Consolidated financial statements and independent auditors' report

Tamdeen Real Estate Company – KPSC

and Subsidiaries

Kuwait

31 December 2016

Contents

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Independent Auditors' Report

To the Shareholders of
Tamdeen Real Estate Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Tamdeen Real Estate Company – 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, and the 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).

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

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

Valuation of Investment Properties
The Group's investment properties including investment properties under development represent 23% of the total assets. The valuation of investment properties is a judgement area requiring number of assumptions including capitalization yields, estimated rental & hotel revenue, occupancy rates, historical transactions, BOT contract periods & conditions, rights of use contract periods and renewability. The Group's policy is that property valuations are performed at year end by independent valuators, who are non-related to the Group, and they are licensed valuators and have the required qualifications and experiences. Given the fact that the fair values of the investment properties represent a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter. Refer to Notes 5.10, 5.11, 15, 16 and 30.4 for more information on investment properties and investment properties under development.

Independent auditors' report to the shareholders of Tamdeen Real Estate Company – KPSC (continued)

Key Audit Matters (continued)

Valuation of Investment Properties (continued)

Our audit procedures included, among others, assessing the appropriateness of the ways and means of evaluation and inputs used in the evaluation and we also assessed managements judgements and assumptions made in concluding that the fair value of properties under development were not reliably measurable. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties. We furthermore assessed that the property related data used as input for the external valuations is consistent with information obtained during our audit.

Carrying value of trading properties under development

The Group's trading properties under development represent 7% of the total assets. The Group's assessment of the carrying value of trading properties under development, being the lower of cost and net realizable value, is a judgmental process. This requires the estimation of selling prices, sales rates and cost to complete, determined for each unit within the site. Accordingly, we considered this as a key audit matter. Refer to Notes 5.12 and 14 for more information on trading property under development.

Our audit procedures included, among others, assessing the appropriateness of management's process for reviewing and assessing the selling prices, cost forecasts to complete the project and recording of costs. We assessed the estimates, assumptions and valuation methodology used by management to arrive at the net realizable value; this included assessing the future costs, sales, development profits and obtaining explanations and supporting third party evidence where practicable.

Impairment of investments in associates

The Group's investments in associates represent 31% of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. The assessment of impairment by management involves judgements and number of assumptions. Accordingly, we considered this a key audit matter. Refer note 5.4 and 17 for more information on investments in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological, market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition.

Disposal of a subsidiary company

During the year, the Group disposed 10% of its share in its subsidiary, British Printing and Packaging Industries Company – K.S.C (Closed), for a total consideration of KD800 thousand and, consequently, the remaining stake of 47.81% in the investee has been classified as an investment in an associate from the date on which control was lost. The management has exercised certain significant judgments, particularly with regard to exercising significant influence instead of control. Accordingly, this has been determined as a key audit matter. Refer note 5.1 and 17.b for further information.

Our audit procedures included, among others, obtaining all significant disposal agreements and reading such to ensure we understand the most important elements of the transaction, including the consideration received and the assets and liabilities sold.

Independent auditors' report to the shareholders of
Tamdeen Real Estate Company – KPSC (continued)

Key Audit Matters (continued)

Disposal of a subsidiary company (continued)

We also assessed;

- The appropriateness of the accounting policies adopted for the sale transaction, including determination of the date on which the Group lost control over the former subsidiary
- The appropriateness of the fair values related to the assets and liabilities of the remaining share
- The appropriateness of the disclosures included in the notes stated within the consolidated financial statements.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditors' report to the shareholders of Tamdeen Real Estate Company – KPSC (continued)

Auditors' Responsibilities for the Audit of the 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.

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

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

Independent auditors' report to the shareholders of Tamdeen Real Estate Company – KPSC (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, 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 financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Hend Abdullah Al Surayea
(Licence No. 141-A)
Hend Abdullah Al Surayea & Co.
Member of MAZARS

Kuwait
14 March 2017

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Revenue			
Operating revenue		8,488	8,830
Cost of revenue	8	(3,078)	(2,981)
Net income		5,410	5,849
Other operating income	9	1,066	1,350
Fees from management of investment portfolios		85	124
Change in fair value of investment properties	16	-	30
Net income from investments	10	7,085	12,648
Share of results of associates	17	7,756	7,315
Provisions no longer required		-	231
Foreign currency exchange gain		185	96
Other income		751	207
		22,338	27,850
Expenses and other charges			
Staff costs		2,585	2,693
General, administrative & other expenses		3,399	3,573
Impairment in value of investment properties under development	15	-	413
Finance costs		5,928	5,344
		11,912	12,023
Profit for the year before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration		10,426	15,827
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	-
Provision for Zakat		(6)	-
Provision for National Labour Support Tax (NLST)		(99)	(87)
Board of directors' remuneration		(60)	(60)
Profit for the year		10,261	15,680
Attributable to :			
Owners of the Parent Company		7,365	9,863
Non-controlling interests		2,896	5,817
		10,261	15,680
Basic and diluted earnings per share attributable to the owners of the Parent Company	11	18.1 Fils	23.6 Fils

The notes set out on pages 13 to 61 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'000	Year ended 31 Dec. 2015 KD'000
Profit for the year	10,261	15,680
Other comprehensive income:		
Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	22	133
Available for sale investments:		
-Net change in fair value during the year	(1,520)	(10,511)
-Transferred to consolidated statement of profit or loss on sale	(771)	(6,519)
-Transferred to consolidated statement of profit or loss on impairment in value	575	827
Share of other comprehensive loss of associates	(762)	(3,924)
Total other comprehensive loss	(2,456)	(19,994)
Total comprehensive income/(loss) for the year	7,805	(4,314)
Attributable to:		
Owners of the Parent Company	5,749	(2,707)
Non-controlling interests	2,056	(1,607)
	7,805	(4,314)

Consolidated statement of financial position

	Note	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Assets			
Cash and bank balances	25	13,234	11,927
Short term deposits	25	8,176	928
Investments at fair value through profit or loss		688	703
Accounts receivable and other debit balances	12	15,069	18,622
Available for sale investments	13	130,984	133,051
Trading properties under development	14	29,370	20,030
Investment properties under development	15	78,033	53,272
Investment properties	16	21,280	21,280
Investments in associates	17	136,491	130,332
Property, plant and equipment		1,220	21,395
Total assets		434,545	411,540
Liabilities and equity			
Liabilities			
Due to banks	18	6,846	8,279
Term loans	19	194,490	179,287
Accounts payable and other credit balances	20	22,174	12,250
Refundable rental deposits		6,032	2,623
Provision for end of service indemnity		911	1,322
Total liabilities		230,453	203,761
Equity			
Share capital	21	43,193	41,136
Share premium		11,132	11,132
Treasury shares	22	(10,745)	(9,625)
Reserve of profit on sale of treasury shares		756	756
Legal reserve	23	11,429	10,676
Voluntary reserve	23	12,827	12,074
Foreign currency translation reserve		428	406
Cumulative changes in fair value		35,581	37,219
Retained earnings		24,026	24,094
Equity attributable to the owners of the Parent Company		128,627	127,868
Non-controlling interests		75,465	79,911
Total equity		204,092	207,779
Total liabilities and equity		434,545	411,540

