD
Investment properties	64,452,915	31,463,371	(603,427)	472,064	12,528,106	108,313,029

Fair value of investment properties were determined using discounted cash flow and income capitalisation approach. The fair valuation conducted by valuators considering transaction prices of the property and similar properties in case of sales comparison approach and the significant unobservable valuation input used is the market price per square foot and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

Capitalisation of rental income method assumes capitalisation of annual rental income and the significant unobservable valuation input used is the capitalisation rate in the range of 7% to 9% (2016: 5.8% to 9.5%). A 5% increase in this input would result in an equivalent decrease in fair value.

Certain investment properties owned by the Group on Build Operate and Transfer (BOT) basis are valued using discounted cash flow method.

31 RISK MANAGEMENT

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

Risk management structure

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

31 RISK MANAGEMENT (continued)

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

31.1 Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counter-parties, monitors credit exposures, and continually assesses the creditworthiness of counterparties, with the result that the Group's exposure to bad debts is not significant.

The Group trades only with recognised creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Group management.

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances, the Group manages that risk by dealing only with reputable banks. The Group's exposure to credit risk arising from default of the counterparty has a maximum exposure equal to the carrying amount these instruments.

Due to the nature of the Group's business, the Group does not take collaterals against receivables.

31.1.1 Gross maximum exposure to credit risk
The table below shows the gross maximum exposure to credit risk across the Group's financial assets.

Financial assets of the Group subject to credit risk are distributed over the following class of assets:

	2017 *KD*	*2016* *KD*
Accounts receivable (excluding prepayments)	**16,684,609**	16,652,874
Bank balances (excluding cash in hand)	**10,869,837**	10,170,674
	27,554,446	26,823,548

The Group's exposure relates predominately to real estate and construction sectors.

There is no concentration of credit risk with respect to real estate receivables, as the Group has a large number of tenants.

31.1.2 Credit quality of financial assets that are neither past due nor impaired
The Group neither uses internal credit grading system nor external credit grades. The Group manages credit quality by ensuring that credit is granted only to known creditworthy parties.

31.1.3 Past due and impaired
The Group does not have any past due but not impaired financial assets as at 31 December 2017 and 2016.

31 RISK MANAGEMENT (continued)

31.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and facilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future finance cost payments over the life of these financial liabilities.

31 December 2017	*Within 1 year KD*	*1-2 years KD*	*Over 2 years KD*	*Total KD*
Term Loans	**3,101,984**	**1,822,472**	**8,079,721**	**13,004,177**
Tawarruq and ijara payable	**25,031,850**	**13,941,291**	**55,323,500**	**94,296,641**
Accounts payable and other credit balances	**6,056,698**	**4,461,738**	**3,950,455**	**14,468,891**
Total undiscounted liabilities	**34,190,532**	**20,225,501**	**67,353,676**	**121,769,709**
Capital commitments	**7,535,640**	**702,106**	**-**	**8,237,746**

31 December 2016	*Within 1 year KD*	*1-2 years KD*	*Over 2 years KD*	*Total KD*
Term Loans	2,912,234	1,870,280	6,779,524	11,562,038
Tawarruq and ijara payable	13,641,941	15,912,055	59,427,931	88,981,927
Accounts payable and other credit balances	13,585,304	5,144,724	3,073,984	21,804,012
Total undiscounted liabilities	30,139,479	22,927,059	69,281,439	122,347,977
Capital commitments	3,682,140	4,602,675	10,125,884	18,410,699

31.3 Market risk

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

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

31.3.1 Interest/profit rate risk

Interest/profit rate risk arises from the possibility that changes in interest/profit rates will affect future profitability or the fair values of financial instruments. Interest rate risk is managed by the finance department of the Parent Company. The Group is exposed to interest/profit rate risk on its interest bearing assets and liabilities (bank deposits and facilities) as a result of mismatches of interest rate repricing of assets and liabilities.

31 RISK MANAGEMENT (continued)

31.3 Market risk (continued)

31.3.1 Interest/profit rate risk (continued)

It is the Group's policy to manage its interest/profit cost using a mix of fixed and variable rate debts. The Group's policy is to keep a substantial portion of its borrowings at variable rates of interest.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest/profit rates on the Group's profit before directors' remuneration and taxation, based on floating rate financial assets and financial liabilities held at 31 December 2017. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated statement of income to a reasonable charge in interest /profit rates of 50 basis points, with all other variables held constant.

	50 basis points increase	
	Effect in profit for the year	
	2017	*2016*
	KD	*KD*
Kuwaiti Dinars	**460,599**	433,181

31.3.2 Foreign currency risk

Currency risk is the risk that the value of the financial instrument on monetary items will fluctuate due to changes in the foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the Kuwaiti Dinar.

If the Kuwaiti Dinar had strengthened or weakened against the foreign currencies, this would have the following impact on the consolidated statement of income:

	Effect on profit for the year	
	2017	*2016*
	KD	*KD*
UAE Dirhams (±5%)	**(217,878)**	(101,293)
Turkish Lira (±15%)	**501,831**	-

32 CAPITAL MANAGEMENT

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

The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares and obtain or settle bank facilities. No changes were made in the objectives, policies or processes during the year ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio as per the debt covenant for their bank facilities, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio below 60%. The Group includes within net debt, ijara payable, tawarruq payable and term loans less cash and bank balances. The Group considers equity as shown in the consolidated statement of financial position.

32 CAPITAL MANAGEMENT (continued)

	2017 *KD*	*2016* *KD*
Debts	**92,119,774**	86,636,199
Less: cash and bank balances	**(8,931,925)**	(6,023,890)
Net debt	**83,187,849**	80,612,309
Equity	**119,107,881**	117,680,680
Equity and net debt	**202,295,730**	198,292,989
Gearing ratio	**41.12%**	40.65%

33 SALE OF SUBSIDIARY

During the prior year, one of the Group's subsidiaries sold its 100% equity interest in Gulf Turkey Gayimenkul Yatirimlarianonim Sirketi ("GTGYS") for a total consideration of KD 16,364,294 to Ritim. The sale of GTGYS resulted in a gain of KD 1,184,979, net of downstream elimination recognised in the consolidated statement of income.

34 COMPARATIVE INFORMATION

The comparative consolidated statement of financial position as at 1 January 2016 and 31 December 2016 and consolidated statement of changes in equity for the year ended 31 December 2016 has been restated to give effect of the restatement in the financial statements of a subsidiary of the Group for certain adjustments for the year ended 31 December 2016 in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. As a result, the retained earnings as at 1 January and 31 December 2016 has reduced by KD 1,927,597 and accounts payable and other credit balances increased by the same amount.