First Qatar Real Estate Development Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED)

Opinion

We have audited the financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (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 a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *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.

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

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

In preparing the consolidated financial statements, 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 consolidated financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)

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

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

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

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

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

- 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (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, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory count 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, nor 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.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

27 March 2018
Kuwait

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2017

	Notes	*2017* *KD*	*2016* *KD*
Sales of inventory property		**227,340**	-
Cost of sales - inventory property		**(198,693)**	-
Other property operating expense		**(382)**	(3,711)
Profit (loss) on sale of inventory property		**28,265**	(3,711)
Change in fair value of investment properties	9	**(29,789)**	2,236,023
Gain (loss) on sale of financial assets at fair value through profit or loss		**20,368**	(14,931)
Unrealised loss on financial assets at fair value through profit or loss		**(378,902)**	(247,338)
Dividend income		**22,848**	16,727
Foreign exchange (loss) gain		**(20,998)**	35,750
Other income	5	**4,935**	18,066
Consultancy income	6	**2,159,495**	-
Administrative expenses		**(811,457)**	(938,169)
Provision for impairment of trade receivables	11	**(248,115)**	-
PROFIT BEFORE TAX		**746,650**	1,102,417
Zakat		**(6,948)**	(11,084)
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		**(6,720)**	(9,922)
PROFIT FOR THE YEAR		**732,982**	1,081,411

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *KD*	*2016* *KD*
Profit for the year	**732,982**	1,081,411
Other comprehensive income		
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:		
Exchange difference on translation of foreign operations	**(1,443,449)**	-
Total other comprehensive loss for the year	**(1,443,449)**	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(710,467)**	1,081,411

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 KD	2016 KD
ASSETS			
Non-current assets			
Property and equipment		**69,222**	82,632
Properties under development	8	**54,352,917**	36,575,682
Investment properties	9	**24,891,381**	22,288,988
		79,313,520	58,947,302
Current assets			
Inventory properties		**-**	198,693
Financial assets at fair value through profit or loss	10	**4,286,596**	4,751,298
Accounts receivable and prepayments	11	**11,305,861**	8,762,928
Short-term deposit	12	**2,316,225**	740,253
Cash at bank	12	**285,352**	773,308
		18,194,034	15,226,480
TOTAL ASSETS		**97,507,554**	74,173,782
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**50,000,000**	50,000,000
Statutory reserve	14	**883,115**	808,450
Voluntary reserve	14	**580,453**	505,788
Foreign currency translation reserve	14	**(1,443,449)**	-
Retained earnings		**4,463,066**	3,879,414
Total equity		**54,483,185**	55,193,652
Non-current liabilities			
Employees' end of service benefits		**201,187**	230,232
Term loans	15	**34,813,024**	15,636,610
Retention payable		**2,754,192**	860,978
		37,768,403	16,727,820
Current liabilities			
Accounts payable and accruals	16	**5,255,966**	2,252,310
		5,255,966	2,252,310
Total liabilities		**43,024,369**	18,980,130
TOTAL EQUITY AND LIABILITIES		**97,507,554**	74,173,782

Fahad Khalid Al-Ghunaim
Chairman

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*
As at 1 January 2017	50,000,000	808,450	505,788	-	3,879,414	55,193,652
Profit for the year	-	-	-	-	732,982	732,982
Other comprehensive loss for the year	-	-	-	(1,443,449)	-	(1,443,449)
Total comprehensive (loss) income for the year	-	-	-	(1,443,449)	732,982	(710,467)
Transfers to reserves	-	74,665	74,665	-	(149,330)	-
As at 31 December 2017	**50,000,000**	**883,115**	**580,453**	**(1,443,449)**	**4,463,066**	**54,483,185**
As at 1 January 2016	50,000,000	698,164	395,502	-	3,018,575	54,112,241
Profit for the year	-	-	-	-	1,081,411	1,081,411
Other comprehensive Income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,081,411	1,081,411
Transfers to reserves		110,286	110,286	-	(220,572)	-
As at 31 December 2016	50,000,000	808,450	505,788	-	3,879,414	55,193,652