Meshaal Jassim Al-Marzouq
Chairman

Abdul Wahab Marzouq Al-Marzouq
Vice-Chairman

The notes set out on pages 13 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company											
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2016	41,136	11,132	(9,625)	756	10,676	12,074	406	37,219	24,094	127,868	79,911	207,779
Net change in treasury shares	-	-	(1,120)	-	-	-	-	-	-	(1,120)	-	(1,120)
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,447)	(1,447)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Resulting from disposal/loss of control of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(5,053)	(5,053)
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	(3,870)	(3,870)	-	(3,870)
Bonus shares (Note 21-b)	2,057	-	-	-	-	-	-	-	(2,057)	-	-	-
Transactions with the owners	2,057	-	(1,120)	-	-	-	-	-	(5,927)	(4,990)	(6,502)	(11,492)
Profit for the year	-	-	-	-	-	-	-	-	7,365	7,365	2,896	10,261
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	22	(1,638)	-	(1,616)	(840)	(2,456)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	22	(1,638)	7,365	5,749	2,056	7,805
Transferred to reserves (Note 23)	-	-	-	-	753	753	-	-	(1,506)	-	-	-
Balance as at 31 December 2016	**43,193**	**11,132**	**(10,745)**	**756**	**11,429**	**12,827**	**428**	**35,581**	**24,026**	**128,627**	**75,465**	**204,092**

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company											
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2015	39,178	11,132	(3,462)	739	9,675	11,073	273	49,922	17,108	135,638	72,901	208,539
Net change in treasury shares	-	-	(6,163)	17	-	-	-	-	-	(6,146)	-	(6,146)
Dividends paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	-	-	(1,511)	(1,511)
Other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	582	582
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	(3,878)	(3,878)	-	(3,878)
Bonus shares	1,958	-	-	-	-	-	-	-	(1,958)	-	-	-
Transactions with the owners	1,958	-	(6,163)	17	-	-	-	-	(5,836)	(10,024)	(929)	(10,953)
Merger reserve (Note 17 c)	-	-	-	-	-	-	-	-	783	783	616	1,399
Transferred from cumulative changes in fair value related to associates	-	-	-	-	-	-	-	-	3,837	3,837	1,433	5,270
Non-controlling interests arising from the Merger (Note 17 c)	-	-	-	-	-	-	-	-	-	-	5,060	5,060
Net decline in non-controlling interests due to the Merger	-	-	-	-	-	-	-	-	-	-	(7,572)	(7,572)
Net dilution gain due to Merger and increase in Non- controlling interest due to issue of shares by the subsidiary (Note 17 c)	-	-	-	-	-	-	-	-	341	341	10,009	10,350
	-	-	-	-	-	-	-	-	4,961	4,961	9,546	14,507
Profit for the year	-	-	-	-	-	-	-	-	9,863	9,863	5,817	15,680
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	133	(12,703)	-	(12,570)	(7,424)	(19,994)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	133	(12,703)	9,863	(2,707)	(1,607)	(4,314)
Transferred to reserves (Note 23)	-	-	-	-	1,001	1,001	-	-	(2,002)	-	-	-
Balance as at 31 December 2015	41,136	11,132	(9,625)	756	10,676	12,074	406	37,219	24,094	127,868	79,911	207,779

The notes set out on pages 13 to 61 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
OPERATING ACTIVITIES		
Profit for the year	10,261	15,680
Adjustments:		
Depreciation	867	233
Provision for end of service indemnity	175	203
Provisions no longer required	-	(231)
Unrealised loss from investments at fair value through profit or loss	15	53
Change in fair value of investment properties	-	(30)
Net gain on sale of available for sale investments	(1,709)	(6,247)
Impairment in value of available for sale investments	575	827
Loss from loss of control a previously consolidated subsidiary company	-	47
Impairment in value (note 10)	2,298	-
Net gain on sale of investments at fair value through profit or loss	-	(4)
Dividends income	(8,226)	(7,293)
Interest income	(38)	(30)
Share of results of associates	(7,756)	(7,315)
Finance costs	5,928	5,344
	2,390	1,237
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	2,423	(1,765)
Accounts payable and other credit balances	7,130	(12,815)
Refundable rental deposits	3,409	1,468
End of service indemnity paid	(41)	(258)
Net cash from/(used in) operating activities	15,311	(12,133)
INVESTING ACTIVITIES		
Net purchase of available for sale investments	(798)	(1,098)
Proceeds from sale of available for sale investments	2,419	9,954
Proceeds from sale of Investments at fair value through profit or loss	-	327
Effect of loss of control of a subsidiary company (Note 17b)	683	(292)
Return of capital by an associate	-	3,055
Net cash inflow resulting from acquisition of a subsidiary (Note 17a)	2,210	236
Additions to investment properties under development	(20,264)	(13,848)
Additions to trading properties under development	(9,340)	(8,421)
Net purchase of property, plant and equipment	(108)	(136)
Dividends income received	8,226	7,293
Dividends income received from associates	4,136	4,048
Interest income received	38	30
Net cash (used in)/from investing activities	(12,798)	1,148

Consolidated statement of cash flows (Continued)

	Note	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
FINANCING ACTIVITIES			
Cash dividends to shareholders		(4,009)	(3,915)
Cash dividends paid to non-controlling interests by subsidiary		(1,447)	(1,511)
Changes in non-controlling interests		-	2,704
Net change in treasury shares		(1,120)	(1,839)
Change in due to banks		(1,433)	3,609
Net proceeds from term loans		21,069	19,845
Finance costs paid		(7,018)	(6,292)
Net cash from financing activities		6,042	12,601
Net increase in cash and cash equivalents		8,555	1,616
Cash and cash equivalents at the beginning of the year		12,855	11,239
Cash and cash equivalents at the end of the year	25	21,410	12,855

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

Tamdeen Real Estate Company – KPSC (the "Parent Company") was incorporated in Kuwait on 16 December 1982 in accordance with the Companies Law. The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange.

The principal activities of the Parent Company are represented in the real estate investments inside and outside the State of Kuwait, for the purposes of ownership, resale, leasing and renting. The Parent Company is also engaged in the development of real estate projects and construction contracts of buildings, managing the properties of others, establishing and managing real estate investment funds, real estate studies and consultancy, and investing in companies with activities similar to its own and exploiting the financial surpluses available at the Company through its investment in financial portfolios managed by professional companies and authorities.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have 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 address of the Parent Company: PO Box 21816, Safat 13079, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2016 were authorised for issue by the Parent Company's board of directors on 14 March 2017 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 investments at fair value through profit or loss, available for sale investments and investment properties that have been measured at fair value.

The Parent Company has decided to change the presentation of the consolidated statement of financial position to a presentation based on liquidity (previously the consolidated statement of financial position distinguished between current and non-current) as it provides information more relevant and appropriate of the Group's activities.

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.

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:

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
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

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 "Joint Arrangements" require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

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.

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 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.
- *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 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

(ii) *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 condensed interim financial statements

(iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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 be relevant to 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 an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 2 Share-based Payment- Amendments	1 January 2018
IFRS 4 and IFRS 9 - Amendments	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
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
- 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.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between 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 recognized 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. These amendments are not expected to have any material impact on the Group's consolidated financial statements.

