Consolidated financial statements and independent auditors' report

International Financial Advisors – KPSC and Subsidiaries

Kuwait

31 December 2016

Contents

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Independent auditors' report

To the shareholders of
International Financial Advisors – KPSC
Kuwait

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of International Financial Advisors – KPSC – Kuwaiti Public Shareholding Company (the "Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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.

Going Concern

We draw attention to Note (7) in the consolidated financial statements, which indicates that as of 31 December 2016, the Group's current liabilities exceeded its current assets by KD29,532,912 and to Note (29) in the consolidated financial statement which states that the management of the Parent Company is currently working on renewing its loans due to a foreign bank of which installments were due at the end of the current financial year. Rescheduling procedures for these loans is still underway as of the date of issuance of these consolidated financial statements.

Although these matters are considered material and may affect the Group's ability to continue as a going concern, the consolidated financial statements has been prepared on the basis of fundamental accounting concept stated in note (7) to the consolidated financial statement. Our opinion is unqualified regarding this matter.

Key Audit Matters

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

Independent Auditors' Report to the Shareholders of International Financial Advisors - KPSC (continued)

Key Audit Matters (continued)

Revenue recognition

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted either based on a full retrospective or modified retrospective application. At the end of the year 2015, the Group reviewed the impact of IFRS 15 on its revenue and elected to early adopt the standard using modified retrospective application from January 1, 2015. The resulting revenue is recognized as per the percentage of completion. The revenue recognized during the year ended December 31, 2016 in respect of properties under development (completion) amounted to KD8,539,844 against KD26,473,434 during the year ended December 31 2015 which is considered material revenue to the consolidated financial statements, and is based on significant judgments and assumptions such as determining the percentage of completion at a point in time, and assessing how control passes to the buyer, due to which it is significant to our audit. Accordingly, we considered this as a key audit matter. Refer to Note (10) and 5.6.1 for more information on revenue recognition.

Our audit procedures included, among others, using the report of an independent valuation expert to verify the percentage of completion of each development project as at the reporting date, and reasonably assessing the methods and assumptions used by the expert. Further, we assessed the adequacy and appropriateness of the disclosures in relation to the accounting policies adopted and the critical judgments and assumptions made.

Goodwill

Under IFRSs, the Group is required to annually test the amount of goodwill for impairment. This annual impairment test was significant to our audit because the balance of the goodwill amounting to KD40,174,557 is material to the consolidated financial statements. In addition, the process of judgmental valuation based on provided assumptions, specifically relating to profit margins and growth rate, which are affected by expected future market or economic conditions.

Our audit procedures included, among others, using a valuation expert to assist us in assessing the assumptions and methods used by the Group, particularly those related to the forecasts associated with future revenue and gross profit rates. We also focused on the appropriateness of the disclosures provided by the Group of those assumptions which are considered highly sensitive to the impairment testing results which usually have the significant effect to arrive at the realizable value of goodwill.

Valuation of Available for Sale investments

The Group's investments in available for sale investments represent 6% of the total assets. Due to their unique structure and terms, the valuation of these instruments are based on entity-developed internal models and not on quoted prices in active markets. Therefore, there is significant measurement assumptions involved in this valuation. As a result, the valuation of these investments was significant to our audit. We have therefore spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its available for sale investments are included in Note (21).

Impairment of properties under development

Under IFRS, the Group is required to carry its properties under development at the lower of cost and net realizable value. This requires management to estimate the current market selling prices of the property units and to compare them to the estimated costs of completing the units which remain unsold at year end. This assessment requires significant management judgments and assumptions, specially over the estimated future price at which a unit is likely to sell, and is prone to subjectivity since establishing the reliability of sources used to draw comparisons of market prices is critical. Further, every seller in the market is expected to have a different motive and circumstance, and similarly every unit of property in a project may not have homogenous specifications. Accordingly, we considered this as a key audit matter. Refer to Note (25) and (5.13) for more information on properties under development.

Independent Auditors' Report to the Shareholders of International Financial Advisors - KPSC (continued)

Key Audit Matters (continued)

Impairment of properties under development (continued)

Our audit procedures included determination of the reasonableness of the estimated selling prices of the unsold property units. We inquired and observed management's estimates in the light of current market prices of properties of comparable sizes and characteristics in the area through the use of online real estate trading portals, as well as recent pattern of variations between actual selling prices and pre-sale available selling prices. We also assessed the adequacy of the disclosures in relation to the critical judgments and assumptions.

Group audit and subsidiaries

The Group has a large number of subsidiaries, which are significant to the Group's consolidated financial statements. The geographically dispersed structure increase the complexity of the Group's control environment and our ability as a Group auditors to obtain an appropriate level of understanding of these entities including any related party transactions. Due to these factors and the significance of the subsidiaries to the Group's consolidated financial statements, this is considered as a key audit matter. Refer to Note (8) and (5.1) for more information on the basis of consolidation related judgements and the consolidated subsidiaries.

Our audit procedures included, among others, determining the nature and extent of audit procedure to be carried out for subsidiaries and selecting significant subsidiaries based on the size and/or risk profile of these subsidiaries. During our audit we considered the geographical diversity of Group's structure and have extended our involvement in local audit work performed by the component auditors. We organized meetings and held discussions with components in our audit scope. We, further discussed the audit approach with significant subsidiaries auditors and also provided detailed instructions to them covering the significant areas and risks to be covered including the identficiation of related parties and transactions with them. We also set out the information required to be reported back to us as part of the Group reporting.

Other information included in the Group's 2016 annual report

Management is responsible for the other information. Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditors' report.

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

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

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

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

Independent Auditors' Report to the Shareholders of International Financial Advisors - KPSC (continued)

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

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

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

Auditors' 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 skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Auditors' Report to the Shareholders of International Financial Advisors - KPSC (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements
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 and its Executive Regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business or the consolidated financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware, of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of the banking business, and its related regulations or the provision of Law 7 of 2010, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2016 that might have had a material effect on the business or the consolidated financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

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Burgan – International Accountants

Kuwait
20 April 2017

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Revenue			
Interest income		**228,354**	269,039
Management fees and similar income	9	**332,880**	106,736
Dividend income		**294,884**	162,855
Net income from hoteliers and related services	10	**19,886,066**	23,092,819
Net gain from investments	11	**226,026**	6,340,710
Gain on sale of subsidiaries	8.2	**4,610,795**	15,626,544
Net gain/(loss) from investment properties	12	**3,335,363**	(9,651)
Share of results of associates	23	**3,203,176**	(1,616,102)
Net loss on sale of shares in investment in associates	23	**(541,528)**	-
Gain on sale of property, plant and equipment	27	**1,601,206**	2,579,207
Other income	13	**2,425,026**	745,099
		35,602,248	47,297,256
Expenses and other charges			
Staff costs		**(5,766,195)**	(6,562,151)
Other operating expenses and charges		**(15,708,379)**	(15,365,920)
Impairment of investment in associates	23	**(30,759)**	(2,538,808)
Impairment of available for sale investments	21	**(1,519,085)**	(250,961)
Impairment of goodwill		**-**	(604,639)
Due from related party written off		**-**	(1,551,746)
Depreciation	27	**(3,640,231)**	(5,757,366)
Interest and similar expenses	14	**(12,234,270)**	(12,470,722)
		(38,898,919)	(45,102,313)
(Loss)/profit before provisions for National Labour Support Tax (NLST), Zakat and taxation on overseas subsidiaries		**(3,296,671)**	2,194,943
Provision for NLST		**-**	(42,351)
Provision for Zakat		**-**	(16,920)
Taxation on overseas subsidiaries		**164,327**	(206,452)
(Loss)/profit for the year		**(3,132,344)**	1,929,220
(Loss)/profit for the year attributable to :			
Owners of the parent company		**(2,690,381)**	1,214,181
Non-controlling interests		**(441,963)**	715,039
(Loss)/profit for the year		**(3,132,344)**	1,929,220
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company	15	**(4.00) Fils**	1.80 Fils

The notes set out on pages 13 to 76 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
(Loss)/profit for the year	**(3,132,344)**	1,929,220
Other comprehensive loss:		
Items that will be reclassified subsequently to the statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	**(2,237,682)**	(1,448,156)
- Transferred to consolidated statement of profit or loss on sale	**-**	(6,807,631)
- Transferred to consolidated statement of profit or loss on impairment	**1,519,085**	250,961
Share of other comprehensive income/(loss) of associates	**645,330**	(993,608)
Exchange differences arising on translation of foreign operations	**(3,655,099)**	(352,162)
Total other comprehensive loss	**(3,728,366)**	(9,350,596)
Total comprehensive loss for the year	**(6,860,710)**	(7,421,376)
Total comprehensive loss for the year attributable to:		
Owners of the parent company	**(5,184,941)**	(8,059,097)
Non-controlling interests	**(1,675,769)**	637,721
	(6,860,710)	(7,421,376)

The notes set out on pages 13 to 76 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2016 KD	31 Dec. 2015 KD
Assets			
Cash and cash equivalents	16	**8,647,293**	13,923,394
Investments at fair value through profit or loss	17	**246,992**	532,087
Receivables and other debit balances	18	**17,249,063**	20,006,220
Due from related parties	19	**487,027**	2,016,963
Trading properties	20	**7,511,097**	7,486,446
Available for sale investments	21	**22,669,789**	26,000,708
Investment properties	22	**10,826,813**	10,341,992
Investment in associates	23	**41,103,181**	42,645,744
Goodwill	24	**40,174,557**	40,224,898
Properties under development	25	**70,748,732**	80,506,538
Capital work in progress	26	**46,560,974**	46,700,561
Property, plant and equipment	27	**103,529,030**	109,452,749
Total assets		**369,754,548**	399,838,300
Liabilities and equity			
Liabilities			
Due to bank	16	**-**	1,292,668
Payables and other credit balances	28	**62,652,236**	68,673,380
Due to related parties	19	**21,448,538**	27,638,183
Borrowings	29	**194,304,431**	190,483,464
Advances received from customers	30	**7,361,111**	22,224,779
Total liabilities		**285,766,316**	310,312,474
Equity			
Share capital	31	**72,000,000**	72,000,000
Share premium	31	**11,973,061**	11,973,061
Treasury shares	31	**(32,757,404)**	(32,757,404)
Treasury shares reserve	31	**104,935**	104,935
Statutory and voluntary reserves	32	**32,757,404**	32,757,404
Fair value reserve		**6,408,275**	6,481,542
Foreign currency translation reserve		**(7,657,647)**	(5,236,354)
Accumulated losses		**(33,378,133)**	(30,687,752)
Total equity attributable to the owners of the parent company		**49,450,491**	54,635,432
Non-controlling interests	8.3	**34,537,741**	34,890,394
Total equity		**83,988,232**	89,525,826
Total liabilities and equity		**369,754,548**	399,838,300

Saleh Saleh Al-Selmi
Chairman

Talal Jassim Al-Bahar
Vice Chairman

The notes set out on pages 13 to 76 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2016	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	6,481,542	(5,236,354)	(30,687,752)	54,635,432	34,890,394	89,525,826
Sale of subsidiary (note 8.2)	-	-	-	-	-	-	-	-	-	1,302,766	1,302,766
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	20,350	20,350
Transactions with owners	-	-	-	-	-	-	-	-	-	1,323,116	1,323,116
Loss for the year	-	-	-	-	-	-	-	(2,690,381)	(2,690,381)	(441,963)	(3,132,344)
Other comprehensive loss											
Available for sale investments:											
- Net change in fair value arising during the year	-	-	-	-	-	(2,237,682)	-	-	(2,237,682)	-	(2,237,682)
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	-	-	1,519,085	-	-	1,519,085	-	1,519,085
Share of other comprehensive income of associates	-	-	-	-	-	645,330	-	-	645,330	-	645,330
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-	(2,421,293)	-	(2,421,293)	(1,233,806)	(3,655,099)
Total other comprehensive loss	-	-	-	-	-	(73,267)	(2,421,293)	(2,690,381)	(2,494,560)	(1,233,806)	(3,728,366)
Total comprehensive loss for the year	-	-	-	-	-	(73,267)	(2,421,293)	(2,690,381)	(5,184,941)	(1,675,769)	(6,860,710)
Balance at 31 December 2016	**72,000,000**	**11,973,061**	**(32,757,404)**	**104,935**	**32,757,404**	**6,408,275**	**(7,657,647)**	**(33,378,133)**	**49,450,491**	**34,537,741**	**83,988,232**