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	*2017* *KD*	*2016* *KD*
OPERATING ACTIVITIES			
Profit for the year		**732,982**	1,081,411
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation		**27,472**	25,616
Provision for employees' end of service benefits		**41,388**	33,542
Change in fair value of investment properties	9	**29,789**	(2,236,023)
Gain on sale of inventory property (excluding other property operating expense)		**(45,487)**	-
Gain (loss) on sale of financial assets at fair value through profit or loss		**(20,368)**	14,931
Unrealised loss on financial assets at fair value through profit or loss		**378,902**	247,338
Dividend income		**(22,848)**	(16,727)
		1,369,945	(849,912)
Working capital adjustments:			
Accounts receivable and prepayments		**(2,991,351)**	1,122,660
Accounts payable and accruals		**2,962,557**	611,079
Retention payable		**1,893,214**	811,653
Net cash flows from operations		**3,234,365**	1,695,480
Employees' end of service benefits paid		**(70,433)**	(11,256)
Net cash flows from operating activities		**3,163,932**	1,684,224
INVESTING ACTIVITIES			
Purchase of property and equipment		**(14,062)**	(15,562)
Capital expenditure on investment properties	9	**(2,728,676)**	(14,285)
Proceeds from sale of inventory property		**244,180**	-
Capital expenditure on properties under development	8	**(17,784,884)**	(9,340,566)
Proceeds from sale of financial assets at fair value through profit or loss		**106,168**	517,682
Dividend income received		**22,848**	16,727
Net movement in short-term deposits		**(1,144,616)**	1,033,027
Net cash flows used in investing activities		**(21,299,042)**	(7,802,977)
FINANCING ACTIVITIES			
Net proceeds from term loans		**18,078,510**	6,331,152
Net cash flows from financing activities		**18,078,510**	6,331,152
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(56,600)**	212,399
Cash and cash equivalents at 1 January		**773,308**	560,909
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**716,708**	773,308

The attached notes 1 to 21 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 25 March 2018. The shareholders have the power to amend these consolidated financial statements at the annual general assembly (AGM).

The Parent Company is a closed shareholding Company registered and incorporated in Kuwait on 11 May 2004. The Parent Company's registered office is located in Kuwait City, Abu Baker Al Sideeq street., Gulf Tower, 18th Floor, Al Qibla, Block 14.

The Parent Company's primary objectives include the acquisition of shares and stocks in other companies, lend money to the companies in which it holds stocks, acquisition and lease of patent rights, trade and industrial marks, ownership of real estate properties within the limits permitted by law and investment of surplus funds in securities and properties managed by specialized entities. All activities are carried out in accordance with the Articles of Association and the Memorandum of Incorporation of the Parent Company.

Information of the Group structure is provided in Note 2. Information on other related party relationships of the Group is provided in Note 17.

2.1 BASIS OF PREPARATION

Basis of preparation
The consolidated financial statements are prepared on a historical cost basis, except for investment properties and financial assets at fair value through profit or loss that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which was the Parent Company's functional and presentation currency until the end of 2016. From the beginning of 2017, the management determined the functional currency of the Parent Company to be Qatari Riyals (QAR) and accounted for the change in functional currency prospectively from the beginning of the accounting period in which the change occurred (i.e. I January 2017).

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2017.

The consolidated financial statements of the Group include:

Name	*Country of incorporation*	*% equity interest* 2017	*% equity interest* 2016	*Principal activities*
Directly held subsidiary				
First Oman Real Estate Development and Tourism Company W.L.L ("First Oman")	Oman	**99%**	99%	Real estate
Indirectly held subsidiaries				
Held through First Oman				
First Kuwait Real Estate Investment Company L.L.C	Oman	**99%**	99%	Real estate
Kuwait Modern Investment Enterprise Company L.L.C	Oman	**99%**	99%	Real estate
Modern Safat for Real Estate Development Company L.L.C	Oman	**99%**	99%	Real estate

The Group's effective interest in these subsidiaries is 100%. The Group directly hold the shares in the respective subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
Subsidiaries are those enterprises controlled by the Parent Company. 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 results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Sale of inventory properties
A property is regarded as sold when the significant risks and returns 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.

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

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

Consultancy income
Revenue from consultancy income is recognised when the related services are rendered.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases – 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 statement of income on a straight-line basis over the lease term.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	4 to 5 years
Computers	4 years
Vehicles	5 years

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

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

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

Properties under development
Properties under development for the future use as property and equipment are stated at cost less any impairment in value. The carrying value of these properties is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

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

Transfers are made to investment properties when, and only when, there is a change in use. For a transfer from investment properties to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Term deposit
Term deposit represents deposit with a bank and having an original maturity period between three to twelve months from the date of origination and earns an interest.

