First Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (continued)

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

Key audit matters (continued)
We identified the following audit matters:

a) Impairment of financial assets available for sale

Included in financial assets available for sale are certain unquoted equity securities of KD 27,376,052 (2015: KD 27,511,590) carried at cost less impairment due to non-availability of reliable measures of their fair value. At the reporting date, the Group determines whether objective evidence of impairment exists for individual investments. The management performed impairment testing by obtaining the valuation of the underlying assets of the investee which are mainly real estate properties. Given the subjectivity involved in the impairment assessment, we determined this to be a key audit matter.

As part of our audit procedures, we evaluated the Group's assessment on whether objective evidence of impairment exists for individual investments. We evaluated the appropriateness of the valuation of the underlying assets of the investee, which are based on market comparison approach. We have also involved our internal valuation experts to assess the valuation. Furthermore, we assessed the appropriateness of disclosures relating to financial assets available for sale, as shown in Note 10 of the consolidated financial statements.

b) Impairment of investment in associates

Investments in associates of the Group represent a significant part of total assets and accordingly to overall consolidated financial statements as at 31 December 2016. Investment in associates are accounted for under the equity method of accounting for associates.

Impairment of investment in associates is significant to our audit as the determination whether investment in associates are carried at an amount which is higher than their recoverable amounts is subject to judgements taken by the management of the Group. The management assesses the need to recognize an impairment based on the comparison of the recoverable value of the associate to its carrying value in the books. The management has assessed the impairment by using discounted cash flow methodology that include projected cash flows, terminal growth rate and discount rate. In addition for certain other associates the management has used price to book, price to earnings and dividend yield of comparable companies. Given the significant judgment and estimates involved in determining the recoverable amounts of the investment in associates and the significance of Group's share of results in these associates, we have considered this as a key audit matter.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (CONTINUED)

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

Key audit matters (continued)

b) Impairment of investment in associates (continued)

Our audit procedures comprised, amongst other of an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the investment in associates as mentioned above. Further we used our internal valuation expert to assess the valuation performed by the management specialist. We evaluated management's considerations of the impairment indicators of investment in associates. In such consideration, we assessed whether any significant decline in value exists, significant adverse changes in the technological, market, economic, or legal environment in which the associates operates, structural changes in the industry in which the associates operates, changes in the political or legal environment affecting the associates business and changes in the associates' financial condition. The disclosures relating to Group's investments in associates are given in Note 11 of the consolidated financial statements.

c) Valuation of investment properties

Investment properties of the Group represent a significant part of the total assets and is carried at fair value as at 31 December 2016.

The management is determining the fair value of its investment properties and uses external appraisers to support the valuation. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions. Further, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Given the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we considered this as a key audit matter.

We have evaluated the assumptions and estimates made by the management and the external appraisers in the valuation to assess the appropriateness of the data supporting the fair value. Our real estate specialists were part of our audit team for evaluating the external valuation, including the assumptions and estimates used. Amongst others, we have considered the objectivity, independence and expertise of the external appraisers. Furthermore, we assessed the appropriateness of the disclosures relating to the sensitivity of the assumptions as shown in Note 13 of 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 have 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 Annual Report after the date of our auditors' report.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (CONTINUED)

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

Other information included in The Group's 2016 Annual Report (continued)

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 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 for Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of the 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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (CONTINUED)

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (CONTINUED)

Report on other legal and regulatory requirements

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

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

WALEED A. AL OSAIMI LICENCE NO. 68 A EY AL AIBAN AL OSAIMI & PARTNERS	MOHAMMED HAMED AL SULTAN LICENSE NO. 100 A AL SULTAN AND PARTNERS MEMBER OF BAKER TILLY INTERNATIONAL