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2015	72,000,000	11,973,061	(32,757,404)	104,935	61,426,066	15,479,976	(4,961,510)	(59,975,887)	63,289,237	28,150,722	91,439,959
Write off of accumulated losses	-	-	-	-	(28,668,662)	-	-	28,668,662	-	-	-
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	(594,651)	(594,651)	594,651	-
Additional investment made by non-controlling interests	-	-	-	-	-	-	-	-	-	3,964,343	3,964,343
Loss arising on partial disposal of subsidiary shares	-	-	-	-	-	-	-	(57)	(57)	-	(57)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	1,542,957	1,542,957
Transactions with owners	-	-	-	-	(28,668,662)	-	-	28,073,954	(594,708)	6,101,951	5,507,243
Profit for the year	-	-	-	-	-	-	-	1,214,181	1,214,181	715,039	1,929,220
Other comprehensive loss											
Available for sale investments:											
- Net change in fair value arising during the year	-	-	-	-	-	(1,448,156)	-	-	(1,448,156)	-	(1,448,156)
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	(6,807,631)	-	-	(6,807,631)	-	(6,807,631)
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	-	-	250,961	-	-	250,961	-	250,961
Share of other comprehensive loss of associates	-	-	-	-	-	(993,608)	-	-	(993,608)	-	(993,608)
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-	(274,844)	-	(274,844)	(77,318)	(352,162)
Total other comprehensive loss	-	-	-	-	-	(8,998,434)	(274,844)	-	(9,273,278)	(77,318)	(9,350,596)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(8,998,434)	(274,844)	1,214,181	(8,059,097)	637,721	(7,421,376)
Balance at 31 December 2015	**72,000,000**	**11,973,061**	**(32,757,404)**	**104,935**	**32,757,404**	**6,481,542**	**(5,236,354)**	**(30,687,752)**	**54,635,432**	**34,890,394**	**89,525,826**

The notes set out on pages 13 to 76 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
OPERATING ACTIVITIES		
(Loss)/profit for the year	**(3,132,344)**	1,929,220
Adjustments:		
Gain on sale of available for sale investments	**(271,819)**	(6,754,606)
Gain on sale of investment properties	**(1,708,768)**	-
Gain on sale of subsidiaries	**(4,610,795)**	(6,832,806)
Gain on sale of property, plant and equipment	**(1,601,206)**	(2,579,207)
Change in fair value of investment properties	**(1,626,595)**	9,651
Impairment of goodwill	**-**	604,639
Impairment of available for sale investments	**1,519,085**	250,961
Impairment of investment in associates	**30,759**	2,538,808
Dividend income	**(294,884)**	(162,855)
Interest income	**(228,354)**	(269,039)
Interest and similar expenses	**12,234,270**	12,470,722
Depreciation	**3,640,231**	5,757,366
Share of results of associates	**(3,203,176)**	1,616,102
Net loss on sale of shares in investment in associates	**541,528**	-
Foreign exchange loss on non-operating liabilities	**377,782**	692,920
	1,665,714	9,271,876
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	**285,095**	582,534
Receivables and other debit balances	**2,757,157**	(698,507)
Due from related parties	**1,529,936**	1,117,038
Trading properties	**(24,651)**	759,199
Payables and other credit balances	**(8,706,302)**	(56,570)
Due to related parties	**(3,214,207)**	16,679,188
Advances received from customers	**(7,347,030)**	(9,183,166)
Cash (used in)/from operating activities	**(13,054,288)**	18,471,592
Dividend income received	**294,884**	162,855
Interest income received	**228,354**	269,039
Interest and similar expenses paid	**(9,549,112)**	(11,530,312)
Net cash (used in)/from operating activities	**(22,080,162)**	7,373,174

Consolidated statement of cash flows (continued)

	Note	**Year ended 31 Dec. 2016 KD**	Year ended 31 Dec. 2015 KD
INVESTING ACTIVITIES			
Proceeds from sale of subsidiaries		**6,086,918**	-
Proceeds from sale of asset classified as held for sale		**-**	1,357,432
Net movement in investment in associates		**1,995,342**	(302,201)
Proceeds from sale of shares in investment in associates		**311,643**	-
Net movement in properties under development		**(1,007,342)**	(16,329,991)
Additions to capital work in progress		**(139,587)**	(512,230)
Net movement in property, plant and equipment		**(1,182,824)**	(3,128,363)
Proceeds from sale of property, plant and equipment		**3,205,880**	2,770,283
Net book value of property, plant and equipment on disposal		**-**	152,381
Proceeds from redemption of available for sale investments		**229,310**	-
Proceeds from sale of investment properties		**2,652,889**	-
Purchase of available for sale investments		**-**	(95,304)
Net cash from/(used in) investing activities		**12,152,229**	(16,087,993)
FINANCING ACTIVITIES			
Proceeds from bank loans		**18,955,028**	27,610,702
Repayment of bank loans		**(12,395,338)**	(14,260,313)
Change in non-controlling interests		**103,420**	6,101,951
Net cash from financing activities		**6,663,110**	19,452,340
(Decrease)/increase in cash and cash equivalents		**(3,264,823)**	10,737,521
Foreign currency adjustment		**(718,610)**	(3,586,785)
Cash and cash equivalents at beginning of the year	16	**12,284,280**	5,133,544
Cash and cash equivalents at end of the year	16	**8,300,847**	12,284,280

Non-cash transactions			
Proceeds from sale of subsidiaries		**-**	9,487,250
Due to related parties		**-**	(9,487,250)
Sale of available for sale investments		**-**	9,563,767
Reclassification of investments at fair value through statement of profit or loss upon consolidation		**-**	10,984
Additions to investment in associates		**-**	(9,686,644)
Purchase of available for sale investments		**-**	(2,236,297)
Receivables and other debit balances		**-**	(2,521)
Payables and other credit balances		**-**	2,455,350
Goodwill arising on acquisition of a subsidiary		**-**	(104,639)
Sale of asset classified as held for sale settled through related parties accounts		**-**	4,130,288
Due to related parties		**-**	(4,130,288)

Notes to the consolidated financial statements

1 Parent company incorporation and activities

International Financial Advisors – KPSC ("the parent company") is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait and Capital Market Authority of Kuwait as an investment company.

The parent company is principally engaged in providing following activities:

1. Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the company's objectives for its account and for the account of third parties inside or outside the State of Kuwait.

2. Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait.

3. Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account.

4. Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukuks and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities.

5. Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait.

6. Provide economic advice related to investment and hold courses, issue brochures of various investment activities for individuals, local and foreign companies and institutions.

7. Prepare and provide technical, economic and assessment studies and consultations and prepare feasibility studies for various investment activities and other studies, examining the technical, financial and administrative aspects related to these activities for its account or for the account of third parties inside or outside the State of Kuwait.

8. Establish and manage the collective investment systems and local and foreign investment funds of all kinds and contribute to their establishment for the account of the company and for the account of third parties in accordance with the regulating laws, rules and conditions specified by the competent regulatory authorities; put its stakes or units to subscription so that the company's contributions to the share capital of the collective investment system or the investment fund shall not be less than the minimum limit specified by the regulatory authorities; sell or purchase stakes or units in the local or foreign collective investment systems or investment funds for its account and for the account of third parties or market same, provided the necessary approvals are obtained from the competent regulatory authorities; act as investment custodian, investment monitor and investment advisor in general for the investment funds inside or outside the State of Kuwait in accordance with the regulating laws.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities of the parent company (continued)

9. Invest funds for its account and for the account of third parties in the various aspects of investment inside or outside the State of Kuwait and acquire movable and immovable assets.

10. Act as the issuance manager for the securities issued by the local and foreign government and private companies, institutions and bodies and act as the subscription agent, listing advisor, investment custodian and monitor, including publications management and commitments of subscription operations management, receiving applications and covering subscription thereto.

11. Perform all advisory services that help develop and strengthen the ability of financial and monetary market in the State of Kuwait and meet its requirements within the limits of the law and the decisions or instructions issued by the competent regulatory authorities (after obtaining the necessary approvals from those authorities).

12. Mediate in financing operations, structure and manage the financing arrangements of the local and international companies, institutions, bodies and projects in the various economic sectors in accordance with the rules and conditions specified by the competent regulatory authorities.

13. Carry out all the works related to the activities for the arrangement and management of consolidation, acquisition and separation operations for the local and foreign government and private companies, institutions and bodies.

14 Lending, borrowing and issuance of financial guarantees in the scope of achieving the company's objectives.

15. Do brokerage in selling foreign currencies against commission by doing mediation between the sellers and buyers of foreign currencies including the requirements of providing the services of dealers in foreign exchange markets, such as giving advice and doing the necessary contacts by telex, telephone and other means of communication.

16. During commencement of its objectives, the company is prohibited to open current or saving accounts or accept deposits or open documentary credits or represent foreign banks for third parties.

17. Deal and trade in the foreign exchange market and precious metals market inside and outside the State of Kuwait for the company's account only, without prejudice to the prohibition established under the Ministerial Resolution promulgated for organizing CBK's supervision on investment companies.

18. Act as financial, economic and administrative advisors for the companies and institutions operating in Kuwait and Middle East countries.

19. Sell and purchase securities of the companies similar to the company's account inside or outside the State of Kuwait.

20. Manage investment for third parties and manage third parties' portfolios and do financial mediation, provided this does not include brokerage in the shares listed on Kuwait Stock Exchange.

21. Acquire movables and properties necessary to start the company's activities within the limits permitted by the Law.

22 Utilize the surplus funds available with the company by investing same in financial portfolios managed by specialized companies and authorities.

The company may have interest or participate in any way with the companies, institutions and authorities which practice similar activities or which assist it in achieving its objectives inside or outside the State of Kuwait. The company may also open branches inside or outside the State of Kuwait in such a way that does not conflict with the Companies Law and the instructions of the regulatory authorities.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities of the parent company (continued)

The group comprises the parent company and its subsidiaries as detailed in note 8.

The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 which cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012. The executive regulations of Law No. 1 of 2016 were issued on 12 July 2016.

The parent company's board of directors approved these consolidated financial statements for issue on .... and are subject to the approval of the general assembly of the shareholders.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets available for sale and investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

4 Changes in accounting policies

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016 which have been adopted by the group but did not have any significant impact on the financial position or the results for the year. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the group (continued)

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements*. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

- *A subsidiary providing services that relate to the parent's investment activities*. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the group (continued)

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception – Amendments (continued)

- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Annual Improvements to IFRSs 2012–2014 Cycle

(i) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in financial statements

(ii) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Amendments	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017 and 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 7 Statement of Cash Flows- Amendments (continued)

- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments
The Amendments to IAS 12 make the following changes:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments
The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).

- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

IFRS 9 Financial Instruments
The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income. This will affect the group's investments amounting to KD730,216 (see note 21) if still held on 1 January 2018.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Annual Improvements to IFRSs 2014-2016 Cycle

(i) *Amendments to IFRS 12* - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B17) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5. Amendment is effective for annual periods beginning on or after 1 January 2017.

(ii) *Amendments to IAS 28* - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The group controls subsidiaries if it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

5.2 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquire either at fair value or at the proportionate share of the acquire's identifiable net assets.

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

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquire's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquire and c) acquisition-date fair value of any existing equity interest in the acquire, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

5.4 Investment in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

Unrealised gains and losses on transactions between the group and its' associates are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

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

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5 Segment reporting

The group has four operating segments: the assets management, treasury and investments, real estate and other. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transactions are carried out at arm's length prices.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.5 Segment reporting (continued)
For management purposes, the group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.6 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 payment is made.

