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

FINANCIAL STATEMENTS

31 DECEMBER 2016

EY

Building a better working world

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

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.

INDEPENDENT AUDITORS' 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 Company and the financial statements, together with the contents of the report of the Company's Board of Directors relating to these 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 financial statements incorporate all information that is required by the Companies Law No.1 of 2016, and its executive regulations and by the 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 and its executive regulations nor of the Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Company or on its financial position.

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

16 March 2017
Kuwait

STATEMENT OF INCOME

Year ended 31 December 2016

	Notes	*2016 KD*	*2015 KD*
Rental income		-	15,951
Properties operating expense		(3,711)	(7,245)
Net rental (loss)/ income		(3,711)	8,706
Sales of inventory properties		-	301,209
Cost of sales-inventory properties		-	(226,265)
Profit on sale of inventory properties		-	74,944
Change in fair value of investment properties	9	**2,236,023**	347,624
Realised (loss) gain on sale of financial assets at fair value through profit or loss		**(14,931)**	42,221
Unrealised (loss) gain on financial assets at fair value through profit or loss		**(247,338)**	37,579
Loss on sale of investment in an associate		-	(182,942)
Dividend income		**16,727**	55,929
Other income	5	**53,816**	1,800,254
Administrative expenses		**(938,169)**	(792,959)
Finance costs		-	(16,643)
PROFIT BEFORE ZAKAT, CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND DIRECTORS' REMUNERATION		**1,102,417**	1,374,713
Zakat		**(11,084)**	(13,472)
Contribution to KFAS		**(9,922)**	(12,372)
Directors' remuneration	17	-	(30,000)
PROFIT FOR THE YEAR	6	**1,081,411**	1,318,869
BASIC AND DILUTED EARNINGS PER SHARE	7	**2.16 fils**	2.64 fils

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 *KD*	*2015* *KD*
Profit for the year	**1,081,411**	1,318,869
Other comprehensive income		
Items that are or may be reclassified subsequently to the statement of income:		
Exchange differences on translation of foreign operations	-	45,676
Other comprehensive income for the year	-	45,676
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,081,411**	1,364,545

The attached notes 1 to 22 form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	*2016* *KD*	*2015* *KD*
ASSETS			
Non-current assets			
Property and equipment		**82,632**	92,686
Properties under development	8	**36,575,682**	35,912,921
Investment properties	9	**22,288,988**	8,469,157
		58,947,302	44,474,764
Current assets			
Inventory properties		**198,693**	198,693
Financial assets at fair value through profit or loss	10	**4,751,298**	5,531,249
Accounts receivable and prepayments	11	**8,762,928**	12,288,097
Cash and cash equivalents	12	**1,513,561**	2,334,189
		15,226,480	20,352,228
TOTAL ASSETS		**74,173,782**	64,826,992
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**50,000,000**	50,000,000
Statutory reserve	14	**808,450**	698,164
General reserve	14	**505,788**	395,502
Retained earnings		**3,879,414**	3,018,575
Total equity		**55,193,652**	54,112,241
Non-current liabilities			
Employees' end of service benefits		**230,232**	207,946
Term loan	15	**15,636,610**	8,816,249
Retention payable		**860,978**	49,325
		16,727,820	9,073,520
Current liabilities			
Accounts payable and accruals	16	**2,252,310**	1,641,231
		2,252,310	1,641,231
Total liabilities		**18,980,130**	10,714,751
TOTAL EQUITY AND LIABILITIES		**74,173,782**	64,826,992

Fahad Khalid Al-Ghunaim
Chairman

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*
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	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-
Transfer to reserves		110,286	110,286	-	(220,572)	-
At 31 December 2016	**50,000,000**	**808,450**	**505,788**	-	**3,879,414**	**55,193,652**
At 1 January 2015	50,000,000	560,693	258,031	(45,676)	1,974,648	52,747,696
Profit for the year	-	-	-	-	1,318,869	1,318,869
Other comprehensive income	-	-	-	45,676	-	45,676
Total comprehensive income for the year	-	-	-	45,676	1,318,869	1,364,545
Transfer to reserves	-	137,471	137,471	-	(274,942)	-
At 31 December 2015	50,000,000	698,164	395,502	-	3,018,575	54,112,241