4 April 2017
Kuwait

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2016

	Notes	*2016 KD*	*2015 KD*
INCOME			
Revenue from construction contracts		**2,473,384**	841,746
Revenue from sales		**240,483**	323,488
		2,713,867	1,165,234
Cost of construction contracts		**(1,922,486)**	(555,105)
Cost of sales		**(348,630)**	(397,599)
		(2,271,116)	(952,704)
Gross profit		**442,751**	212,530
Murabaha income		**138,325**	172,791
Realised loss on financial assets at fair value through profit or loss		**(5,020)**	(321,125)
Unrealised gain (loss) on financial assets at fair value through profit or loss		**17,532**	(412)
Gain on disposal of financial assets available for sale		**15,151**	208,817
Share of results of associates	11	**1,149,331**	1,947,117
Change in fair value of investment properties	13	**667,013**	366,452
Dividend income	4	**270,479**	173,187
Rental income		**541,624**	21,984
Gain on settlement of murabaha payable	14	**679,331**	-
Management fees		**527,316**	530,849
Foreign currencies exchange gain		**25,182**	1,125,262
Other income		**91,890**	26,666
TOTAL INCOME		**4,560,905**	4,464,118
EXPENSES			
Staff costs		**(1,887,728)**	(1,923,064)
Depreciation		**(84,539)**	(51,311)
Finance costs		**(123,060)**	(38,255)
Impairment of financial assets available for sale	10	**(82,538)**	(125,728)
Other expenses and provisions	5	**(1,229,028)**	(906,037)
TOTAL EXPENSES		**(3,406,893)**	(3,044,395)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' REMUNERATION		**1,154,012**	1,419,723
Contribution to KFAS		-	-
Contribution to NLST		-	-
Zakat		-	-
Directors' remuneration	18	**(42,000)**	-
PROFIT FOR THE YEAR		**1,112,012**	1,419,723
Attributable to:			
Equity holders of the Parent Company		**700,456**	1,409,778
Non-controlling interests		**411,556**	9,945
		1,112,012	1,419,723
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	6	**1.08 fils**	2.20 fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	*2016 KD*	*2015 KD*
Profit for the year		**1,112,012**	1,419,723
Other comprehensive income (loss)			
Items that are or may be reclassified subsequently to consolidated statement of income			
Change in fair value of financial assets available for sale		**160,879**	(155,749)
Impairment loss on financial assets available for sale transferred to consolidated statement of income	10	**82,538**	125,728
Share of other comprehensive income of associates	11	**240,103**	809,790
Exchange differences on translation of foreign operations		**(8,379)**	(917,331)
Other comprehensive income (loss) for the year		**475,141**	(137,562)
Total comprehensive income for the year		**1,587,153**	1,282,161
Attributable to:			
Equity holders of the Parent Company		**1,179,238**	1,281,789
Non-controlling interests		**407,915**	372
		1,587,153	1,282,161

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	*2016* *KD*	*2015* *KD*
ASSETS			
Cash and cash equivalents	7	**13,060,476**	18,912,300
Financial assets at fair value through profit or loss	8	**1,422,577**	1,075,135
Other assets	9	**1,467,944**	3,129,637
Inventories		**941,979**	349,147
Financial assets available for sale	10	**31,269,782**	31,108,806
Investment in associates	11	**50,859,283**	49,131,414
Properties under development	12	**2,653,440**	2,224,023
Investment properties	13	**9,820,419**	36,048,434
Property and equipment		**1,594,332**	1,216,029
TOTAL ASSETS		**113,090,232**	143,194,925
LIABILITIES AND EQUITY			
LIABILITIES			
Murabaha payables	14	**2,268,062**	29,668,832
Other liabilities	15	**5,419,302**	4,781,155
TOTAL LIABILITIES		**7,687,364**	34,449,987
EQUITY			
Share capital	16	**65,107,055**	65,107,055
Share premium	16	**18,250,362**	18,250,362
Treasury shares	16	**(108,816)**	(2,102,052)
Statutory reserve	17	**1,200,198**	1,125,952
Share options reserve		**3,016,890**	3,016,890
Treasury shares reserve		**1,118,684**	1,118,684
Cumulative changes in fair value reserve		**588,197**	254,158
Foreign currency translation reserve		**1,804,384**	1,659,641
Retained earnings		**5,029,919**	6,470,885
Equity attributable to equity holders of the Parent Company		**96,006,873**	94,901,575
Non-controlling interests		**9,395,995**	13,843,363
TOTAL EQUITY		**105,402,868**	108,744,938
TOTAL LIABILITIES AND EQUITY		**113,090,232**	143,194,925