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 such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's 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 and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Cost includes:
- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

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

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Financial instruments – initial recognition and subsequent measurement

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus,in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Purchases or sales 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 term deposit, investments at fair value through profit or loss, receivables, cash and cash equivalents. At 31 December, the Group did not have any held-to-maturity investments, financial assets available for sale, or derivatives instruments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Accounts receivable

Accounts receivable are stated at the balance due, net of provisions for an uncollectible amount. An estimate for doubtful debts is made, when collection of full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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.

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 debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost
For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include account payable and accruals and term loans.

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

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

Term loans
Term loan is carried on the statement of financial position at their principal amounts. Instalments due within one year are shown as current liabilities and instalments due after one year are shown as non-current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in accounts payable and accruals.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

Fair value of financial instruments
The Group measures financial instruments, such as financial assets at fair value through profit or loss and non-financial assets such as investment properties at each reporting date.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

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

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

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

Foreign currencies
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in consolidated statement of comprehensive income, foreign exchange differences are recognised directly in consolidated statement of comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of income, all differences are recognised in the consolidated statement of income.

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.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingencies
Contingent liabilities are not recognised in the 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 financial statements, but are disclosed when an inflow of economic benefits is probable.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the effect of these changes are disclosed below.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 15.

None of the other new standards, interpretations and amendments effective for the first time in 2017, have had a significant effect on the consolidated financial statements of the Group.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Classification of investments
Management has to decide on acquisition of financial instruments whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance.

Classification of properties
The Group determines whether a property is classified as investment property or inventory property.

Investment property comprises properties 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 capital appreciation.

Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell on completion of construction.

Determination of functional currency
Functional currency in the consolidated financial statements is determined at the level of each entity within the Group. Identifying the functional currency has a direct impact om which transactions are foreign exchange transactions that give rise to exchange gains and losses and, thereby, on the reported results.

The Parent Company's functional currency is the currency of the primary economic environment in which it operates. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management determined that the functional currency of the Parent Company is Qatari Riyal (QAR) since the majority of the Parent Company's transactions are denominated in QAR.

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Valuation of investment properties

The fair value of investment property is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Group's assets.

Valuation of unquoted investments

Valuation of unquoted 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;
- 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 investments requires estimation.

Useful lives of property and equipment

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

Impairment of property and equipment

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

Factors that are considered important which could trigger an impairment review include the following:

- Significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- Significant changes in the technology and regulatory environments
- Evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of properties under development

A decline in the value of property under development could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property under development whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of accounts receivable

An estimate of the collectible amount of trade 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.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

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

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

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

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

(c) Hedge accounting
The management does not expect any impact on the consolidated financial statements of the Group resulting from hedge accounting under IFRS 9 as currently, the Group has not entered into any such instruments.

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

IFRS 15: Revenue from Contracts with Customers
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 *Revenue* along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. During 2017, the Group has performed a detailed evaluation of the effect of IFRS 15 on the Group's consolidated financial statements, based on which the Group does not expect any significant impact on adoption of this standard.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the financial year 2018, when the Group will adopt IFRS 15.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

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

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

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

Transfers of Investment Property — Amendments to IAS 40
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

5 OTHER INCOME

	2017	*2016*
	KD	*KD*
Interest income	**4,935**	9,496
Other miscellaneous income	**-**	8,570
	4,935	18,066

6 CONSULTANCY INCOME

On 21 February 2017, the Group entered into a consultancy agreement (the "Agreement") to provide consultancy services relating to the development of various projects for an aggregate fee of QAR 26 million (equivalent to KD 2,159,495). The consultancy works under the Agreement were completed during the year and fully acknowledged by the counterparty.

The revenue recognised in relation to the Agreement represents the fair value of consideration received.

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December, the Group did not have any dilutive shares.