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2016

	Notes	*2016 KD*	*2015 KD*
OPERATING ACTIVITIES			
Profit for the year		**1,081,411**	1,318,869
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation		**25,616**	27,242
Provision for employees' end of service benefits		**33,542**	32,122
Change in fair value of investment properties	9	**(2,236,023)**	(347,624)
Realised loss (gain) on sale of financial assets at fair value through profit or loss		**14,931**	(42,221)
Unrealised loss (gain) on financial assets at fair value through profit or loss		**247,338**	(37,579)
Dividend income		**(16,727)**	(55,929)
Gain on disposal of property and equipment		**-**	(3,625)
Loss on sale of investment in an associate		**-**	182,942
Finance costs		**-**	16,643
		(849,912)	1,090,840
Working capital adjustments:			
Inventory properties		**-**	226,265
Accounts receivable and prepayments		**1,122,660**	(1,347,979)
Accounts payable and accruals		**611,079**	(1,612,448)
Retention payable		**811,653**	49,325
Cash flows from (used in) operations		**1,695,480**	(1,593,997)
Employees' end of service benefits paid		**(11,256)**	(3,682)
Net cash flows from (used in) operating activities		**1,684,224**	(1,597,679)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(15,562)**	(95,972)
Proceeds from sale of property and equipment		**-**	3,625
Additions to investment properties	9	**(14,285)**	-
Proceeds from sale of investment in associate		**-**	32,720
Additions to properties under development	8	**(9,829,775)**	(3,366,714)
Advances to contractors		**-**	(8,370,621)
Proceeds from sale of financial assets at fair value through profit or loss		**517,682**	1,154,472
Dividend income received		**16,727**	55,929
Term deposit		**-**	210,000
Net cash flows used in investing activities		**(9,325,213)**	(10,376,561)
FINANCING ACTIVITIES			
Term loan proceeds availed		**6,820,361**	8,816,249
Repayment of Islamic financing payables		**-**	(5,735,888)
Finance costs paid		**-**	(16,643)
Net cash flows from financing activities		**6,820,361**	3,063,718
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(820,628)**	(8,910,522)
Cash and cash equivalents at the beginning of the year		**2,334,189**	11,244,711
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**1,513,561**	2,334,189

The attached notes 1 to 22 form part of these financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) ("the Company") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 16 March 2017. The ordinary general assembly of the shareholders of the Company has the power to amend these financial statements after their issuance.

The financial statements of the Company for the year ended 31 December 2015 were approved by the shareholders at the annual general meeting held on 28 April 2016.

The Company is a closed shareholding Company registered and incorporated in Kuwait on 11 May 2004. Its registered office is at Kuwait, Abu Baker Al Sideek St., Gulf Tower, 18th Floor, Al Qibla, Block 14.

The Company's main licensed activities are 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 compliance with the Articles of Association and the Memorandum of Incorporation of the Company.

The new Companies Law No. 1 of 2016 issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 cancelled the Companies Law No. 25 of 2012 and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

2.1 BASIS OF PREPARATION

Basis of preparation
The financial statements are prepared under the historical cost convention modified to include the measurement of fair value of investment properties and financial assets at fair value through profit or loss.

The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Company's functional and presentation currency.

Statement of compliance
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").

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 Company 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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company 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 Company's right to receive payment is established.

Operating leases – Company 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment
Property and equipment is 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 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.

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.

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 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 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 Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Term deposit
Term deposit represents deposit with a bank and having an original maturity period of more than one year from the date of origination and earns an interest.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company 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 Company 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 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

(i) Financial assets

Initial recognition and measurement

Financial assets within scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments at fair value through income statement, directly attributable transaction costs.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 Company commits to purchase or sell the asset.