IFRS 2 Share-Based Payment- Amendments

The amendments relate to clarification on the following:

- IFRS does not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The Amendments address this lack of guidance by clarifying that accounting for these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2.
- The amendment adds guidance to IFRS 2 to the effect that a scheme with compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature).

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 2 Share-Based Payment- Amendments (continued)

- The amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

IFRS 4 and IFRS 9 - Amendments

The Amendments provide entities that issue insurance contracts with temporary accounting solutions for the practical challenges of implementing IFRS 9 before the forthcoming new Insurance Contracts Standard. These amendments are not expected to have any material impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments - Classification and Measurement

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.

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 recognized 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 investment amounting to KD6,572 (see note 30.1) 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.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)
The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
    - non-cash consideration and asset exchanges
    - Contract costs
    - Rights of return and other customer options
    - Supplier repurchase options
    - Warranties
    - Principal versus agent
    - Licensing
    - Breakage
    - Non-refundable upfront fees, and
    - Consignment and bill-and-hold arrangements.

The Group's management has yet to assess the impact of this standard on these consolidated financial statements.

IFRS 16 Leases
IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- Performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- Deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- Assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalized and become right-of-use assets

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

- Determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- Assessing the additional disclosures that will be required.

IAS 40 Investment Properties - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment properties 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.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

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.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

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 recognizes a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognizing 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 recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 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 financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated 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 date the Group gains control, or until the date the Group ceases to control the subsidiary, 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. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

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 acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.2 Business combinations (continued)

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensives income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

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 acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, 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 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 and joint ventures 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 share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.4 Investment in associates (continued)

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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in 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 'share of results of an associate' in the consolidated statement of profit or loss.

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.

Investments in associates are non-current assets, unless otherwise specified.

5.5 Segment reporting

The Group has two operating segments: the real estate and investment segments. 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 transfers are carried out at arm's length prices.

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

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

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. The following specific recognition criteria should also be met before revenue is recognised.

5.6.1 Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.6 Revenue (continued)

5.6.1 Rendering of services (continued)

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

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.

5.6.2 Revenue from sale of properties

Revenue on sale of trading properties 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.

5.6.3 Interest and similar income

Interest income and expenses are reported on an accrual basis using the effective interest method.

5.6.4 Dividend income

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

5.7 Operating expenses

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

5.8 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.

5.9 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.9 Property, plant and equipment (continued)

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The following annual rates are applied:

• Buildings and right of use of lands	2%
• Machines and equipment	20% to 33.33%
• Vehicles	20% to 25%
• Furniture, fixtures and office equipment	5% to 33.33%

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

The right of use of lands are carried at cost less accumulated amortisation and impairment losses and has been included under property, plant & equipment. The right of use of land represents land leased from the government of Kuwait based on renewable lease contracts. The buildings are constructed on the right of use of land.

The costs incurred by the Group for the right of use of lands are capitalized and amortized on a straight line basis according to its expected useful economic life (50 years).

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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5.10 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, including transaction costs. 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 or are determined by the management of the Group based on their knowledge of the property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

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.

Investment properties are non-current assets, unless otherwise specified.

5.11 Investment properties under development

Investment properties under development represents property held for future use as investment property and is initially measured at cost. Subsequently, property under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Investment properties under development (continued)

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

Investment properties under developments are classified as non-current assets, unless otherwise specified.

5.12 Trading properties under development

Trading properties under development represent lands and real estate 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 trading properties 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.

Investment properties under developments are non-current assets, unless otherwise specified.

5.13 Trading properties

Trading properties are stated at the lower of cost or net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

5.14 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 the asset or 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 asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.14 Impairment testing of goodwill and non financial assets (continued)

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. 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 cash-generating unit's recoverable amount exceeds its carrying amount.

5.15 Financial instruments

5.15.1 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. Subsequent measurement of financial assets and financial liabilities are described below.

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.

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

- 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.

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

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.

5.15.2 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:

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.2 Classification and subsequent measurement of financial assets (continued)

- 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 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.

- ***Receivables***

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.

They represent current assets, except for maturities greater than 12 months after the end of the reporting period which represent non-current assets.

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.

The Group categorises receivables into following categories:

- *Receivables and other financial assets*

Trade receivable 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.

Receivables which are not categorised under any of the above are classified as "Other debit balances/Other financial assets"

- *Cash and bank balances and Short term deposits*

Cash on hand and demand deposits are classified under cash and bank balances and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

- ***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 income statement 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.2 Classification and subsequent measurement of financial assets (continued)

- *Financial assets at FVTPL (continued)*

Assets in this category are measured at fair value with gains or losses recognised in 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.

Assets in this category are current assets if expected to be settled within 12 months; otherwise, they are as non-current assets.

- *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 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 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 profit or loss and presented as a reclassification adjustment within other comprehensive income.

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 profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

AFS financial assets are non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

5.15.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include terms loans, due to banks, accounts payable and other credit balances.

The subsequent measurement of financial liabilities depends on their classification. The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL)".

- *Financial liabilities other than at fair value through profit or loss*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.3 Classification and subsequent measurement of financial liabilities (continued)

- ***Financial liabilities other than at fair value through profit or loss (continued)***

- *Borrowings (terms loans and due to banks)*

Borrowings are carried on the date of the consolidated statement of financial position at their principal amounts. Interest is charged as an expense as it accrues, with unpaid interest included in the creditors' balances. 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.

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- *Murabaha finance payables*

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities".

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

5.15.4 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.

5.15.5 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.

5.15.6 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 30.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.16 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 commercial companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to available for sale financial assets

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general assembly meeting.

5.17 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 "Reserve of profit on sale of treasury shares"), 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.

5.18 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.

In certain instances, the Group is required to perform maintenance and restore properties to agreed specifications. Provision for such costs are recognised based on terms of the contracts.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.19 Foreign currency translation

5.19.1 Functional and presentation currency
The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.19.2 Foreign currency transactions and balances
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 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.

5.19.3 Foreign operations
In the Group's 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 profit or loss and are recognised as part of the gain or loss on disposal.

5.20 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.

5.21 Taxation

5.21.1 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.21 Taxation (continued)

5.21.2 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 transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.21.3 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.

5.22 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception.

5.23 Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

6 Significant management judgments and estimation uncertainty
The preparation of the Group's consolidated financial statements requires management to make judgments, estimates 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:

6.1.1 Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or other comprehensive income.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Designation of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets.

Notes to the consolidated financial statements (continued)

6 Significant management judgments and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.1 Classification of financial instruments (continued)

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 designated as at 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 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under 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. And if such properties are under development they are classified under investment properties under development.

6.1.3 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.

6.2. Estimation 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 available for sale 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 judgement. In addition, the Group evaluates other factors, including the future cash flows and the discount factors for unquoted equities.

During the year ended 31 December 2016, impairment loss recognised for available for sale investments amounted to KD575 thousand (2015: KD827 thousand).

Notes to the consolidated financial statements (continued)

6 Significant management judgments and estimation uncertainty (continued)

6.2. Estimation uncertainty (continued)

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 associates, 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 receivables

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

6.2.4. Revaluation of investment properties and investment properties under development

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques.These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

Where the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete (refer note 15), the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier). When the fair value becomes reliably measurable, the fair value of such properties may vary from the actual cost.