Revenue arises from rendering of services and is measured by reference to the fair value of consideration received or receivable.

The group applies the revenue recognition criteria set out below to each separately indentifiable component of revenue.

5.6.1 Revenue from contracts with customers
IFRS 15 'Revenue from Contracts with Customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model, explained below, which will apply to revenue arising from contracts with customers.

Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract which has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as is the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance obligations completed to date.

The Group allocates the transaction price to the performance obligations in a contract, based on the input method, which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue recognition (continued)

5.6.1 Revenue from contracts with customers (continued)

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable can be measured reliably.

5.6.2 Rendering of services

The group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

Fee income from providing transaction services

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

5.6.3 Interest income

Interest income is reported on an accrual basis using the effective interest method.

5.6.4 Dividend income

Dividend income, other than those from investment in associates, are recognised at the time the right to receive payment is established.

5.6.5 Rental income

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

5.6.6 Income from hotel operations and other related services

Income from hotel includes hotel services revenue, food and beverage and room revenue.

Income from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services on the performance of services. Income from hotel operations and other related services is shown net of all direct expenses in the consolidated statement of profit or loss

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue recognition (continued)

5.6.7 Income from sale of properties
Revenue on sale of condominiums is recognised when risk and reward related to property has been transferred to customer. Risk and reward are transferred when legal notice is served to customer to take the possession of the property or on actual hand over to the customer. Income from sale of properties is shown net of all direct expenses in the consolidated statement of profit or loss.

5.6.8 Revenue from Beach club revenue
Revenue from beach club and related services are recognised when the services are rendered.

5.7 Operating expenses
Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.8 Cost of sale of properties
Cost of sale of properties includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of sale of condominiums is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

5.9 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.10 Taxation

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

5.10.2 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.10.3 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.

For the years ended 31 December 2016 and 31 December 2015, the parent company has no liabilities towards KFAS due to accumulated losses. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior year is permitted.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Taxation (continued)

5.10.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.11 Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees for qualifying assets, and the borrowing costs incurred in accordance with the group's accounting policies.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under development over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

Plant and Equipments, Furniture and Fixtures, Motor Vehicles and Yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss.

5.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Investment properties (continued)

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within “change in fair value of investment properties” and “gain/loss on sale of investment properties”

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property 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, plant and equipment up to the date of change in use.

5.13 Property under development

Property under development represents properties under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to property under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any, are transferred to trading properties. Properties under development is disclosed net of transfer to cost of properties sold under IFRS 15.

5.14 Capital work-in-progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed according to circumstances to make sure that there is no impairment loss in value or that the carrying value may not be recoverable. If any such indication exists and when the carrying value is declined, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalized as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised.

5.15 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Intangible assets (continued)

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

5.16 Impairment testing of goodwill and non financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses reduce first the carrying amount of any goodwill allocated to that asset. Any remaining impairment loss is charged pro rata to the other assets. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the asset's is recoverable amount exceeds its carrying amount.

5.17 Financial instruments

5.17.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.1 Recognition, initial measurement and derecognition (continued)

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights 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 risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

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 consolidated statement of profit or loss.

5.17.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in the consolidated statement of profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.2 Classification and subsequent measurement of financial assets (continued)

- ***Loans and receivables (continued)***

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The group categorises loans and receivables into following categories:

- *Loans and advances*

Loans and advances are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- *Trade receivables*

Trade receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less due to bank.

- ***Financial assets at FVTPL***

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in the consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- ***AFS financial assets***

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in the consolidated statement of profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in the consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to the consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.2 Classification and subsequent measurement of financial assets (continued)

- ***AFS financial assets (continued)***

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in the consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.17.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include borrowings, payables and other credit balances, advances received from customers and due to related parties.

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

- *Payables and other credit balances*

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

- *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Advances received from customers*

Advances received from customers represent money received from customers towards instalments for properties they have contracted to purchase in accordance with the terms of the sale agreements.

- *Due to related parties*

Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

5.18 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.19 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.20 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.

5.21 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 38.

5.22 Trading properties

Trading properties include purchase and development costs of completed unsold real estate properties. Development costs include planning, maintenance and service costs. Trading properties are recorded at the lower of cost and net realisable value. Cost are those expense incurred in brining each property to its present condition. Net realisable value is based on estimated selling price less any further cost expected to be incurred on disposal.

5.23 Advances received from customers

Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements as wells as for the membership at beach club. Advances received from customers are stated net of revenue recognised during the period under IFRS15.

5.24 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognized in consolidated statement of profit or loss in the period in which they become receivable.

5.25 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent company's articles of association.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into KD.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.25 Equity, reserves and dividend payments (continued)

Fair value reserve – comprises gains and losses relating to available for sale financial assets.

Accumulated losses include all current and prior period profits and losses. All transactions with owners of the parent company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in payables and other credit balances when the dividends have been approved in a meeting of the general assembly.

5.26 Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the " gain of the sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.27 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.28 Foreign currency translation

5.28.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.28 Foreign currency translation (continued)

5.28.2 Foreign operations
In the group's consolidated financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to the consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.29 End of service indemnity
The group provides end of service benefits to 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 in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

5.30 Fiduciary assets
Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the group and accordingly are not included in these consolidated financial statements.

5.31 Related party transactions
Related parties consist of directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

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

6.1 Significant management judgments
In the process of applying the group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading 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 monitors the performance of these financial assets. 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 fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments, the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances, the Group recognises revenue over time. Where this is not the case, revenue is recognised at a point in time.

6.1.3 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The group classifies property as property under development if it is acquired with the intention of development.

The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.4 Control assessment

When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of goodwill and other intangible assets

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

6.2.2 Impairment of associates

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

6.2.3 Impairment of available for sale equity investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.4 Impairment of trade receivables and due from related parties

An estimate of the collectible amount of trade accounts receivable and due from related parties 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.

6.2.5 Impairment of loans to customers

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

6.2.6 Estimation of impairment of property, plant and equipment and capital work-in progress and their useful lives

The group's management tests annually whether property plant and equipment and capital work-in progress have suffered impairment in accordance with the accounting policies stated within note 5 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The group's management determines the useful lives of property plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.7 Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 5.2).

6.2.8 Fair value of financial instruments
Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. (see note 38).

6.2.9 Percentage of completion
The group recognises accrual for capital work in progress and properties under development based on the percentage of completion method. The percentage of work completion is determined by the independent lead consultant of the respective projects.

The percentage of completion method is applied on a cumulative basis in each accounting year to the current estimates of accrual for capital work in progress and property under development. Any change in estimate for determination of accruals for capital work in progress and property under development is recognised in current consolidated statement of financial position.

6.2.10 Cost to complete the projects
The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

6.2.11 Revaluation of investment properties
The group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The group engaged independent valuation specialists to determine fair value as at 31 December 2016 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

6.2.12 Impairment of development properties
The Group reviews the realisable values of development properties to assess if there is an indication of impairment. In determining whether the impairment losses should be recognised in the consolidated statement of profit or loss, management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the selling proceeds are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties recognised within properties under development in the consolidated statement of financial position to net realisable value.

Notes to the consolidated financial statements (continued)

7 Fundamental Accounting Concept

The group's current liabilities exceeded its current assets by KD29,532,912 as at 31 December 2016, management confirms that this situation is temporary as they are working on restructuring the group's asset based investments and re-negotiating the loan installment payments terms and dates.

The management of the parent company and its subsidiary: IFA Hotels and Resorts, Has begun serious negotiations with its lenders to restructure all its debts as appropriate with its current and future requirements to complete the existing projects and provide the necessary liquidity to finance its activities and achieve the best return on its assets either by sale or operation. The balances of borrowings due on the Parent Company directly amounted to K.D 75,757,852 as at the end of the year. The balances of borrowings due on the above subsidiary amounted to K.D 118,546,579 and all of the subsidiary's borrowings are regular.

Although some of the installments are due on the Borrowings of the parent company in favor of a foreign bank as stated in note 29, the management of the parent company is fully convinced that, due to the active negotiations which currently happening with this foreign bank, the provisions of claim of full borrowings due thereto will not be applied as a result of not repayment of those installments. So this matter, in any way, will not be the reason for the group's inability to continue as a going concern. The management of the parent company and its subsidiary confirm that the carrying value of the group's assets, which approximately represent twice of outstanding borrowings balances on the group, is enough to repay these borrowings in full and achieve shareholders' full equity.

Noting that, the carrying value of those assets is less than the estimated market value on that date. Therefore, the group's management has no doubts about the group's ability to continue as a going concern.

8 Subsidiary companies

8.1 Details of the group's material consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2016 %	31 Dec. 2015 %	
IFA Hotels and Resorts Co.– KPSC	Kuwait	**57.357**	57.357	Hotel operations
Seven Seas Resorts Co. – KSCC	Kuwait	**63.566**	63.566	Hotel operations
Gulf Real Estate Co. – WLL	Kuwait	**46.318**	46.318	Real estate
IFA Aviation Co. – KSCC	Kuwait	**74.8**	74.8	Aviation
Radeem Real Estate Co. – SAL	Lebanon	**99.9**	99.9	Real estate
Dana Real Estate Co. – SAL	Lebanon	**96.67**	96.67	Real estate
Suhail Telecommunication Services Company-KSCC	Kuwait	**99**	99	Telecommunication
First Takaful Insurance Company - KPSC	Kuwait	**90.98**	90.98	Insurance

Notes to the consolidated financial statements (continued)

8 Subsidiary companies (continued)

8.2 Sale of subsidiaries:

1) During the year, the group has disposed of 100% of its shareholding in The Palm Residence FZE and Al Shalal Beach Club FZE (UAE sub-subsidiaries) to a related party for a total consideration of KD 6,086,918 (equivalent to AED 74,000,000) resulting in a gain of KD 4,466,125 (equivalent to AED 54,303,034) which is recognised in the consolidated statement of profit or loss for the year. The management is currently in process to finalise the legal formalities to transfer the title deed of ownership in these subsidiaries to the buyer.

The details of the disposal of subsidiaries are as follows:

	KD
Property, plant and equipment	1,661,397
Trading properties	36,079
Receivables and other debit balances	494,232
Cash and cash equivalents	94,029
Payables and other credit balances	(664,944)
Net assets disposed at the date of disposal	1,620,793

Gain on disposal recognised is as follows:

	KD
Sales consideration	6,086,918
Net assets disposed at the date of disposal	(1,620,793)
Gain on sale of subsidiaries	4,466,125

2) During the year, the group has disposed of 51% of its shareholding in IFA Hotels and Resorts Holding SAL to a related party for a total consideration of KD 3,430,840 resulting in a gain of KD 144,670 which is recognised in the consolidated statement of profit or loss for the year. The management is currently in process to finalise the legal formalities to transfer the title deed of ownership in this subsidiary to the buyer.

The details of the disposal of subsidiary are as follows:

	KD
Property, plant and equipment	195,566
Available for sale investments	70,991
Goodwill	516
Due from related parties	252,009
Accounts receivable and other assets	169,500
Properties under development	10,765,148
Cash and cash equivalents	322,745
Non-controlling interests	1,302,766
Term loans	(2,746,296)
Due to related parties	(5,310,888)
Accounts payable and other liabilities	(252,676)
Advances received from customer	(658,064)
Foreign currency translation reserve	(825,147)
Net assets disposed at the date of disposal	3,286,170

Gain on disposal recognised is as follows:

	KD
Sales consideration	3,430,840
Net assets disposed at the date of disposal	(3,286,170)
Gain on sale of subsidiary	144,670

Notes to the consolidated financial statements (continued)

8 Subsidiary companies (continued)

8.3 Subsidiaries with material non-controlling interests

The group includes one subsidiary, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		(Loss)/profit allocated to NCI		Accumulated NCI	
	31 Dec. 2016 %	31 Dec. 2015 %	**31 Dec. 2016 KD**	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
IFA Hotels and Resorts Co. – KPSC ('IFAHR')	**42.646%**	42.646%	**(549,196)**	803,025	**31,868,538**	32,204,647
Individually immaterial subsidiaries with non controlling interests			**107,233**	(87,986)	**2,669,203**	2,685,747
			(441,963)	715,039	**34,537,741**	34,890,394

No dividends were paid to the NCI during the years 2016 and 2015.