The Company's financial assets include term deposit, investments at fair value through profit or loss, receivables, cash and cash equivalents. At 31 December, the Company did not have any held-to-maturity investments or 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 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 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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company has retained.

Impairment of financial assets
The Company 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)

***(i)* Financial assets (continued)**

Financial assets carried at amortised cost
For financial assets carried at amortised cost the Company 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 Company 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.

(ii) 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 and loans and borrowings or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include accounts payable, term loan and Islamic financing payables consisting of murabaha payable and ijarah payable. At 31 December, the Company did not have any financial liabilities at fair value through profit or loss or as derivatives instruments.

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 Loan
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 statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the 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)

Fair value of financial instruments
The Company 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 Company.

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 Company 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 Company 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 Company 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.

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

With respect to its national employees, the Company makes contributions to social security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Company 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 Company 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies translation

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the 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 was determined.

As at the reporting date, the carrying amount of foreign associates is translated into the Company's presentation currency at the rate of exchange ruling at the reporting date, and the share of results from associates are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognised in statement of comprehensive income. On disposal of a foreign associate, the deferred cumulative amount recognized in equity relating to the particular foreign associate is the recognized in the statement of income.

Provisions

Provisions are recognised when the Company 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 accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the following amendments to IFRS effective as of 1 January 2016:

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, plant and equipment and IAS 38 Intangible assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statements of income and comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position, statement of income and the statement of comprehensive income. These amendments do not have any impact on the Company.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2016 did not have any material impact on the accounting policies, financial position or performance of the Company.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income. The Company has used judgement and estimates principally in, but not limited to, the following:

Classification of investments
Management decides on acquisition of investments whether it should be classified as financial assets at fair value through profit or loss or financial assets available for sale.

The Company classifies financial assets as fair value through profit or loss if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through profit or loss depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as financial assets at fair value through profit or loss. All other investments are classified as financial assets available for sale.

Classification of property
The Company 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 Company, 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 Company develops and intends to sell on completion of construction.

Estimation of net realisable value for inventory properties
Inventory properties are stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company having taken suitable external advice and also in the light of recent market transactions.

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 Company 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;
- earnings multiple;
- 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 Company'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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 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 and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standard if applicable when they become effective.

IFRS 9 Financial Instruments
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Company's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Company is in the process of quantifying the impact of this standard on the Company's financial statements, when adopted.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company plans to adopt the new standard on the required effective date.

IAS 7 Disclosure Initiative – Amendments to IAS 7
The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

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.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

The Company plans to assess the potential effect of IFRS 16 on its financial statements.

5 OTHER INCOME

	2016 *KD*	*2015* *KD*
Interest income	**9,496**	8,464
Foreign exchange gain	**35,750**	243,254
Consultancy fees	**-**	1,544,750
Gain on disposal of property and equipment	**-**	3,625
Miscellaneous income	**8,570**	161
	53,816	1,800,254

6 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2016 *KD*	*2015* *KD*
Staff costs	**401,895**	424,031
Rent and operating leases	**40,656**	40,656
Inventories recognised as expenses on sale of inventory properties	**-**	226,265

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 Company 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:

	2016 *KD*	*2015* *KD*
Profit for the year	**1,081,411**	1,318,869
Weighted average number of ordinary shares outstanding during the year	**500,000,000**	500,000,000
Basic and diluted earnings per share	**2.16 fils**	2.64 fils

8 PROPERTIES UNDER DEVELOPMENT

	2016 *KD*	*2015* *KD*
Cost at the beginning of the year	**35,912,921**	32,546,207
Additions	**12,232,284**	3,366,714
Transferred to investment properties*	**(11,569,523)**	-
Cost at the end of the year	**36,575,682**	35,912,921

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. Plot of land has been pledged against term loan taken for the development of the property (Note 15).