6.2.5. Impairment of investment in trading properties and trading properties under development

Investments in trading properties and trading properties under development (Inventories) are held at the lower of cost or net realisable value. An estimate is made of their net realisable value on an individual basis.

Management estimates the net realisable values of these properties, taking into account the most reliable evidence available at each reporting date. The future realisation of these properties may be affected by market-driven changes that may reduce future selling prices.

6.2.6. Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and other obsolescence that may change the utility of certain software and property, plant and equipment.

6.2.7. Provisions

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities judgement is applied and re-evaluated at each reporting date.

Notes to the consolidated financial statements (continued)

6 Significant management judgments and estimation uncertainty (continued)

6.2. Estimation uncertainty (continued)

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.

7 Subsidiary companies

7.1 The consolidated subsidiary companies of the Group are as follows:

Subsidiary companies	Percentage of ownership in subsidiary companies		Country of incorporation	Principal activity	Date of incorporation	Date of control
	31 Dec. 2016 %	31 Dec. 2015 %				
Tamdeen Investment Company-KPSC*	**55.94**	55.94	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company - KSC (Closed)	**77.97**	77.97	Kuwait	Real estate	17 March 2007	17 March 2007
Al Adiyat International Real Estate Company – KSC (Closed)	**98.98**	98.98	Kuwait	Real estate	25 June 2006	1 April 2012

* This investment is through investment portfolio with a specialized investment company.

7.2 Subsidiaries with material non-controlling interests

The Group includes only one subsidiary with material non-controlling interests (NCI):

	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2016	31 Dec. 2015	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Tamdeen Investment Company-KPSC*	**44.06%**	44.06%	**2,896**	5,821	**75,454**	79,901
Immaterial subsidiaries with non-controlling interests			**-**	(4)	**11**	10
			2,896	5,817	**75,465**	79,911

* The NCI of Manshar Real Estate Company – KSC (Closed) is included within Tamdeen Investment Company's NCI.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.3 Summarised financial information for Tamdeen Investment Company - KPSC, before intraGroup eliminations, is set out below:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Non-current assets	151,695	164,893
Current assets	105,203	100,857
Total assets	256,898	265,750
Non-current liabilities	(151)	(646)
Current liabilities	(88,489)	(93,185)
Total liabilities	(88,640)	(93,831)
Equity attributable to the shareholders of the Parent Company	92,804	92,018
Non-controlling interests (including non controlling interests in the subsidiary's statement of financial position)	75,454	79,901

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Revenue	12,134	17,311
Profit for the year attributable to the shareholders of the Parent Company	3,690	6,556
Profit for the year attributable to NCI	2,896	5,821
Profit for the year	6,586	12,377
Other comprehensive loss for the year attributable to the owners of the Parent Company	(2,329)	(8,522)
Other comprehensive loss for the year attributable to NCI	(1,834)	(6,713)
Total other comprehensive loss for the year	(4,163)	(15,235)
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent Company	1,407	(1,585)
Total comprehensive income/(loss) for the year attributable to NCI	1,108	(1,269)
Total comprehensive income/(loss) for the year	2,515	(2,854)
Dividends paid to non controlling interests	1,447	1,511
Net cash flow used in operating activities	(808)	(22,956)
Net cash flow from investing activities	13,484	19,128
Net cash flow (used in)/from financing activities	(4,870)	4,587
Net change in cash flow	7,806	759

Notes to the consolidated financial statements (continued)

8 Cost of revenue

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Direct staff costs	872	766
Other real estate expenses	2,206	2,215
	3,078	2,981

9 Other operating income

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Yacht club membership revenue	21	26
Projects management fees and consultancies	816	963
Services revenue – Al Kout Complex	102	223
Other miscellaneous revenue	127	138
	1,066	1,350

10 Net income from investments

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Net gain on sale of available for sale investments	1,709	6,247
Impairment in value of available for sale investments	(575)	(827)
Unrealised loss from investments at fair value through profit or loss	(15)	(53)
Dividends income	8,226	7,293
Interest and other income/(loss)	38	(12)
	9,383	12,648
Impairment in value*	(2,298)	-
	7,085	12,648

*The impairment in value of subsidiary has been determined based on the sale value per share.

Notes to the consolidated financial statements (continued)

11 Basic and diluted earnings per share attributable to owners of the Parent Company

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of the outstanding shares during the year as follows:

	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015
Profit for the year attributable to the owners of the Parent Company (KD'000)	7,365	9,863
Weighted average number of the outstanding shares (excluding treasury shares) (in thousands)	406,315	417,479
Basic and diluted earnings per share attributable to owners of the Parent Company	**18.1 Fils**	23.6 Fils

The weighted average number of shares outstanding during the previous year have been restated to add the bonus shares issued during the year (Note 24).

The earnings per share reported during the previous year ended 31 December 2015, before the bonus shares noted above, was 24.8 Fils.

12 Accounts receivable and other debit balances

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Receivable from tenants	576	555
Cheques under collection	879	-
Staff receivable	194	101
Prepaid expenses	152	200
Due from related parties(a)	1,712	2,412
Due from sale of trading properties (a)	5,095	5,621
Advance payments to contractors (b)	5,894	8,394
Other debit balances	928	1,609
	15,430	18,892
Provision for doubtful debts	(361)	(270)
	15,069	18,622

a) The balances due above (from related parties and from sale of trading properties) are mainly represented by the amounts due from the sale transaction previously performed by the Group for some of its real estate plots which have been invested in for trading purposes to related parties for an amount of KD9,103 thousand and other third parties for an amount of KD10,030 thousand. The Group's management confirms that these due amounts are totally collectible from the concerned parties.

b) The advance payments to contractors represent the balance out of amounts paid during the current year and the previous years to local contractors as advance payments from the total signed contract values for Al-Kout Mall project and Tamdeen Square Project, which is classified under investment properties under development and trading properties under development respectively.

Notes to the consolidated financial statements (continued)

13 Available for sale investments

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Local managed portfolios	110	-
Participations in local companies shares	8,522	7,975
Participations in capital of companies located outside Kuwait	122,352	125,076
	130,984	133,051

Participations in capital of companies located outside Kuwait include the investments of the subsidiary company [Tamdeen Investment Company – KPSC], in shares listed outside Kuwait. These participations include investments with a total fair value of KD73,177 thousand (2015: KD68,168 thousand) mortgaged against term loans (Note 19).

At the end of the year, the Group recognized impairment losses of KD575 thousand (2015: KD827 thousand) against local and foreign shares based on the management's estimates according to the information available to them.

Refer note 30 for further details relating to the carrying value and fair value of the above investments.

14 Trading properties under development

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Cost		
At beginning of the year	20,030	-
Transferred from trading properties (a)	-	11,609
Purchase of land (note 27)	-	7,000
Additions during the year (b)	9,340	1,421
At end of the year	29,370	20,030

a) During the previous year, the management decided to utilise the lands included under trading properties (located in Sabah Al-Salem) for construction of investment residential towers which will be offered for sale ("Tamdeen Square Project"). Accordingly, the trading properties with a carrying value of KD11,609 thousand were transferred to trading properties under development.

b) The additions to trading properties under development during the current year represent the construction and development cost incurred for the above project.