Badar Mohammed Al-Qatan
Chairman

Eisa A. S. Alweggian
Chief Executive Officer

First Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity holders of the Parent Company											
	Share capital	*Share premium*	*Treasury shares*	*Statutory reserve*	*Share options reserve*	*Treasury shares reserve*	*Cumulative changes in fair value reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Sub-total*	*Non-controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
As at 1 January 2016	65,107,055	18,250,362	(2,102,052)	1,125,952	3,016,890	1,118,684	254,158	1,659,641	6,470,885	94,901,575	13,843,363	108,744,938
Profit for the year	-	-	-	-	-	-	-	-	700,456	700,456	411,556	1,112,012
Other comprehensive income (loss) for the year	-	-	-	-	-	-	334,039	144,743	-	478,782	(3,641)	475,141
Total comprehensive income for the year	-	-	-	-	-	-	334,039	144,743	700,456	1,179,238	407,915	1,587,153
Purchase of treasury shares	-	-	(73,940)	-	-	-	-	-	-	(73,940)	-	(73,940)
Transfer to statutory reserve	-	-	-	74,246	-	-	-	-	(74,246)	-	-	-
Distribution of treasury shares (Notes 6 and 16)	-	-	2,067,176	-	-	-	-	-	(2,067,176)	-	-	-
Distribution to non controlling interest (Note 7)	-	-	-	-	-	-	-	-	-	-	(4,213,560)	(4,213,560)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(641,723)	(641,723)
At 31 December 2016	**65,107,055**	**18,250,362**	**(108,816)**	**1,200,198**	**3,016,890**	**1,118,684**	**588,197**	**1,804,384**	**5,029,919**	**96,006,873**	**9,395,995**	**105,402,868**

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2016

	Attributable to equity holders of the Parent Company											
	Share Capital KD	*Share premium* KD	*Treasury shares* KD	*Statutory reserve* KD	*Share options reserve* KD	*Treasury shares reserve* KD	*Cumulative changes in fair value reserve* KD	*Foreign currency translation reserve* KD	*Retained earnings* KD	*Sub-total* KD	*Non-controlling interests* KD	*Total equity* KD
As at 1 January 2015	65,107,055	18,250,362	(142,918)	984,974	3,016,890	1,118,684	155,335	1,552,765	8,441,438	98,484,585	13,865,879	112,350,464
Prior year adjustments (Note 11)	-	-	-	-	-	-	-	333,688	-	333,688	-	333,688
Profit for the year	-	-	-	-	-	-	-	-	1,409,778	1,409,778	9,945	1,419,723
Other comprehensive income (loss) for the year	-	-	-	-	-	-	98,823	(226,812)	-	(127,989)	(9,573)	(137,562)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	98,823	(226,812)	1,409,778	1,281,789	372	1,282,161
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	(3,239,353)	(3,239,353)	-	(3,239,353)
Purchase of treasury shares	-	-	(1,959,134)	-	-	-	-	-	-	(1,959,134)	-	(1,959,134)
Transfer to statutory reserve	-	-	-	140,978	-	-	-	-	(140,978)	-	-	-
Non-controlling interest movement	-	-	-	-	-	-	-	-	-	-	1,633,054	1,633,054
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,655,942)	(1,655,942)
At 31 December 2015	65,107,055	18,250,362	(2,102,052)	1,125,952	3,016,890	1,118,684	254,158	1,659,641	6,470,885	94,901,575	13,843,363	108,744,938