Summarised financial information for IFA Hotels & Resorts Company - KPSC, before intra group eliminations, is set out below:

The financial year end of IFA Hotels and Resorts Company-KPSC (a subsidiary) is 31 December 2016, but for the purpose of consolidation of this subsidiary in to the group's consolidated financial statements, the interim condensed consolidated financial information for the period ended 30 September 2016 have been used after appropriate adjustments are made for the effects of any significant transactions or events that occur between that date and the reporting date of the parent company financial statements as of 31 December 2016:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Non-current assets	**173,928,258**	187,210,925
Current assets	**101,872,588**	117,380,431
Total assets	**275,800,846**	304,591,356
Non-current liabilities	**94,640,325**	155,066,878
Current liabilities	**113,445,428**	84,111,364
Total liabilities	**208,085,753**	239,178,242
Equity attributable to the owners of the parent company	**35,845,555**	33,208,467
Non-controlling interests	**31,869,538**	32,204,647
Total equity	**67,715,093**	65,413,114
Revenue	**31,190,905**	40,148,134
(Loss)/profit for the year attributable to the owners of the parent company	**(231,460)**	1,855,765
(Loss)/profit for the year attributable to NCI	**(549,196)**	803,025
(Loss)/profit for the year	**(780,656)**	2,658,790
Total other comprehensive income/(loss)	**10,864**	(133,088)
Total comprehensive (loss)/income for the year	**(769,792)**	2,525,702
Total comprehensive (loss)/income for the year attributable to the owners of the parent company	**(186,061)**	1,709,156
Total comprehensive (loss)/income for the year attributable to NCI	**(583,731)**	816,546
Total comprehensive (loss)/income for the year	**(769,792)**	2,525,702

Notes to the consolidated financial statements (continued)

8 Subsidiary companies (continued)

8.3 Subsidiaries with material non-controlling interests (continued)

	31 Dec. 2016 KD	31 Dec. 2015 KD
Net cash used in operating activities	**(11,406,456)**	(9,956,439)
Net cash from investing activities	**6,897,105**	1,170,011
Net cash from financing activities	**112,871**	12,921,491
Net cash (outflow)/inflow	**(4,396,480)**	4,135,063

8.4 The group has pledged 92% (31 December 2015: 90%) of the group's shares of IFA-Hotels and Resorts (Subsidiary) against group's borrowings (note 29).

9 Management fees and similar income

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Management fees from assets under management	**76,844**	80,598
Consultancy fees from managed assets	**256,036**	26,138
	332,880	106,736

Management fees and similar income are income arising from the group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory services.

10 Net income from hoteliers and related services

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Income:		
Income from properties	**8,539,844**	26,473,434
Hotel operations	**26,482,354**	27,519,842
Beach club operations	**1,626,242**	2,233,299
Management fees	**522,267**	1,760,644
Residential service income	**2,961,909**	3,874,104
Rental income	**1,046,215**	853,731
	41,178,831	62,715,054
Direct costs	**(21,292,765)**	(39,622,235)
	19,886,066	23,092,819

Income from properties represents revenue from trading properties and properties under development which have been originally purchased by the group and then developed and sold to customers.

Notes to the consolidated financial statements (continued)

11 Net gain from investments

Net (loss)/gain from investments, analysed by category is as follows:

	31 Dec. 2016			31 Dec. 2015		
	Investments at fair value through profit or loss KD	Available for sale investments KD	Total KD	Investments at fair value through profit or loss KD	Available for sale investments KD	Total KD
(Loss)/gain on sale	(11,622)	271,819	260,197	(120,874)	6,754,606	6,633,732
Change in fair value	(34,171)	-	(34,171)	(293,022)	-	(293,022)
	(45,793)	271,819	226,026	(413,896)	6,754,606	6,340,710

12 Net gain/(loss) from investment properties

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Gain on sale of investment properties	1,708,768	-
Change in fair value arising from revaluation	1,626,595	(9,651)
	3,335,363	(9,651)

During the year the group sold certain investment properties for total consideration of KD2,652,889 resulting in a gain of KD1,708,768 which is recognised in the consolidated statement of profit or loss for the year.

13 Other income

The other income consists of the following:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Reversal of redeemable preference shares – see below	3,169,603	-
Properties rental income	-	41,989
Foreign currency exchange loss	(36,577)	(692,920)
Net income from ticket sales and related services	191,650	232,390
Reversal of provision on loans to customers	53,338	114,872
Income on default of customers to the terms in the sale contracts of the sold residential units	-	424,758
Other miscellaneous (expense)/income	(952,988)	624,010
	2,425,026	745,099

During the year, the group negotiated certain amendments to its agreement with the Hotel Operator. As a result of the said amendments, all of the preferred shares were transferred to the group's subsidiary at nil consideration and accordingly, an income of KD3,169,603 equivalent to AED38,440,000 has been recognized.

14 Interest and similar expenses

Interest and similar expenses result from the group's short, medium and long term borrowing activities. All these financial liabilities of the group are stated at amortised cost.

Notes to the consolidated financial statements (continued)

15 Basic and diluted (loss)/earnings per share attributable to the owners of the parent company

Basic and diluted (loss)/earnings per share attributable to the owners of the parent company is calculated by dividing the (loss)/profit for the year attributable to the owners of the parent company by the weighted average number of shares outstanding during the year excluding treasury shares.

	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015
(Loss)/profit for the year attributable to the owners of the parent company (KD)	**(2,690,381)**	1,214,181
weighted average number of shares outstanding during the year (excluding treasury shares)	**672,889,436**	672,889,436
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company	**(4.00) Fils**	1.80 Fils

16 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise of the following accounts:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Cash and bank balances	**8,647,293**	13,923,394
	8,647,293	13,923,394
Less: Due to bank	**-**	(1,292,668)
Less: Restricted balance	**(346,446)**	(346,446)
Cash and cash equivalents as per consolidated statement of cash flows	**8,300,847**	12,284,280

During the year, the group transferred an amount of KD1,000,000 which is the bank overdraft balance to borrowings according to agreement with the concerned bank (note 29).

17 Investments at fair value through profit or loss

	31 Dec. 2016 KD	31 Dec. 2015 KD
Held for trading:		
Local		
Quoted securities	**213,430**	458,144
Unquoted securities	**31,597**	71,272
	245,027	529,416
Foreign		
Quoted securities	**1,965**	2,671
Total	**246,992**	532,087

Quoted securities with carrying value of KD140,659 (31 December 2015: KD116,434) pledged as security against borrowings to the group (note 29).

Notes to the consolidated financial statements (continued)

18 Receivables and other debit balances

	31 Dec. 2016 KD	31 Dec. 2015 KD
Financial assets		
Trade receivables	**5,829,098**	7,089,791
Advances	**126,277**	125,386
Kuwait Clearing Company receivable	**52,281**	79,056
Staff receivables	**1,140,374**	1,065,523
Non financial assets		
Prepaid expenses	**1,651,374**	2,256,131
Advances to contractors	**1,883,193**	2,255,437
Other miscellaneous receivables	**6,566,466**	7,134,896
	17,249,063	20,006,220

The carrying values of the financial assets included above approximate their fair values and all of these are due within one year, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

Trade receivables are non-interest bearing and generally due on 30 – 180 days terms.

As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Neither past due nor impaired		
- Less than three months	**3,886,065**	4,726,527
- Three – six months	**1,943,033**	2,363,264
Total trade receivables	**5,829,098**	7,089,791

19 Due from/to related parties

	31 Dec. 2016 KD	31 Dec. 2015 KD
Due from related parties:		
IFA Hotels and Resorts FZE	**-**	1,669,508
International Resorts Company – KPSC	**75,999**	-
Aim Consulting Services Co. – WLL	**44,392**	-
Al Deera Holding Company – KPSC	**509,015**	1,207,120
Zimbali Lodge Company	**614,198**	-
Other related parties	**729,773**	626,685
	1,973,377	3,503,313
Provision for doubtful debts	**(1,486,350)**	(1,486,350)
	487,027	2,016,963

Notes to the consolidated financial statements (continued)

19 Due from/to related parties (continued)

	31 Dec. 2016 KD	31 Dec. 2015 KD
Due to related parties:		
IFA Zimbali H & R (Pty) Ltd	**2,106,277**	1,479,000
Al Tilal Investment Co. – WLL	**1,352,418**	1,300,125
Kuwait Real Estate Company – KPSC	**227,701**	12,329,731
Al Rana General Trading Co. – WLL	**2,890,902**	833,132
Kuwait Holding Co. – KSCC	**3,913,242**	2,052,622
United Investment Portugal Company	**366,146**	366,146
Aim Consulting Services Co. – WLL	**-**	35,171
International Resorts Company – KPSC	**-**	169,211
Al Dahiya Investment Co. – WLL	**5,929,134**	5,683,486
Al Wafir Marketing Services Company	**3,652,735**	1,294,835
IFA Properties Brokerage – LLC	**77,135**	414,976
Fiarmount Zimbali H & R (Pty) Ltd	**-**	469,299
Kuwait Invest Real Estate-KSCC	**435,040**	435,040
Other related parties	**497,808**	775,409
	21,448,538	27,638,183

Due from related parties include balance amounting to KD Nil (31 December 2015: KD459,268) carries interest at the rate of Nil (31 December 2015:8%) per annum and has no specific repayment date. The remaining balances of KD487,027 (31 December 2015: KD1,557,695) are non interest bearing and have no specific repayment terms.

Due to related parties include balance amounting to KD7,720,393 (31 December 2015: KD8,204,640) carries interest ranging from 2.5% to 4.5% (31 December 2015: 4.25%) per annum and has no specific repayment date. The remaining balances of KD13,728,145 (31 December 2015: KD19,433,543) are non interest bearing and have no specific repayment terms.

20 Trading properties

	31 Dec. 2016 KD	31 Dec. 2015 KD
Residential apartments in Dubai (UAE)	**4,268,982**	4,299,030
Properties in South Africa	**3,242,115**	3,187,416
	7,511,097	7,486,446

a) The trading properties in Dubai represent unsold residential units. Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprised of land at cost and development expenditure related to unsold properties.

b) In the opinion of management there has been no impairment in the carrying value of the trading properties as of 31 December 2016.

c) Trading properties in South Africa have been pledged as security against borrowing facilities of the group (note 29).

Notes to the consolidated financial statements (continued)

21 Available for sale investments

	31 Dec. 2016 KD	31 Dec. 2015 KD
Local quoted securities	**171,499**	272,042
Foreign quoted securities	**44,617**	150,641
Local unquoted securities	**8,963,414**	11,319,234
Foreign unquoted securities	**12,760,043**	13,621,112
Managed funds	**730,216**	637,679
	22,669,789	26,000,708

a) Foreign and local unquoted investments amounting to KD790,826 (31 December 2015: KD1,953,565) are carried at cost less impairment, if any, since their fair values cannot be reliably determined. Management is not aware of any circumstances that would indicate impairment in value of these investments.

b) Managed funds include investments in units of private equity funds amounting to KD730,216 (31 December 2015: KD637,679). Fair value of these investments are determined using net asset values reported by the investment managers and the management believes that these represent the best estimate of fair value available for these investments.

c) During the year, the group recognised an impairment loss of KD1,519,085 (31 December 2015: KD250,961) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

d) Available for sale investments amounting to KD6,460,007 (31 December 2015: KD6,755,705) are pledged as security against group's borrowings (note 29).