Notes to the consolidated financial statements (continued)

15 Investments properties under development

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Cost		
At beginning of the year	56,046	41,302
Additions during the year	24,761	14,744
At end of the year	80,807	56,046
Impairment in value		
At beginning of the year	2,774	2,361
Additions during the year	-	413
At end of the year	2,774	2,774
Net book value at end of the year	78,033	53,272

The additions to the investment properties under development mainly represent the amounts expensed during the year for the redevelopment of Al-Kout Mall project (Located in Fahaheel) through one of the subsidiaries (Manshar Real Estate Company – KSC).

Investment properties under development with a carrying value of KD77,658 thousand (2015: KD53,250 thousand) [Al-Kout Mall project which is owned by the subsidiary "Manshar Real Estate Company – KSC (Closed)"] are totally mortgaged against term loans (Note 19).

Due to difficulty of obtaining a reliable fair value of the investment properties under development, the management decided to maintain the cost method for all investment properties under development until the implementation stages are completed, unless there are signs of decline in the value of these properties.

Finance costs of KD1,544 thousand (KD896 thousand as at 31 December 2015) have been capitalized during the year.

16 Investment properties

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Value at beginning of the year	21,280	21,250
Change in fair value during the year (refer note 30.4 for fair valuation details)	-	30
Value at end of the year	21,280	21,280

The Group's investment properties amounting to KD21,280 thousand (2015: KD21,280 thousand) represents the estimated fair value of Al-Manshar Rotana Hotel property which is totally managed and operated by Rotana Hotel Management Corporation LTD and which has been separated during the year 2012 from Al-Manshar Commercial and Residential Complex property which has been demolished and is currently being redeveloped (Note 15). These investment properties are totally mortgaged against term loans (Note 19).

Notes to the consolidated financial statements (continued)

16 Investment properties (continued)

Investment properties include a property which was fully impaired during the year 2008 by an amount of KD18,741 thousand. The property represents a B.O.T project with the Government of Kuwait and the contract term ends in 2024. At the end of the current year based on the information available, the Parent Company's management has re-assessed the project based on the net cashflows over the remaining period of the project and has estimated that the present value of the cash outflows exceed the present value of the cash inflows and accordingly, the management has decided to continue to retain the project at Nill value, as done previously.

17 Investments in associates

This item comprises the investments of the Group in the following associates:

		31 December 2016			31 Dec. 2015		
		Ownership %			Ownership %		
Company's name	Place of incorporation	Direct	Indirect*	Value KD'000	Direct	Indirect*	Value KD'000
Tamdeen Shopping Centers Company – KSC (Closed)	Kuwait	30	-	42,911	30	-	41,517
Kuwait National Cinema Company – KPSC	Kuwait	-	47	56,144	-	47	54,776
Tamdeen Pearl Real Estate Company – KSC (Closed)	Kuwait	-	31	27,554	-	31	27,540
Tamdeen for Real Estate Development Company – KSC (Closed) (a)	Kuwait	-	-	-	15	37	2,516
Others (b)	Kuwait & Bahrain	-	-	9,882	-	-	3,983
				136,491			130,332

* Indirect holding through the subsidiary [Tamdeen Investment Company – KPSC].

(a) During the year, the Group has increased its investment in Tamdeen for Real Estate Development Company – KSC (Closed) by an amount of KD2,185 thousand, and this has resulted in an increase in the share of the Group in this company to 99.9%. Consequently, the Group's previous holding in this investment has been reclassified from associate to subsidiary company. The Group has started consolidating the financial statements of this company from the date of the exercise of control over it by the Group in April 2016.

Notes to the consolidated financial statements (continued)

17 Investments in associates (continued)

The business combination of Tamdeen for Real Estate Development Company – KSC (Closed) has no effect on the consolidated statement of profit or loss for the year.

The acquisition has been accounted for based on the determined value of the acquired assets and liabilities at the date of acquisition. Following is the fair value of net assets acquired, which approximates its book value based on management's estimation as at the date of acquisition:

	Value KD'000
Assets:	
Cash and cash equivalents	4,395
Accounts receivable and other debit balances	332
Liabilities:	
Accounts payable and other credit balances	(18)
Provision for end of service indemnity	(2)
Net assets acquired	4,707
Share of non-controlling interests	-
Group's share in the net assets acquired	4,707
Deduct: Fair value of Tamdeen Investment Company – KPSC's previously held equity interest	(1,246)
Deduct: Fair value of the Parent Company's previously held equity interest	(728)
Deduct: Fair value of Manshar Real Estate Company – KSC (Closed)'s previously held equity interest	(548)
Acquisition cost	2,185
Deduct: Cash and cash equivalents at acquisition date	(4,395)
Net cash inflow resulting from acquisition of a subsidiary at the end of the year	(2,210)

(b) During the current year, Tamdeen Investment Company – KPSC (a subsidiary) disposed 10% of its share in British Industries for Printing and Packaging Company – KSC (Closed), to a related party, at the book value on the date of disposal, and consequently Group lost control over this company and it was reclassified to investments at associates from the date of loss of control.

The details of the assets and liabilities of British Industries for Printing and Packaging Company – KSC (Closed) at the date of loss of control are as below:

	Value KD'000
Assets:	
Cash and cash equivalents	117
Accounts receivable and other debit balances	1,427
Property, plant of equipment	16,340
Liabilities:	
Provision for end of service indemnity	(547)
Term loans	(5,866)
Accounts payable and other credit balances	(601)
Net assets	10,870
Effect on consolidated statement of cash flows:	
Cash received	800
Less: Cash and cash equivalents	(117)
Net cash inflow	683

Notes to the consolidated financial statements (continued)

17 Investments in associates (continued)

(c) On 4 October 2015, the Extraordinary General Assembly of Tamdeen Investment Company – KPSC (a subsidiary) approved the Merger between Tamdeen Investment Company – KPSC (a subsidiary) and Tamdeen Holding Company – KSCC (formerly an associate) in accordance with the following terms:

- Business combination by way of Merger between Tamdeen Investment Company – KPSC and Tamdeen Holding Company – KSCC by dissolving Tamdeen Holding Company – KSCC and transferring its assets and liabilities to Tamdeen Investment Company – KPSC in return for issuing 47,260,274 shares (at 438 Fils per share) by Tamdeen Investment Company – KPSC to the shareholders of Tamdeen Holding Company – KSCC. The above issued shares includes 23,630,137 shares issued to the Parent Company in exchange for giving up its direct holding in the former associate.
- Utilize the treasury shares of Tamdeen Investment Company – KPSC totalling 30,478,171 shares as a part of the shares that must be issued to the shareholders of Tamdeen Holding Company – KSCC as noted above.
- Increase the share capital of the subsidiary, Tamdeen Investment Company – KPSC by issuing 16,782,103 shares with a nominal value of 100 fils each (at a premium of 338 Fils per share) to the shareholders of Tamdeen Holding Company – KSCC.

The Merger was authorized and registered in the commercial registry on 13 December 2015 and the merger became effective on that date.