The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding, during the year is as follows:

	2017 *KD*	*2016* *KD*
Profit for the year	**732,982**	1,081,411
Weighted average number of ordinary shares outstanding during the year	**500,000,000**	500,000,000
Basic and diluted earnings per share	**1.47 fils**	2.16 fils

8 PROPERTIES UNDER DEVELOPMENT

	2017 *KD*	*2016* *KD*
Balance at 1 January	**36,575,682**	35,912,921
Capital expenditure*	**17,777,235**	12,232,284
Transferred to investment properties**	**-**	(11,569,523)
Balance at 31 December	**54,352,917**	36,575,682

Properties under development represent a plot of land located in Pearl Island, Qatar and is currently under development and the construction is expected to complete by end of 2018. Properties under development have been pledged as security for the development of the property (Note 15).

*Capital expenditure includes borrowing costs capitalised during the year amounting to KD 669,747 (2016: KD 489,209).

**During the year ended 31 December 2016, the Group reclassified certain properties under development to investment properties. The carrying value of the transferred property comprise the value of land and related development costs amounting to KD 8,943,281 and KD 2,626,242 respectively (Note 9).

Properties under development as at the reporting date comprise the value of land and related development costs amounting to KD 13,619,151 and KD 40,733,766 (2016: KD 13,989,715 and KD 22,585,967) respectively.

At 31 December 2017, the fair value of the land determined by registered independent valuers is KD 32,832,733 (2016: KD 33,484,958). Management believes that the carrying value of the development is not significantly different from its fair value at the reporting date.

9 INVESTMENT PROPERTIES

	2017 *KD*	*2016* *KD*
Balance at 1 January	**22,288,988**	8,469,157
Additions*	**3,039,027**	14,285
Transferred from properties under development**	**-**	11,569,523
Change in fair value	**(29,789)**	2,236,023
Foreign exchange differences	**(406,845)**	-
Balance at 31 December	**24,891,381**	22,288,988

9 INVESTMENT PROPERTIES (continued)

*Additions include borrowing costs capitalised during the year amounting to KD 428,157 (2016: Nil).

**During the year ended 31 December 2016, the Group reclassified certain properties under development to investment properties. The carrying value of the transferred property comprise the value of land and related development costs amounting to KD 8,943,281 and KD 2,626,242, respectively (Note 8).

The fair value of investment properties as at 31 December 2017 and 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by independent registered valuers not related to the Group, who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined using the market comparison approach considering the nature and usage of each property. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed decrease of KD 29,789 compared to its carrying values as at 31 December 2017 (2016: increase of KD 2,236,023).

Investment properties include a plot of land located in Qatar with a carrying value of KD 10,874,203 (2016: KD 11,168,429).

Investment properties with the carrying value of KD 16,536,422 (2016: KD 13,794,618) are pledged as a security against term loans payable to a foreign financial institution (Note 15).

Investment properties located in Oman with a carrying value of KD 8,011,335 (2016: KD 8,142,014) are registered under Special Purpose Entities (SPE). These SPEs are beneficially owned by the Parent Company.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *KD*	*2016* *KD*
Quoted equity securities	**398,909**	486,873
Unquoted equity securities	**2,245,603**	2,479,491
Unquoted funds	**1,642,084**	1,784,934
	4,286,596	4,751,298

Investment portfolio with a carrying value of KD 4,135,349 (2016: KD 4,581,520) is managed by a related party (Note 17).

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2017 *KD*	*2016* *KD*
Trade receivables	**73,351**	332,818
Advances to contractors	**10,139,404**	7,284,174
Amounts due from a related party	**320,758**	334,069
Other receivables	**772,348**	811,867
	11,305,861	8,762,928

As at 31 December 2017, trade receivable with an initial carrying value of KD 3,805,143 (2016: KD 3,403,867) were impaired and fully provided for.

Movements in the provision for impairment of trade receivables are as follows:

	2017 *KD*	*2016* *KD*
At 1 January	**3,403,867**	3,403,867
Charge for the year	**248,115**	-
Foreign exchange differences	**153,161**	-
At 31 December	**3,805,143**	3,403,867

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December, the ageing analysis of unimpaired trade receivables is as follows:

			Past due but not impaired		
	Total *KD*	*Neither past due nor impaired* *KD*	*30 – 60 days* *KD*	*60 – 90 day* *KD*	*More than 90 days* *KD*
2017	**73,351**	-	-	-	**73,351**
2016	332,818	-	-	-	332,818

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to hold collaterals over receivables.