22 Investment properties

22.1 Investment properties represent the following:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Land in Jordan	**396,263**	393,010
Land in UAE	**542,102**	575,351
Apartments in Dubai – UAE	**135,534**	132,455
Building in Lebanon	**2,314,775**	1,598,182
Apartments in Portugal	**7,438,139**	7,642,994
	10,826,813	10,341,992

22.2 The movement in investment properties is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Carrying value at the beginning of the year	**10,341,992**	10,828,524
Transferred to property plant and equipment	**-**	(3,014)
Change in fair value arising during the year – below (a)	**1,626,595**	(9,651)
Disposals during the year	**(944,122)**	-
Foreign currency adjustment	**(197,652)**	(473,867)
Ending balance	**10,826,813**	10,341,992
Unrealised gain/(loss) recognised in the consolidated statement of profit or loss resulting from change in fair value (note 12)	**1,626,595**	(9,651)

Notes to the consolidated financial statements (continued)

22 Investment properties (continued)

22.2 The movement in investment properties is as follows: (continued)

a) The fair value of investment properties located outside the State of Kuwait has been estimated by independent external valuers resulting in revaluation gain of KD1,626,595 against revaluation loss (31 December 2015 KD9,651).

Investment properties were revalued by independent valuers using market comparable approach that reflects the recent transaction prices for similar properties. Refer to note 38.3 for their classification under different levels.

b) Investment properties amounting to KD7,438,139 (31 December 2015: KD7,642,994) are pledged as security against group's borrowings (note 29).

23 Investment in associates

	31 Dec. 2016 KD	31 Dec. 2015 KD
Investment in associates	**41,103,181**	42,645,744
	41,103,181	42,645,744

23.1 The details of the in associates are as follows:

Company name	Principal Activities	Place of incorporation	31 Dec. 2016 %	31 Dec. 2016 KD	31 Dec. 2015 %	31 Dec. 2015 KD
Arzan Financial Group For Financing and Investment – KPSC(Quoted)	Financing	Kuwait	**17.53**	**19,117,242**	19.36	20,296,070
Neova Sigorta Insurance Company("Neova")*	Insurance	Turkey	**35**	**12,643,260**	35	10,133,094
Yotel Investment Limited – UK*	Investment	UK	**40.36**	**6,202,655**	50	8,889,001
Legend & IFA Developments (Pty) Ltd * (a)	Property development	South Africa	**50**	**3,042,910**	50	3,249,561
IFA Investments (Switzerland) SA	Investments	Switzerland	**25**	**40,169**	25	40,169
Zamzam Religious Tourism Co. – KSCC	Hajj & Umrah	Kuwait	**20**	**29,337**	20	37,847
Abwab Capital Limited	Investments	UAE	**45.96**	**27,607**	42.43	1
Weqaya Takaful Insurance and Reinsurance Company-SSC (Quoted)* (d)	Insurance	Saudi Arabia	**20**	**1**	20	1
				41,103,181		42,645,744

* Associates held through group's subsidiaries companies.

Notes to the consolidated financial statements (continued)

23 Investment in associates (continued)

23.1 The details of the associates are as follows: (continued)
The movement of the carrying value of investment in associates is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Carrying value at the beginning of the year	**42,645,744**	29,183,734
Additions during the year	**275,952**	10,991,176
Reclassification of remaining 50% interest held in subsidiary	**-**	8,889,001
Share of results of associates	**3,203,176**	(1,616,102)
Impairment of partners' loan in associates (a)	**-**	(2,500,000)
Impairment of investment in associate – (b)	**(30,759)**	(38,808)
Disposals during the year – (e)	**(3,010,266)**	-
Share of other comprehensive loss	**645,330**	(993,608)
Foreign exchange translation adjustment	**(2,625,996)**	(1,269,649)
	41,103,181	42,645,744

a) Investment in Legends & IFA Developments (Pty) Limited, includes partners' loan of KD3,042,910 (31 December 2015: KD5,749,561). During the year the group recognised impairment loss amounting to KD Nil (31 December 2015: KD2,500,000) relating to loan provided from the partners of that associate to support its share capital, based on recoverability assessment carried out by the group's management.

b) During the year, the group recognised impairment loss amounting to KD30,759 (31 December 2015: KD38,808) relating to group's investment in Abwab Capital Limited (UAE).

c) Investment in associate amounting to KD2,089,081 (31 December 2015: KD2,448,143) is pledged as security against group's borrowings (note 29).

d) The group's subsidiary has discontinued to recognise its share of further losses of the associate (Weqaya Takaful Insurance and Reinsurance Company) with carrying value of KD1 from 1 April 2014 in accordance with IAS-28. The group's share of unrecognised losses of the associate or the fair value as at 31 December 2016 cannot be determined because the investee company shares have been suspended from trading since 3 June 2014. If the investee company subsequently reports profit, the group will resume recognising its share of these profits only after its share of profits equal the share of losses not recognised.

e) During the year shares in Arzan Financial Group for Financing and Investment – KPSC amounting KD1,985,360 and shares in Yotel Investment Limited amounting KD1,024,906 have been sold, which resulted in loss amounting KD541,528 recognized in the statement of profit or loss for the current year.

23.2 Summarised financial information of group's material associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates and not the group's share of these amounts adjusted for differences in accounting policies between the group and its associates.

Notes to the consolidated financial statements (continued)

23 Investment in associates (continued)

23.1 The details of the associates are as follows: (continued)

a) Arzan Financial Group for Financing and Investment - KPSC (Quoted):

	31 Dec. 2016 KD	31 Dec. 2015 KD
Non-current assets	**156,767,365**	142,111,931
Current assets	**35,249,946**	36,238,558
Total assets	**192,017,311**	178,350,489
Non-current liabilities	**(64,810,483)**	(62,066,362)
Current liabilities	**(18,166,555)**	(11,465,839)
Total liabilities	**82,977,038**	(73,532,201)
Net assets	**109,040,273**	104,818,288

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Revenue	**8,020,910**	6,994,396
Profit/(loss) for the year	**3,615,991**	(5,861,513)
Other comprehensive loss for the year	**(5,296,082)**	(1,324,874)
Total comprehensive loss for the year	**(1,680,091)**	(7,186,387)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is give below:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Group's ownership interest (%)	**17.53%**	19.36%
Net assets of the associate	**109,040,273**	104,818,288
Group's share of net assets	**19,117,242**	20,296,070
Carrying amount	**19,117,242**	20,296,070
Fair value	**4,504,435**	5,985,311

a) Arzan Financial Group for Financing and Investment - KPSC (Quoted):

During the year, the group sold 1.83% from the equity holding in Arzan financial Group for Financing and Investment – KPSC for a sell value KD462,894 resulting in a loss of KD1,522,466 which is recognised in the consolidated statement of profit or loss for the year.

No dividends were received from Arzan during the years 2016 and 2015.

The management believes that the market value is not indicative of the fair value for this investment.

Notes to the consolidated financial statements (continued)

23 Investment in associates (continued)

b) Neova Sigorta Insurance Company (Unquoted):

	31 Dec. 2016 KD	31 Dec. 2015 KD
Non-current assets	**1,052,915**	501,358
Current assets	**100,672,249**	61,258,686
Total assets	**101,725,164**	61,760,044
Non-current liabilities	**(2,356,728)**	(441,981)
Current liabilities	**(84,077,308)**	(53,198,841)
Total liabilities	**(86,434,036)**	(53,640,822)
Net assets	**15,291,128**	8,119,222

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Revenue	**66,399,226**	44,708,252
Profit/(loss) for the year	**9,683,819**	(1,346,642)
Other comprehensive loss	**(8,246,466)**	(2,508,310)
Total comprehensive income/(loss) for the year	**1,437,353**	(3,854,952)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is give below:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Group's ownership interest	**35 %**	35 %
Net assets of the associate	**15,291,128**	8,119,222
Group's share of net assets	**5,351,895**	2,841,729
Goodwill	**7,291,365**	7,291,365
Carrying amount	**12,643,260**	10,133,094

Neova Signorta Insurance Company is a private company, therefore, no quoted market price is available for its share. No dividends were received from Neova during the years 2016.

Notes to the consolidated financial statements (continued)

23 Investment in associates (continued)

c) Yotel Investment Limited (Unquoted):

	31 Dec. 2016 KD	31 Dec. 2015 KD
Non-current assets	**3,407,487**	3,003,645
Current assets	**526,130**	1,498,525
Total assets	**3,933,617**	4,502,170
Current liabilities	**(2,603,995)**	(1,936,510)
Total liabilities	**(2,603,995)**	(1,936,510)
Net assets	**1,329,622**	2,565,660

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Revenue	**2,462,404**	-
Loss for the year	**(1,657,973)**	-
Total comprehensive loss for the year	**(1,657,973**	-

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is give below:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Group's ownership interest	**40.36%**	50 %
Net assets of the associate	**1,329,622**	2,565,660
Group's share of net assets	**536,635**	1,282,830
Goodwill	**5,666,020**	7,606,171
Carrying amount	**6,202,655**	8,889,001

Yotel Investment Limited is a private company, therefore, no quoted market price is available for the share. No dividends were received from Yotel during the year 2016 and 2015.

The group sold 9.64% from the equity holding in Yotel Investment Limited to related party for total consideration of KD2,005,844 resulting in a gain of KD980,938 which recognised in the consolidated statement of profit or loss for the year.

Notes to the consolidated financial statements (continued)

23 Investment in associates and joint ventures (continued)

d) Legend & IFA Developmennt (Pty) Ltd (Unquoted):

	31 Dec. 2016 KD	31 Dec. 2015 KD
Non-current assets	**15,381,835**	16,377,922
Current assets	**432,952**	406,127
Total assets	**15,814,787**	16,784,049
Non-current liabilities	**(1,880,703)**	(2,092,105)
Current liabilities	**(16,449,538)**	(16,673,793)
Total liabilities	**(18,330,241)**	(18,765,898)
Net assets	**(2,515,454)**	(1,981,849)

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Revenue	**1,029,088**	1,845,507
Loss for the year	**(421,940)**	(305,495)
Other comprehensive loss for the year	**(18,695)**	(22,653)
Total comprehensive loss for the year	**(440,635)**	(328,148)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is give below:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Group's ownership interest	**50%**	50 %
Net assets of the associate	**(2,515,454)**	(1,981,849)
Groups' share of net assets	**(1,257,727)**	(990,925)
Other adjustments	**1,257,727**	990,925
Partners' loan	**3,042,910**	5,749,561
Impairment of partners' loan	**-**	(2,500,000)
Carrying amount	**3,042,910**	3,249,561

Legend & IFA Development (Pty) Ltd is a private company, therefore, no quoted market price is available for the share. No dividends were received from Legend during the years 2016 and 2015.

Notes to the consolidated financial statements (continued)

23 Investment in associates and joint ventures (continued)

d) Legend & IFA Developmennt (Pty) Ltd (Unquoted): (continued)

23.3 Set out below is the aggregate information for the individually immaterial associates.

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Group's share of the profits and losses	**89,878**	160,412
Group's share of total comprehensive income	**89,878**	160,412
Aggregate carrying amount of group's interest in these associates	**97,112**	78,018

24 Goodwill

	31 Dec. 2016 KD	31 Dec. 2015 KD
Carrying value at the beginning of the year	**40,224,898**	40,761,426
Arising from disposal of subsidiary	**(516)**	-
Additions	**-**	104,639
Impairment of goodwill	**-**	(604,639)
Foreign exchange translation adjustments	**(49,825)**	(36,528)
Carrying value at the end of the year	**40,174,557**	40,224,898

The goodwill consists of the following:

	31 Dec. 2016 KD	31 Dec. 2015 KD
IFA Hotels and Resorts Company-KPSC	**38,527,968**	38,578,309
Dana Real Estate Company	**1,646,589**	1,646,589
	40,174,557	40,224,898

IFA Hotels and Resorts Company-KPSC and Dana Real Estate Company:
Goodwill acquired through business combination with indefinite life has been allocated to the entire subsidiaries, IFA Hotels and Resorts Company-KPSC and Dana Real Estate Company (cash generating unit), for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used for the value in use calculations
The calculation of value in use is most sensitive to the following assumptions:
• Gross margins,
• Discount rates and
• Growth rate to extrapolate cash flows beyond forecast period

Notes to the consolidated financial statements (continued)

24 Goodwill (continued)

Gross margins are based on average values achieved in the last three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates reflect the current market assessment of the risks specific to cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the subsidiary.