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

Properties under development as of the reporting dates comprise value of land and development costs amounting to KD 13,989,715 and KD 22,585,967 (2015: KD 22,932,996 and KD 12,979,925) respectively.

At 31 December 2016, the fair value of the land determined by accredited independent valuators is KD 56,070,878 (2015: KD 57,948,875).

The amount of borrowing costs capitalised during the year ended 31 December 2016 was KD 489,209 (2015: KD 972,417). The average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.25% (2015: 4%), which is the effective interest rate of the specific borrowing.

9 INVESTMENT PROPERTIES

	2016 *KD*	*2015* *KD*
Balance at 1 January	**8,469,157**	8,121,533
Additions	**14,285**	-
Transferred from property under development*	**11,569,523**	-
Change in fair value	**2,236,023**	347,624
Balance at 31 December	**22,288,988**	8,469,157

* During the current year, the Company reclassified certain properties under development to investment properties which was recorded at fair value of KD 13,794,619 due to change in the use of properties. The reclassification resulted in a gain of KD 2,225,095 which has been recognised in the statement of comprehensive income (Note 8).

The fair value of the Company's investment properties for the current year are based on the valuation carried out on the respective dates by external independent valuators. The independent valuators are registered at the related governmental bodies, and have appropriate and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties adjusted for specific market factors such as nature, location and the condition of the properties.

The fair value of investment properties has been determined based on the valuation obtained from independent, real estate assessors and this come under level- 2 of the fair value measurement hierarchy (Note 22).

Investment properties represented in a plot of land located in Qatar is pledged against term loan taken for the development of the properties (Note 15).

Investment properties are located in Oman and are registered in the name of Special Purpose Entities (SPE) created for the acquisition of the investment properties. These SPE's are beneficially owned by the Company.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 *KD*	*2015* *KD*
Quoted equity securities	**486,873**	500,130
Unquoted equity securities	**2,479,491**	2,764,760
Managed funds	**1,784,934**	2,266,359
	4,751,298	5,531,249

The investment portfolio is managed by a related party (Note 17).

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016 *KD*	*2015* *KD*
Trade receivables	**332,818**	1,696,104
Advances to contractors	**7,284,174**	9,686,683
Amount due from a related party	**334,069**	94,393
Other receivables	**811,867**	810,917
	8,762,928	12,288,097

As at 31 December 2016 provisions for impairment of trade accounts receivable is KD 3,403,867 (2015: KD 3,403,867).

As at the end of the year, the ageing of unimpaired trade receivables and notes receivable are 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*
2016	**332,818**	**-**	**-**	**-**	**332,818**
2015	1,696,104	1,544,750	-	-	151,354

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

12 CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprises the following:

	2016 *KD*	*2015* *KD*
Cash in hand and at banks	**770,522**	543,670
Term deposits	**740,253**	1,773,280
Cash with portfolio manager (Note 17)	**2,786**	17,239
Cash and cash equivalents for the purpose of statement of cash flows	**1,513,561**	2,334,189

Short-term deposits are denominated in Qatari Riyals of KD 589,768 (2015: KD 1,673,280) and Kuwaiti Dinar of KD 150,485 (2015: KD 100,000) and carries an average interest rate of 1.125% (2015: 1.125%) per annum.

13 SHARE CAPITAL

	Authorised, issued and fully paid	
	2016	*2015*
	KD	*KD*
500 million shares of 100 fils each (all shares were paid in cash)	**50,000,000**	50,000,000

14 RESERVES

a) Statutory reserve
In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Company before contribution to Zakat, KFAS and directors' remuneration, after offsetting accumulated losses brought forward, has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the statutory 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 retained earnings are not sufficient for the payment of a dividend of that amount.

b) General reserve
In accordance with the Company's Articles of Association 10% of the profit for the year attributable to equity holders of the Company before contribution to Zakat, KFAS and directors' remuneration has been transferred to the general reserve. There are no restrictions on the distribution from general reserve.