As a result of the above Merger , the Group's previous share ownership in British Industries for Printing and Packaging Company – KSC (Closed), which was classified as available for sale investments, increased to 57.81% and accordingly it was consolidated as a subsidiary of the Group, in the previous year.

The accounting for the acquisition was done during the year 2015 based on the fair value of the assets and liabilities for the acquired companies at the date of acquisition as follows:

	Value KD'000
Assets:	
Cash and cash equivalents	236
Accounts receivable and other debit balances	880
Inventories	681
Available for sale investments	23,482
Investments in associates	17,093
Property, plant of equipment	20,070
Liabilities:	
Provision for end of service indemnity	(525)
Term loans	(7,692)
Accounts payable and other credit balances	(1,090)
Net assets purchased	53,135
Non-controlling interests eliminated	(1,977)
Net adjusted assets purchased	51,158
Share of non-controlling interests	(5,060)
Deduct: Fair value of investment which was held by Tamdeen Holding and acquired by the Group consequent to the Merger	(5,696)
Deduct: Fair value of the Group's previously held investments	(28,653)
Acquisition cost	(10,350)
	1,399

Notes to the consolidated financial statements (continued)

17 Investments in associates (continued)

The gain resulting from acquisition amounting to KD1,399 thousand was recognised in equity, under retained earnings of the Group, as this transaction is considered as a business combination transaction under common control.

Further due to the above Merger and consequent issue of shares amounting to KD10,350 thousand to Non-controlling interest, by the subsidiary Tamdeen Investment Company - KPSC, the Parent Company's shareholding in the subsidiary diluted by 0.99% (Net) which resulted in a net dilution gain of KD341 thousand being recognised in equity, under retained earnings.

(d) Summarised financial information in respect of each of the Group's material associates, are set out in the following notes (i,ii,iii). The summarised financial information in these notes represents the amounts presented in the financial statements of the associates (and not the Group's share in these amounts) adjusted for differences in accounting policies between the Group and the associate.

(i) Tamdeen Shopping Centers Company – KSC (Closed) (unquoted investment)

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Non-current assets	220,957	205,759
Current assets	72,592	74,377
Non-current liabilities	(94,915)	(91,288)
Current liabilities	(38,454)	(33,352)
Non controlling interest	(8,553)	(8,516)
Equity attributable to the shareholders of the associate	151,627	146,980

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Revenue	30,121	30,624
Profit for the year	11,201	12,546
Other comprehensive (loss)/income for the year	(517)	1,144
Total comprehensive income for the year	10,685	13,709
Dividends received from the associate during the year	1,800	1,800

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Shopping Centers Company – KSC (Closed) is set out below:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Net assets of the associate attributable to the shareholders of the associate	151,627	146,980
Proportion of the Group's ownership interest in the associate	30%	30%
Other adjustments	(2,577)	(2,577)
Carrying value of the investment	42,911	41,517

Notes to the consolidated financial statements (continued)

17 Investments in associates (continued)

(ii) Kuwait National Cinema Company – KPSC (quoted investment)

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Non-current assets	92,727	92,349
Current assets	24,015	20,454
Non-current liabilities	(1,489)	(1,209)
Current liabilities	(29,079)	(28,081)
Equity attributable to the shareholders of the associate	86,174	83,513

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Revenue	18,647	19,929
Profit for the year	9,337	9,981
Other comprehensive (loss)/income for the year	(2,826)	2,131
Total comprehensive income for the year	6,511	12,112
Dividends received from the associate during the year	2,336	2,248

A reconciliation of the above summarised financial information to the carrying value of the investment in Kuwait National Cinema Company – KPSC is set out below:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Net assets of the associate attributable to the shareholders of the associate	86,174	83,513
Proportion of the Group's ownership interest in the associate	46.85%	46.74%
Goodwill	14,463	14,463
Other adjustments	1,308	1,279
Carrying value of the investment	56,144	54,776

The investment in this associate company with a carrying value of KD42,715 thousand (2015: KD41,667 thousand) is partially secured against term loans (note 19).

(iii) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment)

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Total assets	90,868	90,121
Total liabilities	(1,032)	(330)
Equity attributable to the shareholders of the associate	89,836	89,791

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Profit for the year	46	22
Total comprehensive income for the year	46	22

Notes to the consolidated financial statements (continued)

17 Investments in associates (continued)

(iii) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment) (continued)
A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Pearl Real Estate Company – KSC (Closed) is set out below:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Net assets of the associate attributable to the shareholders of the associate	89,836	89,791
Proportion of the Group's ownership interest in the associate	30.74%	30.74%
Other adjustments	(62)	(62)
Carrying value of the investment	27,554	27,540

All the associates of the Group are not listed in active markets except for Kuwait National Cinema Company – KPSC and the fair value of the Group's investments in this associate amounted to KD49,369 thousand as at 31 December 2016 (31 December 2015: KD40,100 thousand).

(e) Aggregate information of the associates that are not individually material to the Group:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
The Group's share in profit/(loss) for the year	79	(143)
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	9,882	6,499

(f) The Group's share of results of associates has been recorded based on the latest available (audited/unaudited) financial information prepared by the managements of these associates for the year ended 31 December 2016.

18 Due to banks

Due to banks represent the balances of overdraft facilities which are granted to the Group by local banks to finance the working capital and the real estate activities. They are repayable on demand with annual floating interest rate which is equal to current interest rate in market.

19 Term loans

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Term loans (a)	194,490	179,287
Average interest rate – range	3%-4%	3%-4%

a) Term loans of KD73,500 thousand (2015: KD68,000 thousand) are contractually due after one year, and the remaining term loans of KD120,990 thousand (2015: KD111,287 thousand) are maturing within one year and renewed periodically.

b) The loans granted to the subsidiary companies are against the mortgage of investments in shares with a fair value of KD73,177 thousand (2015: KD68,168 thousand) (Note 13), mortgage of investments in associates by an amount of KD42,715 thousand (2015: KD41,667 thousand) (note 17) and mortgage of investment properties (Note 16) and investment properties under development (Note 15).

Notes to the consolidated financial statements (continued)

20 Accounts payable and other credit balances

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Retentions for executed works	4,797	1,844
Income received in advance	1,466	468
Accrued leave and expenses	3,134	2,626
Due to related parties	102	563
Dividends payable to shareholders	347	316
Advance payments received from customers	6,400	293
Provisions and other credit balances	5,928	6,140
	22,174	12,250

21 Share capital

a) As of 31 December 2016, the authorized, issued and fully paid share capital in cash of the Parent Company comprised of 431,933 thousand shares of 100 Kuwaiti Fils each (2015: 411,365 thousand shares of 100 Kuwaiti Fils each).

b) At the Annual General Meeting held on 11 of May 2016, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 20,568 thousand shares of 100 Kuwaiti Fils each amounting to KD2,057 thousand, and this was approved and documented in the commercial register on 23 May 2016.

22 Treasury shares

	31 Dec. 2016	31 Dec. 2015
Number of shares - share	26,818,695	23,429,600
Percentage of issued shares	6.2%	5.7%
Market value (KD'000)	12,605	14,761
Cost (KD'000)	10,745	9,625

23 Reserves

In accordance with the Companies Law of Kuwait, 10% of the profit attributable to the owners of the Parent Company before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is transferred each year to the legal reserve until such time that the balance of the legal reserve account equals 50% of the balance of the paid up share capital.