Projected growth rates and local inflation rate assumptions are based on published research.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

25 Properties under development

The movement in properties under development is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Carrying value at the beginning of the year	**80,506,538**	158,251,603
Effect of adoption of IFRS 15 (b below)	**-**	(96,583,628)
	80,506,538	61,667,975
Additions during the year	**9,726,052**	16,329,991
Transferred from property, plant and equipment	**-**	6,686,975
Cost incurred during the year	**(9,117,541)**	(9,368,949)
Arising from disposal of subsidiary (Note 8.2)	**(10,765,148)**	-
Transferred to receivables and other debit balances	**(91,316)**	-
Foreign exchange translation adjustments	**490,147**	5,190,546
As at 31 December	**70,748,732**	80,506,538

a) In the opinion of the management, there is no impairment in the carrying values of the properties under development as at 31 December 2016 (31 December 2015: KD Nil.).

b) The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it as of 1 January 2015, as the Group believe it reflect better effect the real estate business performance, Group elected to use the modified retrospective application of the standard as permitted of IFRS 15 upon early adoption the modified retrospective application require to recognise the cumulative impact by adjusting the opening balance of the properties under development as at 1 January 2015.

The above balance consists of the following:	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Cost of land:		
- UAE (Balqis Residence & C14 property)	**34,364,873**	36,410,068
- Lebanon (Tilal Al Abadiyah)	**-**	5,642,200
- Zimbali Prescint Real Estate	**255,631**	281,398
	34,620,504	42,333,666
Construction and piling works	**15,735,544**	28,967,783
Other costs related to construction	**20,392,684**	9,205,089
Total costs	**70,748,732**	80,506,538

Properties under development amounting to KD34,620,504 (31 December 2015: KD42,333,666) are mortgaged against group's borrowings (note 29).

Notes to the consolidated financial statements (continued)

26 Capital work in progress

These represent hotel and other capital projects under construction in UAE.

26.1 Capital work in progress consists of the following:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Land cost-crescent Palm Jumeirah	**46,360,845**	46,513,762
Construction and pilling works	**200,129**	186,799
	46,560,974	46,700,561

26.2 The movement in capital work in progress is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Carrying value at the beginning of the year	**46,700,561**	45,662,545
Additions during the year	**13,945**	512,230
Arising from disposal of subsidiary	**-**	(783,696)
Foreign currency translation adjustments	**(153,532)**	1,309,482
	46,560,974	46,700,561

In the opinion of the management, there has been no impairment in the carrying values of the land as at 31 December 2016 (31 December 2015: KD Nil.).

Notes to the consolidated financial statements (continued)

27 Property, plant and equipment

31 December 2016	Freehold land KD	Buildings on freehold land KD	Building on leasehold Land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Total KD
Cost							
At 1 January 2016	7,517,662	104,087,451	3,466,707	6,003,648	8,446,706	236,918	129,759,092
Additions		25,445	-	485,914	648,169	23,295	1,182,823
Disposals		(1,795,167)	-	-	(149,613)	-	(1,944,780)
Transfer		(20,048)	-	-	20,048	-	-
Arising from disposal of subsidiary – (Note 8.2)		(2,449,293)	-	(433,141)	(418,539)	(56,785)	(3,357,758)
Foreign currency translation adjustment	5,220	80,430	(19,978)	(10,316)	41,217	(2,808)	93,765
At 31 December 2016	**7,522,882**	**99,928,818**	**3,446,729**	**6,046,105**	**8,587,988**	**200,620**	**125,733,142**
Accumulated depreciation							
At 1 January 2016	-	10,317,917	708,780	4,594,786	4,508,143	176,717	20,306,343
Charge for the year	-	2,005,199	-	771,614	840,886	22,532	3,640,231
Relating to disposals	-	(188,861)	-	-	(147,103)	-	(335,964)
Relating to transfer	-	(93,013)	-	-	93,013	-	-
Arising from disposal of subsidiary – (Note 8.2)	-	(779,703)	-	(378,867)	(288,322)	(53,902)	(1,500,794)
Foreign currency translation adjustment	-	74,987	(3,330)	(11,935)	36,458	(1,884)	94,296
At 31 December 2016	-	**11,336,526**	**705,450**	**4,975,598**	**5,043,075**	**143,463**	**22,204,112**
Net carrying amount							
At 31 December 2016	**7,522,882**	**88,592,292**	**2,741,279**	**1,070,507**	**3,544,913**	**57,157**	**103,529,030**

Notes to the consolidated financial statements (continued)

27 Property, plant and equipment (continued)

31 December 2015	Freehold land KD	Buildings on freehold land KD	Building on leasehold Land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Total KD
Cost							
At 1 January 2015	7,884,505	106,785,162	8,668,022	4,913,857	8,883,720	249,565	137,384,831
Additions	-	201,724	830,735	1,076,643	1,014,648	4,613	3,128,363
Disposals	-	(204,935)	-	-	(221,227)	(9,953)	(436,115)
Transferred from investment properties	3,014	-	-	-	-	-	3,014
Transferred to properties under development	(468,168)	(5,858,504)	-	(162,591)	(197,712)	-	(6,686,975)
Arising from disposal of subsidiary	-	-	(6,056,504)	-	(757,666)	-	(6,814,170)
Foreign currency translation adjustment	98,311	3,164,004	24,454	175,739	(275,057)	(7,307)	3,180,144
At 31 December 2015	7,517,662	104,087,451	3,466,707	6,003,648	8,446,706	236,918	129,759,092
Accumulated depreciation							
At 1 January 2015	-	7,906,950	2,958,482	2,907,030	4,039,844	167,794	17,980,100
Charge for the year	-	2,000,291	925,976	1,581,674	1,232,306	17,119	5,757,366
Relating to disposals	-	(14,143)	-	-	(71,652)	(6,863)	(92,658)
Relating to disposal of subsidiary	-	-	(3,211,880)	-	(630,574)	-	(3,842,454)
Foreign currency translation adjustment	-	424,819	36,202	106,082	(61,781)	(1,333)	503,989
At 31 December 2015	-	(10,317,917)	708,780	4,594,786	4,508,143	176,717	20,306,343
Net carrying amount							
At 31 December 2015	7,517,662	93,769,534	2,757,927	1,408,862	3,938,563	60,201	109,452,749

During the year, the group sold offices and parking bays in Trunk Residence FZE (UAE – Sub – Subsidiary) with net book value of KD1,604,674 (equivalent to AED19,531,467) for total consideration of KD3,205,880 (equivalent to AED39,001,000) resulting in a gain on sale of KD1,601,206 (equivalent to AED19,469,533) which is recognised in the consolidated statement of profit or loss for the year.

Notes to the consolidated financial statements (continued)

27 Property, plant and equipment (continued)

Land and building with a carrying value of KD6,878,244 (31 December 2015: KD6,345,281) located in South Africa have been pledged as security for term loan facility obtained by subsidiary's of group located in South Africa. Further building with carrying value of KD81,173,817 (2015: KD74,077,903) located in UAE has been pledged as security for loan facility obtained by subsidiary's of group located in UAE (see note 29).

28 Payables and other credit balances

	31 Dec. 2016 KD	31 Dec. 2015 KD
Accrued expenses	**8,599,047**	4,546,205
Accounts payable	**14,613,430**	20,843,886
Dividends payable	**568,781**	512,511
Kuwait Foundation for the Advancement of Science Share	**2,476,455**	2,448,681
National Labour Support Tax	**7,760,674**	7,661,108
Zakat provision	**695,716**	656,268
Provision for employees' end of service benefits and leave	**2,806,088**	2,726,617
Deferred income	**2,215,512**	1,955,794
Accrued retention payable	**4,787,460**	2,822,797
Accrued construction costs	**35,836**	2,255,715
Redeemable preference shares – (see note 13)	**-**	3,029,147
Refundable deposits on cancellation and resale of units	**1,538,477**	1,627,298
Land transfer fee payable	**330,465**	2,560,857
Provision for loans receivable	**1,556,000**	1,556,000
Amount due to policyholders	**3,871,789**	3,128,133
Other payables	**10,796,506**	10,342,363
	62,652,236	68,673,380

Other payable include post dated cheques amounting to KD1,157,173 issued against settlement of legal cases filed by unit holders in Balqis Residence FZE (UAE – sub – Subsidiary) out of there, post dated cheques amounting to KD1,123,671 have been issued in respect of refunds of deposits received from customers and their maturities are as per court order.

Notes to the consolidated financial statements (continued)

29 Borrowings

The loan balances and bank facilities of the group are represented at the date of the consolidated statement of financial position by the following:

	Currency	Period due From	Period due To	Effective interest rates	Purpose	Assets pledged	31 Dec. 2016	31 Dec. 2015
1	USD (a)	28-12-2005	28-12-2019	3.82%	Financing the group's investments	Shares of parent company and IFA H& R	**36,759,000**	36,489,000
2	EUR (a)	15-06-2007	28-12-2019	2.5%	Financing the group's investments	Shares of IFA H& R and AFS investments	**6,443,852**	6,616,976
3	KD (b)	26-06-2011	31-12- 2023	4.50%	Debt repayment	Local portfolio with 120% coverage	**24,000,000**	23,000,000
4	KD	01-01-2010	31-12-2019	4.25%	Local equity financing	Local portfolio with 175% coverage	**8,555,000**	8,555,000
5	AED	01-05-2007	30-06-2018	6.75% - 18.8%	Projects financing	Properties located in Palm Jumeirah, U.A.E and restricted deposited in a foreign bank account	**101,080,876**	96,481,704
6	Rand	23-05-2007	21-05-2017	2.25% - 9.5%	Financing the group's investments	Mortgage of certain properties, plant and equipment and certain trading properties in South African subsidiaries	**13,714,020**	12,284,463
7	USD	01-01-2010	31-12-2016	9%	Acquisition of properties	Land included in properties under development	**-**	2,857,938
8	EUR	15-09-2011	15-03-2024	6.5%	Acquisition of properties	Investment properties owned by the subsidiary	**3,751,683**	4,198,383
							194,304,431	190,483,464

a) Euro and US Dollar loan

Euro and US Dollar loan granted to the Group from a foreign bank amounted to KD 43,202,852. Installments on both loans matured in accordance with the contractual terms and conditions. These installments amounted to KD 12,096,799 and were not settled up to the date of the financial statements.

The Parent Company's management is currently negotiating with the foreign bank to find the ways of rescheduling these loans and agree upon the final conditions of that rescheduling (see note 7).

b) During the year, the group transfer an amount of KD1,000,000 which is the balance of the overdraft facility to borrowings in accordance with the scheduling contract agreement with the relevant bank (note 16).

Notes to the consolidated financial statements (continued)

29 Borrowings (continued)

The borrowings are pledged against certain group's assets as follow:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Restricted balances (Note 16)	**346,446**	346,446
Investments at fair value through profit or loss (note 17)	**140,659**	116,434
Trading properties (note 20)	**3,242,115**	3,187,416
Available for sale investments (note 21)	**6,460,007**	6,755,705
Investment in associate (note 23)	**2,089,081**	2,448,143
Investment properties (note 22)	**7,438,139**	7,642,994
Properties under development (note 25)	**34,620,504**	42,333,666
Property, plant and equipment (note 27)	**88,052,061**	80,423,184
Investment in subsidiary (note 8)	**58,402,509**	62,402,154
Total assets pledged	**200,791,521**	205,656,142

30 Advances received from customers

These balances represent amounts collected in advance from customers of a subsidiary company of the group on the sale of residential flats currently under construction by the group.