15 TERM LOANS

Term loans represent secured loans obtained from foreign bank in Qatari Riyals and carry average interest rate of 4.25% per annum. It is secured by pledge of land located in Qatar (Notes 8 and 9).

16 ACCOUNTS PAYABLE AND ACCRUALS

	2016	*2015*
	KD	*KD*
Payable to contractors	**1,230,833**	425,336
Payable towards acquisition of properties under development	**878,024**	817,784
Accrued expenses and other payables	**133,181**	250,116
Payables towards cancelled units	**10,272**	147,995
	2,252,310	1,641,231

17 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, directors and senior management of the 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 Company's management.

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

	Shareholders	***2016***	*2015*
	KD	***KD***	*KD*
Cash and cash equivalents	**1,955**	**1,955**	16,305

Key management personnel compensation

	2016	*2015*
	KD	*KD*
Salaries and short-term employee benefits	**241,138**	240,632
End of services benefits	**18,714**	18,730
	259,852	259,362

17 RELATED PARTY TRANSACTIONS (continued)

No directors' remuneration was proposed for the year ended 31 December 2016 (2015: KD 30,000).

The shareholders of the Company has approved the Board of Directors' remuneration amounting to KD 30,000 for the year ended 31 December 2015 on the Annual General Assembly Meeting (AGM) of the Company shareholders held on 28 April 2016.

The investment portfolio is managed by a related party (Note 10).

18 COMMITMENTS

Expenditure commitments

	2016	*2015*
	KD	*KD*
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property under development and investment properties	**60,246,137**	48,016,072
Operating lease commitments		
Future minimum lease payments:		
Within one year	**61,946**	58,191

Capital commitments includes an amount of KD 58,200,704 (2015: KD 47,096,987) which represents the value of commitments for contracts entered into for the property under development and investment properties till reporting date. The total cost of development estimated by accredited surveyor amounted to KD 128,898,308 (2015: KD 96,079,135).

19 RISK MANAGEMENT

Risk is inherent in the Company'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 Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Company'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 2016 and 31 December 2015. 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 one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to limit its credit risk with respect to bank balances by only dealing with the reputed banks. Management of the Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the statement of financial position.

The Company's assets can be analysed as follows:

	2016	*2015*
	KD	*KD*
Banks balances	**1,513,561**	2,334,189
Accounts receivable	**1,478,754**	2,601,414
Total credit risk exposure	**2,992,315**	4,935,603

19 RISK MANAGEMENT (continued)

19.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

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 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 Loan	-	-	**16,262,074**	**16,262,074**
	1,197,752	**1,054,558**	**17,123,052**	**19,375,362**

At 31 December 2015	*Less than 3 months KD*	*3 to 12 months KD*	*More than 12 months KD*	*Total KD*
Accounts payable and accruals	465,594	1,175,637	-	1,641,231
Retention payable	-	-	49,325	49,325
Term Loan	-	-	8,840,715	8,840,715
	465,594	1,175,637	8,890,040	10,531,271

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/profit 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 financial instrument will fluctuate because of changes in market interest rates.

The Company is not significant exposed to interest/profit rate risk as majority of its interest bearing assets and liabilities are stated at fixed rate. Effective interest/profit rates are disclosed in notes 12 and 15.

19.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge foreign currency exposures.

The effect on profit (due to change in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

		Effect on profit for the year (+/-)	
Currency	*Change in currency rate (+/-)*	*2016 KD*	*2015 KD*
QAR	**5%**	**291,210**	164,902
OMR	**5%**	**55,423**	43,185

19 RISK MANAGEMENT (continued)

19.3 Market risk (continued)

19.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Company manages the risk through diversification of investments in terms of geographic distribution and industry concentration.