Distribution of the legal reserve is limited to the amount required to enable the payment of dividends of 5% of paid-up share capital to be made in years when retained earnings are insufficient for the payment of dividends of that amount.

Notes to the consolidated financial statements (continued)

23 Reserves (continued)

10% of this profit before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is also transferred to the voluntary reserve, and this transfer could be ceased based on the decision of the Parent Company's board of directors. Transfers to the voluntary reserve are made in accordance with the recommendation of the Parent Company's board of directors to the general assembly.

The amounts transferred during the year to the legal and voluntary reserves attributable to the Parent Company have been calculated as follows:

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Profit for the year	10,261	15,680
Deduct:		
Profit attributable to non-controlling interests	(2,896)	(5,817)
Profit attributable to owners of the Parent Company	7,365	9,863
Add:		
Board of directors' remuneration of the Parent Company	60	60
Provision for National Labour Support Tax (NLST) of the Parent Company	99	87
Provision for Zakat of the Parent Company	6	-
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) of the Parent Company	-	-
Profit attributable to owners of the Parent Company before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	7,530	10,010
Transferred to legal reserve (10%)	753	1,001
Transferred to voluntary reserve (10%)	753	1,001

24 Proposed dividends and remunerations

The board of directors of the Parent Company propose to distribute cash dividends of 10% or 10 Kuwaiti Fils per share from the paid-up share capital, and pay a remuneration to the board of directors of amount of KD60 thousand and this proposal is subject to the approval of the general assembly of shareholders and control authorities.

The General Assembly of shareholders held on 11 May 2016 approved the consolidated financial statements for the year ended 31 December 2015 and directors' proposal to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital and bonus shares dividends of 5% from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2015 (the General Assembly of shareholders held on 29 April 2015 approved to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital to the shareholders and bonus shares dividends of 5% from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2014).

Notes to the consolidated financial statements (continued)

25 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following balances of the consolidated statement of financial position:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Cash and bank balances	13,234	11,927
Short term deposits	8,176	928
	21,410	12,855

Short term deposits earn interest at annual rate of 1% (annual rate of 1% in 2015).

26 Segmental analysis

The Group activities are concentrated in two main segments: Real Estate and Investment. The segments' results are reported to the top management in the Group. The activities of the Group are principally carried out within the State of Kuwait; With the exception of participations in capital of companies located outside Kuwait (Note 13), all of the assets and liabilities are located inside Kuwait.

The following is the segments information, which conforms with the internal reporting presented to management:

	Real estate KD'000	Investment KD'000	Total KD'000
Year ended at 31 December 2016			
Gross income	6,477	15,861	22,338
(Loss)/profit for the year	(37)	10,298	10,261
Total assets	145,948	288,597	434,545
Total liabilities	(141,814)	(88,639)	(230,453)
Total equity	4,134	199,958	204,092
Year ended at 31 December 2015			
Gross income	7,418	20,432	27,850
Profit for the year	312	15,368	15,680
Total assets	113,840	297,700	411,540
Total liabilities	(111,329)	(92,432)	(203,761)
Total equity	2,511	205,268	207,779

27 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Notes to the consolidated financial statements (continued)

27 Related party transactions (continued)

Details of significant related party transactions and balances are as follows:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances (Note 12)	1,712	2,412
Accounts payable and other credit balances (Note 20)	102	563
Net acquisition and disposal of subsidiary companies (Note 17a & 17b)	1,385	-
Purchase of trading properties under development (Note 14)	-	7,000
Additions to investment properties under development and trading properties under development	635	730

	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000
Consolidated statement of profit or loss		
Management fees and consultancy income (included in other operating income)	866	1,070
Cost of revenue	708	667
General, administrative and other expenses	431	511
Benefits of key management personnel of the Group		
Short term employee benefits and board of directors' remuneration	712	965

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Contra accounts – off consolidated statement of financial position items		
Net book value of customers' portfolios (major shareholders) managed by Tamdeen Investment Company – KPSC (subsidiary company)	152,802	309,189

28 Capital commitments and contingent liabilities

At the date of the consolidated statement of financial position, the Group had contingent liabilities against letters of guarantee issued in favour of third parties of amount KD1,071 thousand (KD1,071 thousand at 31 December 2015).

The Group had capital commitments amounting to KD49,097 thousand (KD73,560 thousand at 31 December 2015) for its two projects classified under properties under development.

29 Contra accounts – off consolidated statement of financial position items

One of the subsidiary companies [Tamdeen Investment Company – KPSC] manages investment portfolios for third parties which had a net book value of KD198,063 thousand at 31 December 2016 (2015: KD380,490 thousand) including KD152,802 thousand (2015: KD309,189 thousand) related to portfolios for related parties (Note 27). These balances are not included in the consolidated statement of financial position.

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement

30.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Financial assets		
Financial assets at amortised cost:		
- Accounts receivable and other debit balances (excluding prepaid expenses)	14,917	18,422
- Cash and cash equivalents	21,410	12,855
	36,327	31,277
Investments at fair value through profit or loss :		
- At fair value	688	703
Available for sale investments :		
-At fair value	124,412	126,865
-Carried at cost less impairment in value, if any*	6,572	6,186
	130,984	133,051
Total financial assets	167,999	165,031
Financial liabilities		
Financial liabilities at amortised cost:		
- Due to banks	6,846	8,279
- Term loans	194,490	179,287
- Accounts payable and other credit balances	22,174	12,250
- Refundable rental deposits	6,032	2,623
Total financial liabilities	229,542	202,439

* It was not possible to reliably measure the fair value of available for sale investments amounting to KD6,572 thousand (2015: KD6,186 thousand) due to non availability of reliable method that could be used to determine the fair value of such investments, accordingly, these were stated at cost less impairment, if any. Management is not aware of any circumstances that would indicate any impairment/further impairment, in the value of these investments as of the reporting date.

30.2 Fair value measurement

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. Investments at fair value through profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in note 30.1 to the consolidated financial statements) are carried at fair value and measurement details are disclosed in note 30.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values. The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (note 16 and 30.4).

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy

All financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements 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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level within which the 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 statement of consolidated financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2016					
Investments at fair value through profit or loss					
• Quoted shares	a	688	-	-	688
Available for sale investments					
- Local managed portfolios					
• Quoted shares	a	110	-	-	110
- Participations in local companies shares					
• Quoted shares	a	4,095	-	-	4,095
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	116,659	-	-	116,659
• Unquoted shares	b	-	-	3,548	3,548
		121,552	-	3,548	125,100
Financial assets at fair value at 31 December 2015					
Investments at fair value through profit or loss					
• Quoted shares	a	703	-	-	703
Available for sale investments					
- Participations in local companies shares					
• Quoted shares	a	4,222	-	-	4,222
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	118,661	-	-	118,661
• Unquoted shares	b	-	-	3,982	3,982
		123,586	-	3,982	127,568

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

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy (continued)

Measurement at fair value

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

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

a) Quoted shares (level 1)

The quoted shares present all listed shares that are traded in the financial markets. The fair values are determined by reference to the latest bid prices at the reporting date.

b) Unquoted shares (level 3)

The fair value of unquoted shares is determined by using valuation techniques. Fair value for the unquoted shares investments are approximately the summation of the estimated value of underlying investments as if realised on the date of the consolidated statement of financial position. The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each consolidated financial position date. Investment managers also used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

With regard to certain other unquoted shares, information is limited to periodic financial reports submitted by the managers of the investment. These investments are stated at the net assets value announced by the managers of the investment. As to the nature of these investments, the net assets value announced by the managers of the investment represents the best estimation of available fair values for these investments.