	31 Dec. 2016 KD	31 Dec. 2015 KD
Balance at the beginning of the year	**22,224,779**	132,256,127
Effect of adoption of IFRS 15 (A below)	**-**	(104,769,468)
	22,224,779	27,486,659
Advances received during the year	**8,047,818**	7,065,872
Revenue recognised during the year	**(15,850,250)**	(16,249,041)
Deposit transferred to other payables	**(3,469,746)**	-
Deposit refunded upon cancelation	**(1,922,393)**	-
Arising from disposal of subsidiary	**(658,064)**	-
Foreign currency translation adjustment	**(1,011,033)**	3,921,289
Balance at end of the year	**7,361,111**	22,224,779

A) The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it as of 1 January 2015, as the Group believe it reflect better effect the real estate business performance, Group elected to use the modified retrospective application of the standard as permitted of IFRS 15 upon early adoption the modified retrospective application require to recognise the cumulative impact by adjusting the opening balance of the advances received from customers as of 1 January 2015.

31 Equity

31.1 Share capital

The authorised , issued and paid up share capital of the parent company comprised of 720,000,000 shares of 100 Fils each, all fully paid (31 December 2015: 720,000,000 shares of 100 Fils each).

31.2 Share premium

Share premium is not available for distribution, unless otherwise stipulated by local laws.

Notes to the consolidated financial statements (continued)

31 Equity (continued)

31.3 Treasury shares

31 Dec. 2016				31 Dec. 2015			
Number of shares	**%**	**Cost KD**	**Market Value KD**	Number of shares	%	Cost KD	Market Value KD
47,110,564	**6.54**	**32,757,404**	**1,460,427**	47,110,564	6.54	32,757,404	1,366,206

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable. Treasury shares carried at cost amounting to KD32,743,499 (31 December 2015: KD32,743,499) are pledged as security against group's borrowings.

32 Statutory and Voluntary reserves

The Companies Law and the parent company's articles of association require that 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the legal reserve. The shareholders of parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal 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.

The parent company's articles of association requires that, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

No transfer is required in the year of loss or where accumulated losses exist.

33 Fiduciary accounts

The group manages financial portfolios on behalf of others, mutual funds, and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management control as at 31 December 2016 amounted to KD35,831,487 (31 December 2015: KD40,547,067). The group earned management fees of KD76,844 (31 December 2015: KD80,598) from these activities.

34 Annual general assembly

The board of directors of the parent company propose not to distribute any dividend for the year ended 31 December 2016. This proposal is subject to the approval of the parent company's shareholders at the Annual General Assembly.

The Annual General Assembly of the Shareholders held on 17 July 2016 approved the consolidated financial statements of the group for the year ended 31 December 2015 and approved the directors' proposal not to distribute any dividend for the year ended 31 December 2015.

Notes to the consolidated financial statements (continued)

35 Capital Commitments

Capital expenditure commitments
At 31 December 2016, the group has capital commitments to pay all funds required to pay its remaining share of financing the construction of real estate projects located in Dubai – UAE, Beirut –Lebanon, and South Africa. The group's share of fund necessary to finance these projects is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Estimated and contracted commitment due on account of revenue projects	**36,615,403**	16,051,125

The group expects to finance the future expenditure commitments from the following sources:
a) sale of investment properties;
b) advances from customers;
c) increase of share capital;
d) payments provided by the shareholders, related entities, joint ventures; and
e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

Notes to the consolidated financial statements (continued)

36 Segmental information

The group activities are concentrated in four main segments: asset management, treasury and investments, real estate and others. The segments' results are reported to the higher management in the group. In addition, the segments revenue, assets are reported based on the geographic locations which the group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Asset Management		Treasury and Investments		Real Estate		Others		Total	
	31 Dec. 2016 KD	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Segment income/(loss)	**332,880**	106,736	**8,021,707**	20,783,046	**26,182,895**	25,327,269	**1,064,766**	1,080,205	35,602,248	47,297,256
Segment (loss)/profit for the year	**(3,307,349)**	(5,650,636)	**(5,762,406)**	5,522,555	**26,182,895**	25,327,269	**(20,409,811)**	(23,004,245)	(3,296,671)	2,194,943
Unallocated expenses (NLST ,Zakat and taxations)									164,327	(265,723)
(Loss)/profit for the year									(3,132,344)	1,929,220
Depreciation									3,640,231	5,757,366
Impairment on various assets									1,549,844	4,946,154
Interest and similar expenses									12,234,270	12,470,722
Statement of financial position										
Total segmental assets	**103,529,030**	109,452,750	**112,841,811**	120,041,249	**135,647,616**	145,035,537	-	-	**352,018,457**	374,529,536
Total segmental liabilities	**-**	-	**(194,304,431)**	(191,776,132)	**(7,588,811)**	(22,224,779)	-	-	**(201,893,242)**	(214,000,911)
Net segmental assets	**103,529,030**	109,452,750	**(81,462,620)**	(71,734,883)	**128,058,805**	122,810,758	-	-	**150,125,215**	160,528,625
Unallocated assets									**17,736,091**	25,308,764
Unallocated liabilities									**(83,873,074)**	(96,311,563)
Net Assets									**83,988,232**	89,525,826

Geographical information:-

	Assets		Revenue	
	31 Dec. 2016 KD	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Kuwait	**93,064,802**	103,991,026	**4,309,275**	2,229,176
UAE and Asia	**228,181,813**	243,890,168	**24,424,538**	26,568,749
Africa	**29,073,580**	27,388,381	**4,070,392**	1,570,392
Others	**19,434,353**	24,568,725	**2,798,043**	16,928,939
	369,754,548	399,838,300	**35,662,248**	47,297,256

Notes to the consolidated financial statements (continued)

37 Related parties transactions

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

During the year, the group entities entered into the following transactions with related parties that are not members of the group:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Balances included in the consolidated statement of financial position:		
Amounts due from related parties (note 19)	**487,027**	2,016,963
Amounts due to related parties (note 19)	**21,448,538**	27,638,183
Transactions included in the consolidated statement of profit or loss:		
Interest and similar expenses	**342,647**	295,500
Interest income	**-**	35,718
Dividend income	**240,695**	-
Gain on sale of available for sale investments (note 12)	**-**	6,754,606
Gain on sale of subsidiaries (note 8)	**4,610,795**	8,102,000
Due from related party written off	**-**	1,551,746
Impairment of partners' loan in associate (note 23)	**-**	2,500,000
Gain on sale of shares in associates	**915,589**	-
Key management compensation of the group:		
Short-term benefits	**987,754**	1,126,741

38 Fair value measurement

38.1 Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements (continued)

38 Fair value measurement (continued)

38.2 Fair value measurement of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Cash and cash equivalents	**8,647,293**	13,923,394
- Receivables and other debit balances	**6,116,716**	7,370,241
- Due from related parties	**487,027**	2,016,963
- Partners' loan in associate	**3,042,910**	5,749,561
Investments at fair value through profit or loss:		
-At fair value	**246,992**	532,087
Available for sale investments:		
-At fair value	**21,878,963**	24,047,143
-At cost	**790,826**	1,953,565
	41,210,727	55,592,954
Financial liabilities:		
Financial liabilities at amortised cost:		
-Due to bank	**-**	1,292,668
-Payables and other credit balances	**62,652,236**	68,673,380
-Due to related parties	**21,448,538**	27,638,183
-Borrowings	**194,304,431**	190,483,464
	278,405,205	288,087,695

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values. Certain available for sale investment is carried at cost for reason specified in note 21.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial position are grouped into the fair value hierarchy as follows:

Notes to the consolidated financial statements (continued)

38 Fair value measurement (continued)

38.2 Fair value measurement of financial instruments

31 December 2016

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local shares:				
Quoted securities	**213,430**	**-**	**-**	**213,430**
Unquoted securities	**-**	**-**	**31,597**	**31,597**
Foreign shares:				
Quoted securities	**1,965**	**-**	**-**	**1,965**
Available for sale investments				
Quoted securities	**171,499**	**-**	**-**	**171,499**
Foreign quoted securities	**44,617**	**-**	**-**	**44,617**
Managed funds	**-**	**730,216**	**-**	**730,216**
Unquoted securities	**-**	**-**	**20,932,631**	**20,932,631**
	431,511	**730,216**	**20,964,228**	**22,125,955**

31 December 2015

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local shares:				
Quoted securities	458,144	-	-	458,144
Unquoted securities	-	-	71,272	71,272
Foreign shares:				
Quoted securities	2,671	-	-	2,671
Available for sale investments				
Quoted securities	272,042	-	-	272,042
Foreign quoted securities	150,641	-	-	150,641
Managed funds	-	637,679	-	637,679
Unquoted securities	-	-	22,986,781	22,986,781
	883,498	637,679	23,058,053	24,579,230

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds

Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

Notes to the consolidated financial statements (continued)

38 Fair value measurement (continued)

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at 31 Dec. 2016 KD	Fair value as at 31 Dec. 2015 KD	Fair value Hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
Investment at fair value through Profit or loss:						
Local shares:						
Quoted securities	**213,430**	458,144	1	Quoted bid prices	N/A	N/A
Unquoted securities	**31,597**	71,272	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Foreign:						
Quoted securities	**1,965**	2,671	1	Quoted bid prices	N/A	N/A
Available for sale investments						
Quoted securities	**171,499**	272,042	1	Quoted bid prices	N/A	N/A
Foreign quoted securities	**44,617**	150,641	1	Quoted bid prices	N/A	N/A
Managed funds	**730,216**	637,679	2	NAV Basis	N/A	N/A
Unquoted securities	**20,932,631**	22,986,781	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value

The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk used to estimate fair value of level 3 investments were changed by 5%.

Notes to the consolidated financial statements (continued)

38 Fair value measurement (continued)

Level 3 fair value measurements

The group's financial assets and liabilities classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investments at fair value through profit or loss	
	31 Dec. 2016 KD	31 Dec. 2015 KD
Opening balance	**71,272**	232,156
Transferred from level 1	**-**	136
Gains or losses recognised in:		
- Consolidated statement of profit or loss	**(39,675)**	(161,020)
Closing balance	**31,597**	71,272

	Available for sale Investments	
	31 Dec. 2016 KD	31 Dec. 2015 KD
Opening balance	**22,986,781**	25,998,322
Additions	**-**	2,657,098
Transferred to level 3 previously carried at cost	**572,739**	4,580,155
Sales	**(1,131,559)**	(9,682,646)
Gains or losses recognised in:		
- Other comprehensive (loss)	**(1,495,330)**	(566,148)
Closing balance	**20,932,631**	22,986,781

38.3 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2016				
Investment properties				
Land in Jordan	**-**	**-**	**396,263**	**396,263**
Land in UAE	**-**	**-**	**542,102**	**542,102**
Apartments in Dubai – UAE	**-**	**-**	**135,534**	**135,534**
Buildings in Lebanon	**-**	**-**	**2,314,775**	**2,314,775**
Apartments in Portugal	**-**	**-**	**7,438,139**	**7,438,139**
	-	**-**	**10,826,813**	**10,826,813**
31 December 2015				
Investment properties				
Land in Jordan	-	-	393,010	393,010
Land in UAE	-	-	575,351	575,351
Apartments in Dubai – UAE	-	-	132,455	132,455
Apartments in Portugal	-	-	7,642,994	7,642,994
	-	-	8,743,810	8,743,810

Notes to the consolidated financial statements (continued)

38 Fair value measurement (continued)

38.3 Fair value measurement of non-financial assets (continued)

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. For the valuation purpose, the group has selected to use the lower value of the two valuations in accordance with local regularities (31 December 2015: lower of two valuations). Further information regarding the level 3 fair value measurements is set out below:

Land in Jordan

Basis of valuations: Direct comparison approach having regard to market transactional evidence known to the valuer and recent sales of similar plot of land as reported by the Jordan Land Department.