See Note 19.1 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

12 CASH AND CASH EQUIVALENTS

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2017 *KD*	*2016* *KD*
Cash on hand and at banks	**282,274**	770,522
Cash held in managed portfolios (Note 17)	**3,078**	2,786
	285,352	773,308
Short-term deposits	**2,316,225**	740,253
Cash at bank and short-term deposits	**2,601,577**	1,513,561
Less: Short-term deposits with original maturities of more than 3 months and less than 1 year	**(1,884,869)**	(740,253)
Cash and cash equivalents	**716,708**	773,308

Short-term deposits comprise of deposits with local and foreign financial institutions and carry an average interest rate of 1.130% (2016: 1.125%) per annum.

13 SHARE CAPITAL

	2017 *KD*	*2016* *KD*
Authorised, issued and fully paid-up:		
500 million (2016: 500 million) shares of 100 (2016: 100) fils each	**50,000,000**	50,000,000

14 RESERVES

a) Statutory reserve

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

b) Voluntary reserve

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

c) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity and effect of change in functional currency are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statement of income when the investment is disposed of.

15 TERM LOANS

Term loans represent secured bank loans from a foreign financial institution relating to the development of Hilton Panorama Residences in The Pearl, Qatar (the "project").

Term loans are repayable over a period of 11 years in monthly instalments starting from 22 December 2019 and maturing on 22 November 2030, including a balloon payment of KD 19,405,849. The effective interest rate on this facility is *Qatar Central Bank Money Rate Lending (QMRL) with minimum of 5% (2016: Qatar Central Bank repurchase rate minus 0.5% with minimum of 4%)* till the maturity period. The effective interest rate on the outstanding loan balance as at 31 December 2017 was 5% (2016: 4.5%) per annum. Term loans are secured over certain properties with a carrying value of KD 70,889,339 (2016: KD 50,370,300) (Note 8 and 9).

As at 31 December 2017, the Company had available KD 38 million (2016: KD 58 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Banking covenants according to the loan agreement mainly require that the tangible net worth of the Group to be no less than QAR 400 million and minimum average debt service coverage ratio of 1.2 to be maintained. A future breach of covenant may require the Group to repay the loan together with the accrued interest on demand.

During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

Information about the Group's exposure to interest rate, foreign currency rate and liquidity risks is included in Note 19.

Changes in liabilities arising from financing activities

	1 January 2017 KD	*Cash flows inflow/(outflow) KD*	*Foreign exchange movement KD*	*31 December 2017 KD*
Non-current interest-bearing term loans	**15,636,610**	**19,965,664**	**(789,250)**	**34,813,024**
Total liabilities from financing Activities	**15,636,610**	**19,965,664**	**(789,250)**	**34,813,024**

15 TERM LOANS (continued)

	1 January 2016 KD	*Cash flows inflow/(outflow) KD*	*Foreign exchange movement KD*	*31 December 2016 KD*
Non-current interest-bearing term loans	8,816,249	6,665,899	154,462	15,636,610
Total liabilities from financing Activities	8,816,249	6,665,899	154,462	15,636,610

16 ACCOUNTS PAYABLE AND ACCRUALS

	2017 KD	*2016 KD*
Payable to contractors	**4,281,358**	1,230,833
Payable towards acquisition of properties under development	**803,010**	878,024
Accrued expenses and other payables	**171,598**	143,453
	5,255,966	2,252,310

17 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Parent Company, and companies of which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Balances with related parties are included in the consolidated statement of financial position are as follows:

	Major shareholders KD	***2017 KD***	*2016 KD*
Cash and cash equivalents	**2,476**	**2,476**	1,955

Key management personnel compensation
Key management personnel comprise of the Board of Directors and key member of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Transaction value for the year ended 31 December		*Balance outstanding as at 31 December*	
	2017 KD	*2016 KD*	***2017 KD***	*2016 KD*
Salaries and short-term employee benefits	**260,234**	241,138	**13,348**	5,558
End of services benefits	**16,986**	18,714	**119,146**	102,160
	277,220	259,852	**132,494**	107,718

The Board of Directors has not proposed any directors' remuneration for the year ended 31 December 2017 and 2016.

Investment portfolio with a carrying value of KD 4,135,349 (2016: KD 4,581,520) is managed by a related party (Note 10).

18 COMMITMENTS

As at 31 December 2017, the Group entered into construction contracts with third parties for the development of certain properties. These contracts will give rise to future capital expenditure for the next five years, as follows:

	2017 *KD*	*2016* *KD*
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property under development and investment properties	**36,398,331**	60,246,137

The Group has entered into operating leases with respect to its offices, with lease terms between three to five years. The Group has the option to renew such leases.