Level 3 fair value measurements

Reconciliation of level 3 fair value measurements is as follows:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Balance as at 1 January	3,982	4,126
Transfer inside level 3	141	1,388
Impairment in value – recognised in consolidated statement of profit or loss	(575)	(294)
Transfer outside level 3	-	(1,238)
Balance as at 31 December	3,548	3,982

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy (continued)

Level 3 fair value measurements (continued)

The level 3 investments have been fair valued as follows:

Financial assets	Valuation techniques and key input	Significant unobservable input	Relationship of unobservable input to fair value
Unquoted shares	Adjusted book value	Book value adjusted with market risk	The higher the market risk the lower the fair value

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

30.4 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 at 31 December 2016 and 31 December 2015:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 December 2016				
Investment properties				
- Al Manshar Rotana Hotel property	-	-	21,280	21,280
	-	-	21,280	21,280
31 December 2015				
Investment properties				
- Al Manshar Rotana Hotel property	-	-	21,280	21,280
	-	-	21,280	21,280

The fair value of the investment property has been determined , as requested by authorities , based on the lower of two valuations obtained from independent valuers (one of the valuers is a bank located in Kuwait), who are specialized in valuing this type of investment properties. The valuers have valued the investment property primarily using two methods, one of which is the yield method and the other being a combination of the market comparison approach for the land and cost minus depreciation approach for buildings. When the market comparison approach is used, adjustments have been incorporated for factors specific to the property in question, including property size, location, economic condition, similar property prices in surrounding area and permitted activities on the property.

Level 3 Fair value measurements

The measurement of the investment property classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment property within this level can be reconciled from beginning to ending balances as follows:

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

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

Level 3 fair value measurements (continued)

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Opening balance	21,280	21,250
Changes in fair value recognised in profit or loss	-	30
Ending balance	21,280	21,280

The significant assumptions made relating to valuation of investment property, that has been valued using the yield method are: average income, yield rate and occupancy rate.

31 Risk management objectives and policies

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

The Parent Company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management is carried out by investment management and audit committee 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. 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 as follows:

31.1 Market risk

a) Foreign currency risk

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

The Group mainly operates in the Kuwait, GCC and other Middle Eastern countries, and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in accordance with the Group's risks 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 exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

a) Foreign currency risk (continued)

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

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
US Dollar	**126,161**	119,861

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5%, then this would have impact on the equity by KD6,308 thousand (2015: KD5,993 thousand).

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 the foreign currency risk.

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 Group is exposed to interest rate risk with respect to its short term deposits, and its borrowings (term loans and due to banks) . The borrowings mainly represent short and long term borrowings and bear fixed or variable rates of interest. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies maybe used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +0.5% and – 0.5% (2015: +0.5 % and – 0.5%) retrospectively 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 exposed to interest rate risk held at the date of the consolidated statement of financial position. All other variables are held constant. There has been no change during this year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2016		Year ended 31 Dec. 2015	
	+ 0.5 % KD'000	- 0.5 % KD'000	+ 0.5 % KD'000	- 0.5 % KD'000
Effect on profit for the year	(932)	932	(898)	898

c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) and available for sale investment. The Group's investments are listed on the Kuwait Stock Exchange and other Gulf markets.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

c) Price risk (continued)

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio where possible. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the date of the consolidated financial statements. There has been no change in the methods and assumptions used in the preparation of the sensitivity analysis.

If the prices of securities had been 5% higher/lower, the effect on the profit for the year and equity for the year ended 31 December would have been as follows:

	Profit for the year		Equity	
	Year ended 31 Dec. 2016 KD'000	Year ended 31 Dec. 2015 KD'000	**31 Dec. 2016 KD'000**	31 Dec. 2015 KD'000
Market Stock Exchange index + 5%	**34**	35	**6,043**	6,144
Market Stock Exchange index – 5%	**(34)**	(35)	**(6,043)**	(6,144)

31.2 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's 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 collateral 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'000	31 Dec. 2015 KD'000
Cash and cash equivalents	**21,410**	12,855
Investments at fair value through profit or loss	**688**	703
Accounts receivable and other debit balances (excluding prepaid expenses)	**14,917**	18,422
Available for sale investments	**130,984**	133,051
	167,999	165,031

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.3 Concentration of assets

The distribution of assets by geographic region was as follows:

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2016			
Geographic region:			
Cash and bank balances	13,234	-	13,234
Short term deposits	8,176	-	8,176
Investments at fair value through profit or loss	-	688	688
Accounts receivable and other debit balances	15,058	11	15,069
Available for sale investments	8,632	122,352	130,984
Trading properties under development	29,370	-	29,370
Investment properties under development	78,033	-	78,033
Investment properties	21,280	-	21,280
Investments in associates	135,785	706	136,491
Property, plant and equipment	1,220	-	1,220
	310,788	123,757	434,545
At 31 December 2015			
Geographic region:			
Cash and bank balances	11,927	-	11,927
Short term deposits	928	-	928
Investments at fair value through profit or loss	-	703	703
Accounts receivable and other debit balances	18,618	4	18,622
Available for sale investments	7,975	125,076	133,051
Trading properties under development	20,030	-	20,030
Investment properties under development	53,272	-	53,272
Investment properties	21,280	-	21,280
Investments in associates	129,667	665	130,332
Property, plant and equipment	21,395	-	21,395
	285,092	126,448	411,540

31.4 Liquidity risk

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

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk (continued)

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	1-5 years KD'000	Total KD'000
31 December 2016					
Financial liabilities (undiscounted)					
Due to banks	-	-	6,846	-	6,846
Term loans	-	445	120,990	84,175	205,610
Accounts payable and other credit balances	-	-	22,174	-	22,174
Refundable rental deposits	-	-	-	6,032	6,032
	-	445	150,010	90,207	240,662
31 December 2015					
Financial liabilities (undiscounted)					
Due to banks	-	-	8,279	-	8,279
Term loans	-	590	110,697	76,000	187,287
Accounts payable and other credit balances	-	-	12,250	-	12,250
Refundable rental deposits	-	-	-	2,623	2,623
	-	590	131,226	78,623	210,439

32 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 dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Due to banks	6,846	8,279
Term loans	194,490	179,287
Less: Cash and cash equivalents	(21,410)	(12,855)
Net debt	179,926	174,711
Equity attributable to owners of the Parent Company	128,627	127,868
Non-controlling interests	75,465	79,911
Total capital	384,018	382,490

Notes to the consolidated financial statements (continued)

32 Capital management objectives (continued)

The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital as follows:

	31 Dec. 2016 KD'000	31 Dec. 2015 KD'000
Net debt	**179,926**	174,711
Total capital	**384,018**	382,490
Gearing ratio	**47%**	46%

33 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including equity, net profit and cash and cash equivalents.