Land in UAE

Basis of valuations: Direct comparison approach having regard to market transactional evidence known to the valuer and recent sales of similar plot of land as reported by the Dubai Land Department.

Apartments in Dubai – UAE

Basis of valuations: Comparable method. In determining the Gross Development Value (GDV) of the proposed development the valuer has used comparable method, which utilizes the evidence of transactions or current asking prices of similar properties in the immediate vicinity and, if appropriate, applies adjustment to the figures based on market research, discussion with independent agents and in some cases, developers or construction companies

Basis of valuations: Market comparison approach. The method is based on comparison of the property value with data, relating to the transaction of properties with similar or comparable characteristics. The used in the valuation is collected directly from the market, providing an objective indicator of values which is used as reference parameter. The method performs a comparison stratification of the data collected to be homogeneous in order to allow comparison and determine which features most relevant. Data are collected from several unobservable sources from the Real Estate Market.

Apartments in Portugal

Basis of valuations: Market comparison method. The comparison method is linking the property value with the statements with respect to the transaction of properties with similar or comparative characteristics. Usage of this method in that study of valuation is used as a reference indicator to use the statements consolidated directly from the market, providing an objective valuation and indicator values. The method also performs a comparison of the consolidated statements to be homogeneous in order to allow the comparison process and determine which features are more appropriate. Statements are consolidated from unobservable various inputs from the real estate market.

Buildings in Lebanon

Basis of valuations: Market comparison method. The comparison method is linking the property value with the statements with respect to the transaction of properties with similar or comparative characteristics. Usage of this method in that study of valuation is used as a reference indicator to use the statements consolidated directly from the market, providing an objective valuation and indicator values. The method also performs a comparison of the consolidated statements to be homogeneous in order to allow the comparison process and determine which features are more appropriate. Statements are consolidated from unobservable various inputs from the real estate market.

Notes to the consolidated financial statements (continued)

38 Fair value measurement (continued)

38.3 Fair value measurement of non-financial assets (continued)

The non-financial assets within this level can be reconciled from beginning to ending balances as follows:

	Investment properties Total	
	31 Dec. 2016 KD	31 Dec. 2015 KD
Opening balance	**8,743,810**	9,261,954
Transferred to property, plant and equipment	**-**	(3,014)
Transferred to level 3 previously carried at cost	**1,598,181**	-
Disposal	**(944,121)**	-
Gains or losses recognised in consolidated statement of profit or loss:		
- Change in fair value of investment properties	**1,626,595**	(9,651)
- Foreign currency translation differences	**(197,652)**	(505,479)
Closing balance	**10,826,813**	8,743,810
Total amount included in the consolidated statement of profit or loss for unrealised loss on level 3 assets	**1,626,595**	(9,651)

39 Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risks (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The group's risk management is carried out by the central risk management function and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed to are described below.

39.1 Market risk

a) Foreign currency risk management

The group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to UAE Dirham, Euro, South Africa Rand, Sterling Pound and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Notes to the consolidated financial statements (continued)

39 Risk management objectives and policies (continued)

39.1 Market risk (continued)

a) Foreign currency risk management (continued)

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other foreign currency transactions.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2016 KD	31 Dec. 2015 KD
UAE Dirhams	**(118,394,446)**	(94,297,610)
Euro	**(11,153,772)**	(11,315,686)
South African Rand	**(13,833,615)**	(18,225,106)
Sterling Pound	**(234,445)**	(627,666)
US Dollar	**(39,066,216)**	(52,404,257)

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the (loss)/profit for the year:

	31 Dec. 2016		31 Dec. 2015	
	Changes in variables %	**Loss for the year KD**	Changes in variables %	Profit for the year KD
UAE Dirham	**±0.73**	**±870,047**	±3.83	±3,610,415
Euro	**±2.73**	**±264,505**	±6.37	±720,724
South African Rand	**±13.72**	**±1,898,657**	±24.60	±4,484,093
Sterling Pound	**±16.48**	**±38,626**	±1.02	±6,398
US Dollar	**±0.73**	**±286,247**	±3.88	±2,031,073

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to foreign currency risk.

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

Notes to the consolidated financial statements (continued)

39 Risk management objectives and policies (continued)

39.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of monetary financial instruments is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (31 December 2015: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each date of the consolidated statement of financial position. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2016		31 Dec. 2015	
	+ 1 % KD'000	**-1 % KD'000**	+ 1 % KD'000	-1 % KD'000
(Loss)/profit for the year	**2,188,742**	**(2,188,742)**	(1,815,373)	1,815,373

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, UK, USA, Portugal, Saudi Arabia and Dubai. Equity investments are classified either as "investments at fair value through profit or loss" or "available for sale investments".

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the group. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the (loss)/profit for the year and equity for the year ended 31 December would have been as follows:

	(Loss)/profit for the year		**Equity**	
	31 Dec. 2016 KD	31 Dec. 2015 KD	**31 Dec. 2016 KD**	31 Dec. 2015 KD
Investments at fair value through profit or loss	**±4,959**	±46,082	**-**	-
Available for sale investments	**-**	-	**±5,889**	±42,262

Notes to the consolidated financial statements (continued)

39 Risk management objectives and policies (continued)

39.1 Market risk (continued)

c) Equity price risk (continued)

The group's sensitivity to price risk in regards to its unquoted investments cannot be reliably determined due to numerous uncertainties and non availability of reliable information to determine future price of such investments.

39.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Cash and cash equivalents	**8,647,293**	13,923,394
Investments at fair value through profit or loss	**246,992**	532,087
Partners' loan in associate	**3,042,910**	5,749,561
Receivables and other debit balances	**7,148,030**	8,359,756
Due from related parties	**487,027**	2,016,963
Available for sale investments	**22,669,789**	26,000,708
	42,242,041	56,582,469

Except for receivables and other debit balances referred to in note 18, and available for sale investments referred to in note 21, none of the above financial assets are past due or impaired. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances are considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 39.3.

Notes to the consolidated financial statements (continued)

39 Risk management objectives and policies (continued)

39.3 Concentration of assets

The group operates in different geographical areas. The distribution of financial assets by geographic region is as follows:

	GCC KD	Asia KD	Africa KD	Europe KD	USA KD	Total KD
At 31 December 2016						
Assets						
Cash and cash equivalents	**8,216,895**	**20,609**	**313,550**	**94,759**	**1,480**	**8,647,293**
Investments at fair value through profit or loss	**245,028**	**-**	**-**	**1,964**	**-**	**246,992**
Receivables and other debit balances	**2,047,083**	**18,756**	**3,093,473**	**530,463**	**1,458,255**	**7,148,030**
Partners' loan in associate	**3,042,910**	**-**	**-**	**-**	**-**	**3,042,910**
Due from related parties	**288,899**	**-**	**-**	**198,128**	**-**	**487,027**
Available for sale investments	**8,817,910**	**41,989**	**1,468,525**	**1,400,201**	**10,941,164**	**22,669,789**
Total assets	**22,658,725**	**81,354**	**4,875,548**	**2,225,515**	**12,400,899**	**42,242,041**
At 31 December 2015						
Assets						
Cash and cash equivalents	13,256,024	321,324	260,295	85,567	184	13,923,394
Investments at fair value through profit or loss	529,416	-	-	2,671	-	532,087
Receivables and other debit balances	4,933,453	302,293	2,206,455	557,639	359,916	8,359,756
Partners' loan in associate	5,749,561	-	-	-	-	5,749,561
Due from related parties	1,979,034	-	15,210	22,719	-	2,016,963
Available for sale investments	8,726,196	193,426	1,425,012	1,498,774	14,157,300	26,000,708
Total assets	35,173,684	817,043	3,906,972	2,167,370	14,517,400	56,582,469

39.4 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 1 year equal their carrying balances as the impact of discounting is not significant.

	Up to 1 year KD	From1 to 5 years KD	Total KD
31 December 2016			
Financial liabilities			
Payables and other credit balances	**49,059,486**	**13,592,750**	**62,652,236**
Due to related parties	**21,448,538**	**-**	**21,448,538**
Borrowings	**49,966,634**	**144,337,797**	**194,304,431**
Advances received from customers	**-**	**7,361,111**	**7,361,111**
	120,474,658	**165,291,658**	**285,766,316**

Notes to the consolidated financial statements (continued)

39 Risk management objectives and policies (continued)

39.4 Liquidity risk management (continued)

	Up to 1 year KD	From1 to 5 years KD	Total KD
31 December 2015			
Financial liabilities			
Due to bank	1,292,668	-	1,292,668
Payables and other credit balances	48,719,462	19,953,918	68,673,380
Due to related parties	27,638,183	-	27,638,183
Borrowings	41,619,702	148,863,762	190,483,464
Advances received from customers	-	22,224,779	22,224,779
	119,270,015	191,042,459	310,312,474

Maturity profile of assets and liabilities at 31 December 2016:

	Within 1 year KD	Over 1 year KD	Total KD
31 December 2016			
Assets			
Cash and cash equivalents	**8,647,293**	**-**	**8,647,293**
Investments at fair value through profit or loss	**246,992**	**-**	**246,992**
Receivables and other debit balances	**17,249,063**	**-**	**17,249,063**
Due from related parties	**487,027**	**-**	**487,027**
Trading properties	**7,511,097**	**-**	**7,511,097**
Available for sale investments	**-**	**22,669,789**	**22,669,789**
Investment properties	**-**	**10,826,813**	**10,826,813**
Investment in associates	**-**	**41,103,181**	**41,103,181**
Goodwill	**-**	**40,174,557**	**40,174,557**
Properties under development	**70,748,732**	**-**	**70,748,732**
Capital work in progress	**-**	**46,560,974**	**46,560,974**
Property, plant and equipment	**-**	**103,529,030**	**103,529,030**
	104,890,204	**264,864,344**	**369,754,548**
Liabilities			
Payables and other credit balances	**55,646,833**	**7,005,403**	**62,652,236**
Due to related parties	**21,448,538**	**-**	**21,448,538**
Borrowings	**49,966,634**	**144,337,797**	**194,304,431**
Advances received from customers	**7,361,111**	**-**	**7,361,111**
	134,423,116	**151,343,200**	**285,766,316**

Notes to the consolidated financial statements (continued)

39 Risk management objectives and policies (continued)

39.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2015:

	Within 1 year KD	Over 1 year KD	Total KD
31 December 2015			
Assets			
Cash and cash equivalents	13,923,394	-	13,923,394
Investments at fair value through profit or loss	532,087	-	532,087
Receivables and other debit balances	20,006,220	-	20,006,220
Due from related parties	2,016,963	-	2,016,963
Trading properties	7,486,446	-	7,486,446
Available for sale investments	-	26,000,708	26,000,708
Investment properties	-	10,341,992	10,341,992
Investment in associates	-	42,645,744	42,645,744
Goodwill	-	40,224,898	40,224,898
Properties under development	80,506,538	-	80,506,538
Capital work in progress	-	46,700,561	46,700,561
Property, plant and equipment	-	109,452,749	109,452,749
	124,471,648	275,366,652	399,838,300
Liabilities			
Due to bank	1,292,668	-	1,292,668
Payables and other credit balances	48,719,462	19,953,918	68,673,380
Due to related parties	27,638,183	-	27,638,183
Borrowings	41,619,702	148,863,762	190,483,464
Advances received from customers	22,224,779	-	22,224,779
	141,494,794	168,817,680	310,312,474

40 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management.

41 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the consolidated financial statements (continued)

41 Capital management objectives (continued)

The capital structure of the group consists of the following:

Gearing ratio

The group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 Dec. 2016 KD	31 Dec. 2015 KD
Debt (a)	**194,304,431**	190,483,464
Cash and cash equivalents (note 16)	**(8,300,847)**	(12,284,280)
Net debt	**186,003,584**	178,199,187
Equity (b)	**83,988,232**	89,525,826
Net debt to equity ratio	**221%**	198%

a. Debt is defined as long and short term borrowings.
b. Equity includes all capital and reserves of the group.