Operating lease commitments - Group as a lessee		
Future minimum lease payments:		
Within one year	**32,307**	10,164
One to five years	**32,670**	-
	64,977	10,164

19 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Group's activities are credit risk, liquidity risk and market risk. Market risk is subdivided into interest risk, currency risk and equity price risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2017 and 31 December 2016. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

19.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily other receivables) and from its financing activities, including deposits with banks and financial institutions.

The Group has policies and procedures in place to limit the amount of credit exposure to any counterparty and establishing a maximum payment period for individual and corporate customers respectively. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Outstanding receivables are regularly monitored by management and considered recoverable. The Group's bank balances are held with financial institutions with appropriate credit ratings.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets presented in the consolidated statement of financial position.

	2017 *KD*	*2016* *KD*
Cash at bank and short-term deposits	**2,601,577**	1,513,561
Trade and other receivables	**1,166,457**	1,478,754
Total credit risk exposure	**3,768,034**	2,992,315

19.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. To manage this risk, the Group maintains a level of cash and bank balances and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities.

19 RISK MANAGEMENT (continued)

19.2 Liquidity risk (continued)

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 interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

At 31 December 2017	***Less than 3 months KD***	***3 to 12 months KD***	***More than 12 months KD***	***Total KD***
Accounts payable and accruals	**4,318,421**	**163,068**	**774,477**	**5,255,966**
Retention payable	-	-	**2,754,192**	**2,754,192**
Term loans	-	-	**36,553,675**	**36,553,675**
	4,318,421	**163,068**	**40,082,344**	**44,563,833**

At 31 December 2016	*Less than 3 months KD*	*3 to 12 months KD*	*More than 12 months KD*	*Total KD*
Accounts payable and accruals	1,197,752	1,054,558	-	2,252,310
Retention payable	-	-	860,978	860,978
Term loans	-	-	16,262,074	16,262,074
	1,197,752	1,054,558	17,123,052	19,375,362

19.3 Market risk

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

19.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing assets and liabilities (short-term deposits and term loans).

The Group manages its interest rate risk by having a balanced portfolio of interest bearing assets and liabilities.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	50 basis points (bps) increase Effect on profit	
	2017 KD	*2016 KD*
Qatari Riyal	**167,494**	75,234
Kuwaiti Dinar	**(5,010)**	(752)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

The Group analyses its interest rate exposure by taking into consideration refinancing, renewal of existing positions and alternative financing.

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on KD 2,316,225 (2016: KD 740,253) interest bearing assets and KD 34,813,024 (2016: KD 15,636,610) interest bearing liabilities. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

19 RISK MANAGEMENT (continued)

19.3 Market risk (continued)

19.3.1 Interest rate risk (continued)
At 31 December 2017, if interes rates had been 50 bps higher / lower with all other variables held constant, the profit for the year would have (decreased) / increased by KD 162,484 (profit for the year ended 31 December 2016: KD 74,482).

19.3.2 Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group entities.

The Group manages it foreign currency risk by setting limits for foreign exchange exposure and and monitoring the Group's open positions and current and expected exchange rate movements on an ongoing basis. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

Foreign currency sensitivity
The following table demonstrate the sensitivity to a reasonably possible change in Qatari Riyal (QAR) and Omani Riyal (OMR) exchange rates, with all other variables held constant. The impact on the Group's profit for the year is due to changes in the fair value of monetary assets and liabilities (mainly term loans). The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in currency in %	*Effect on Profit for the year KD*
2017		
QAR	+5%	**394,475**
OMR	+5%	**53,985**
2016		
QAR	+5%	291,210
OMR	+5%	55,423

A 5% weakening of the KD against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

19.3.3 Equity price risk
Equity price risk is the risk that the fair values of equity securities will fluctuate as a result of changes in the level of equity indices or the value of individual share price. Equity price risk arises from the change in market values of listed equity securities.

The Group's quoted investments are primarily listed on Boursa Kuwait. The effect on profit as a result of changes in fair value of equity instruments classified at fair value through profit or loss arising from a 5% decrease/ increase in equity market index, with all other variables held constant is KD 19,945 (2016: KD 24,344).