The effect of equity price risk on profit of the Company as a result of a change in the fair value of equity instruments held as financial assets carried at fair value through profit or loss at the year-end due to an assumed (+/-) 5% change in market prices, with all other variables held constant, is as follows:

		Effect on profit for the year	
	Change in fair value (+/-)	*2016 KD*	*2015 KD*
Kuwait stock exchange	**5%**	**24,344**	25,007

20 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises share capital, statutory reserve, general reserve and retained earnings, and is measured at KD 55,193,652 as at 31 December 2016 (2015: KD 54,112,241).

The Company monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Company includes within net debt, Bank overdrafts less Bank balances and cash. Capital includes total equity excluding statutory reserve of the Company at the reporting date

	2016 KD	*2015 KD*
Term Loan	**15,636,610**	8,816,249
Less: Bank balances and cash	**(1,513,561)**	(2,334,189)
Net debt	**14,123,049**	6,482,060
Capital	**50,000,000**	50,000,000
Capital and net debt	**64,123,049**	56,482,060
Gearing ratio	**22.02%**	11.47%

21 SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing activities comprise investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Equity and other investing activities comprise participation in financial and real estate funds and managing the Company's liquidity requirements.

21 SEGMENT INFORMATION (continued)

31 December 2016	*Real estate investing activities KD*	*Equities and other investing activities KD*	*Unallocated KD*	*Total KD*
Income	**2,236,023**	**(236,046)**	**44,320**	**2,044,297**
Expenses	**(3,711)**	**-**	**(959,175)**	**(962,886)**
Profit for the year	**2,232,312**	**(236,046)**	**(914,855)**	**1,081,411**
Assets	**56,868,868**	**7,304,529**	**653,595**	**64,826,992**
Liabilities	**10,256,589**	**-**	**458,162**	**10,714,751**

31 December 2015	*Real estate investing activities KD*	*Equities and other investing activities KD*	*Unallocated KD*	*Total KD*
Income	664,784	(38,749)	1,791,790	2,417,825
Expenses	(233,510)	-	(865,446)	(1,098,956)
Profit for the year	431,274	(38,749)	926,344	1,318,869
Assets	56,868,868	7,304,529	653,595	64,826,992
Liabilities	10,256,689	-	458,062	10,714,751

22 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted prices in active market for the same instrument;
Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data ; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

Financial instruments:
Financial instruments comprise financial assets and financial liabilities

For financial instruments where there is no active market, the Company 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 Company's 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 statement of income.

For other financial assets and financial liabilities carried at amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or re-priced immediately based on market movement in profit rates.

22 FAIR VALUE MEASUREMENT (continued)

Non-financial instruments:
Description of significant observable inputs to valuation of non-financial assets:

Investment properties (excluding the property under development which are carried at cost) are fair valued and are classified under level 2.

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

At 31 December 2016	***Level: 1 KD***	***Level: 2 KD***	***Level: 3 KD***	***Total KD***
Financial instruments:				
Financial assets at fair value through profit or loss	**486,873**	**1,784,934**	**2,479,491**	**4,751,298**
Non-financial instruments:				
Investment properties	**-**	**22,288,988**	**-**	**22,288,988**
	486,873	**24,073,922**	**2,479,491**	**27,040,286**

At 31 December 2015	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Financial instruments:				
Financial assets at fair value through profit or loss	500,130	2,266,359	2,764,760	5,531,249
Non-financial instruments:				
Investment properties	-	8,469,157	-	8,469,157
	500,130	10,735,516	2,764,760	14,000,406

There have not been any transfers between the levels during the year. The movement in Level 3 fair value hierarchy during the year is given below:

	At 1 January 2015 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 investments	2,764,760	-	(285,269)	2,479,491

	At 1 January 2015 KD	*Net purchases / (sales) KD*	*Unrealised loss recorded in statement of income KD*	*At 31 December 2015 KD*
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Unquoted equity investments	2,850,814	-	(86,054)	2,764,760

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