The Group's investments in unquoted equities are of strategic nature and are intended to be held for long term. The value of these investments is not significantly sensitive to the volatility in the equity markets.

At the reporting date, the Group's exposure to unlisted equity securities and funds at fair value was KD 3,887,687 (2016: KD 4,264,425).

Sensitivity analyses of these investments have been provided in Note 21.

20 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

20 CAPITAL MANAGEMENT (continued)

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes within net debt, interest bearing loans less cash and short-term deposits. Capital includes total equity of the Group at the reporting date.

	2017 *KD*	*2016* *KD*
Term loans	**34,813,024**	15,636,610
Less: Cash and short-term deposits	**(2,601,577)**	(1,513,561)
Net debt	**32,211,447**	14,123,049
Capital	**54,483,185**	55,193,652
Capital and net debt	**86,694,632**	69,316,701
Gearing ratio	**37.16%**	20.37%

21 FAIR VALUE MEASUREMENT

All financial and non-financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

Financial instruments:
Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, 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.

The Group's financial assets at fair value through profit or loss are measured in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

For other financial assets and financial liabilities carried at amortized cost, management assessed that the carrying value is not significantly different from their fair values largely due to the short-term maturities of these instruments.

Non-financial instruments:
Investment properties (excluding the property under development which are carried at cost) are fair valued and are classified under level 3.

The following table shows an analysis of financial and non-financial instruments recorded at fair value by level of the fair value hierarchy:

21 FAIR VALUE MEASUREMENT (continued)

At 31 December 2017	***Fair value measurement using*** ***Quoted prices in active markets (Level 1) KD***	***Significant observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***	***Total KD***
Financial instruments:				
Financial assets at fair value through profit or loss	**398,909**	**1,642,084**	**3,887,687**	**5,928,680**
Non-financial instruments:				
Investment properties	**-**	**-**	**24,891,381**	**24,891,381**
	398,909	**1,642,084**	**28,779,068**	**30,820,061**

At 31 December 2016	*Fair value measurement using* *Quoted prices in active markets (Level 1) KD*	*Significant observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*	*Total KD*
Financial instruments:				
Financial assets at fair value through profit or loss	486,873	1,784,934	4,264,425	6,536,232
Non-financial instruments:				
Investment properties	-	-	22,288,988	22,288,988
	486,873	1,784,934	26,553,413	28,825,220

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the year ended 31 December 2017.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	At 1 January 2017 KD	***Net purchases / (sales) KD***	***Unrealised loss recorded in statement of income KD***	***At 31 December 2017 KD***
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Unquoted equity securities	**2,479,491**	**(4,324)**	**(229,564)**	**2,245,603**

	At 1 January 2016 KD	*Net purchases / (sales) KD*	*Unrealised loss recorded in statement of income KD*	*At 31 December 2016 KD*
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Unquoted equity securities	2,764,760	-	(285,269)	2,479,491

21 FAIR VALUE MEASUREMENT (continued)

Description of significant unobservable inputs

	Valuation technique	*Significant unobservable inputs*	*Range (+/-)*	*Sensitivity of the input to fair value*
Financial assets at fair value through profit or loss - Unquoted equity securities	Adjusted NAV	Discount for lack of marketability (DLOM)	25%	5% increase (decrease) in the CAPM would result in a decrease (increase) in fair value by KD 140,000 (2016: KD 138,000)

Reconciliation of fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy:

	2017 ***KD***	*2016* *KD*
Balance at beginning of year	**22,288,988**	8,469,157
Additions and transfers	**3,039,027**	11,583,808
Remeasurement recognised in consolidated statement of income	**(29,789)**	2,236,023
Foreign exchange differences	**(406,845)**	-
Balance at end of year	**24,891,381**	22,288,988

Description of valuation techniques used and key inputs to valuation of investment properties:

Valuation technique	***Fair value 2017 KD***	*Fair value 2016 KD*	*Key unobservable inputs*	***Range 2017 KD***	*Range 2016 KD*
Market comparison approach	**24,891,381**	22,288,988	Price (per sqm)	**90-647**	84-640

Sensitivity analysis
Significant increase (decrease) in price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties located in Oman and Qatar:

	Changes in valuation assumptions	*Impact on profit for the year*	
		2017 ***KD***	*2016* *KD*
Price per sqm	+/- 5%	**490,801**	494,806