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	*2016* *KD*	*2015* *KD*
OPERATING ACTIVITIES			
Profit for the year		**1,112,012**	1,419,723
Adjustments to reconcile profit for the year to net cash flows:			
Murabaha income		**(138,325)**	(172,791)
Realised loss on financial assets at fair value through profit or loss		**5,020**	321,125
Unrealised (gain) loss on financial assets at fair value through profit or loss		**(17,532)**	412
Gain on disposal of financial assets available for sale		**(15,151)**	(208,817)
Share of results of associates	11	**(1,149,331)**	(1,947,117)
Change in fair value of investment properties	13	**(667,013)**	(366,452)
Dividend income	4	**(270,479)**	(173,187)
Gain on settlement of murabaha payable	14	**(679,331)**	-
Foreign currencies exchange gain		**(25,182)**	(1,125,262)
Depreciation		**165,296**	143,508
Finance costs		**123,060**	38,255
Impairment of financial assets available for sale	10	**82,538**	125,728
Other expenses and provisions	5&9	**347,098**	226,610
		(1,127,320)	(1,718,265)
Working capital adjustments:			
Inventories		**(592,832)**	(10,995)
Other assets		**1,154,863**	(2,770)
Other liabilities		**739,489**	(1,388,141)
		174,200	(3,120,171)
Murabaha income received		**133,798**	168,687
Finance costs paid		**(123,060)**	(38,255)
Net cash flows from (used in) operating activities		**184,938**	(2,989,739)
INVESTING ACTIVITIES			
Net movement in restricted cash		**(1,139,516)**	(1,438,081)
Financial assets at fair value through profit or loss		**(332,632)**	(705,419)
Dividends income received		**270,479**	99,027
Purchase of financial assets available for sale		**(53,097)**	(4,016,027)
Proceeds from redemption of financial assets available for sale		**68,151**	218,334
Additions of investment in associates	11	**(991,416)**	(581,156)
Dividend received from associates	11	**652,981**	834,139
Additions of properties under development	12	**(423,582)**	(31,295)
Additions of investment properties	13	**-**	(5,176,786)
Proceeds from disposal of investment properties		**45,921**	421,792
Purchase of property and equipment		**(405,678)**	(58,600)
Net cash flows used in investing activities		**(2,308,389)**	(10,434,072)
FINANCING ACTIVITIES			
Additions of murabaha payables		**226,918**	924,080
Settlements of murabaha payables		**(64,243)**	(186,717)
Dividend paid		**(59,341)**	(3,145,072)
Directors' remuneration	18	**(42,000)**	-
Purchase of treasury shares		**(73,940)**	(1,959,134)
Distribution to non-controlling interests	7	**(4,213,560)**	(1,655,942)
Acquisition of non-controlling interests		**(641,723)**	-
Net cash flows used in financing activities		**(4,867,889)**	(6,022,785)
NET DECREASE IN CASH AND CASH EQUIVALNETS		**(6,991,340)**	(19,446,596)
Cash and cash equivalents at the beginning of the year		**17,474,219**	36,920,815
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**10,482,879**	17,474,219

The attached notes 1 to 27 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of First Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 4 April 2017. The shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti Shareholding Public Company incorporated on 26 July 1997 and regulated under the Central Bank of Kuwait ("CBK") and Capital Market Authority ("CMA") as an investment company. The Parent Company's shares are listed on Kuwait Stock Exchange. The Parent Company's registered office is at Al Hamra Tower, Al Shuhadaa Street, Kuwait City, Kuwait.

The Parent Company is principally engaged in the provision of investment and financial services and all activities are carried out in compliance with the Memorandum of Incorporation, the Article of Association and the Islamic Sharia.

The objectives of the Parent Company are as follows:

To carry out investment activities in all sectors by all legal and legitimate methods that the Parent Company deems appropriate for achieving its objectives, whether inside the State of Kuwait or abroad, and either for its own interest or on behalf of others. The Parent Company shall, in particular, carry out the following activities:

1. To conduct all financial brokerage activities and other related activities.
2. To invest in real estate, industrial, agricultural, and other economic sectors through shareholding in incorporating specialised companies or acquisition of shares of such companies.
3. To carry out securities trading transitions including buying and selling stocks and bonds of governmental and non-governmental agencies and companies.
4. To carry out real estate investment deals with the objective of developing residential lands and constructing residential and commercial units for sale or rent.
5. To assume the role of a Fund Trustee and Third Party Portfolio Manager as well as the related borrowing and lending transactions.
6. To carry out finance and brokerage activities in the international trading transactions.
7. To produce researches, studies, and other technical services related to investment operations and third party fund employment, provided that the required conditions should be met by those exercising such activities.
8. To establish and manage mutual funds in pursuance with Law and subject to approval of the competent authorities.
9. To assume the role of lead manager for bonds issued by companies and agencies.
10. To carry out brokerage business in the investment of financial instruments and securities.
11. To finance the buying and selling of residential plots for housing purposes, and to finance the construction of residential buildings on such plots.
12. To finance purchase and sale of durable and consumable goods.
13. To invest fund for its own interest and for the interest of the third parties in all types of investments by means of leasing, and to do the necessary acquisition and leasing of movable assets.
14. To purchase lands and real estates for the purpose of selling the same in their original condition or after the division thereof, leasing the same unoccupied or uninhabited, or after the construction of new facilities, building, and equipment.

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective provision, which has been replaced by CBK's requirement for a minimum general provision made on all applicable credit facilities that are not provided specifically.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Details of subsidiaries are set out below:

Name	*Country of Incorporation*	*Effective equity interest* 2016	2015	*Principal activity*
Al Marwa Holding Company K.S.C. (Closed)*	Kuwait	**99.22%**	99.22%	Holding company
FIC Projects Development Company	Cayman Islands	**100%**	100%	Real estate investment
Deema Real Estate Investment Company L.L.C.	Saudi Arabia	**100%**	100%	Real estate investment
First Energy Resource Company K.S.C.(Closed)- Under liquidation	Kuwait	**33.21%**	33.21%	Investment in energy sector
Masadar Energy Company for General Trading W.L.L.*	Kuwait	**98%**	98%	General trading
Shomoul Real Estate Company L.L.C.	Saudi Arabia	**50%**	50%	Real estate investment
Yasmeen Al Kuwait Real Estate Company W.L.L.*	Kuwait	**97%**	97%	Real estate trading
Q80 Valve Industries Factory	Kuwait	**66.6%**	66.6%	Manufacturing
Asian Petroleum Facilities Maintenance Company W.L.L.	Kuwait	**66.6%**	66.6%	Investment in energy Sector
First Logistic Services L.L.C.**	Oman	**53.87%**	37.2%	Logistics services

*The Parent Company effectively owns 100% equity interest in the above entities. Accordingly, the consolidated financial statements have been prepared on this basis. The ownership of the remaining equity interest in these subsidiaries is registered in the name of related parties as nominees. However, the Parent Company is the beneficial owner for 100% equity interest.

** During the current year the Parent Company acquired additional 16.67% equity interest in its subsidiary "First Logistic Services L.L.C." for a total consideration of KD 641,723. At the date of acquisition of additional equity interest, the fair value of the consideration paid is equal to carrying value of the net assets acquired.

** The Group's actual equity interest is 65% (2015: 48.3%).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in, the consolidated statement of income within "administrative expenses".

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

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

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

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

The following specific recognition criteria must also be met before revenue is recognised:

- Sale of properties is recognised when the risk and rewards of ownership have passed to the buyer usually evidenced by transfer of title of the properties.
- Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.
- Rental income arising from operating leases of investment properties is accounted for on an accrual basis on contract terms.
- Management fees relating to portfolios and fund management, custody and on-going advisory services are recognised as earned.
- Dividends income is recognised when the Group's right to receive the payment is established.

Financing costs

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

Share based payment transactions
The Group operates an equity-settled, share-based Employee Stock Option Plan (ESOP). The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the Parent Company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the consolidated statement of income.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date, reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the Board of Directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) Financial assets

Initial recognition

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

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

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

The Group's financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, financial assets available for sale and other assets.

At the reporting date, the Group did not have any financial assets held-to-maturity or as derivatives designated as hedging instruments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Financial assets available for sale

Financial assets available for sale include equity and debt securities. Equity and debt investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Subsequent measurement (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in the consolidated statement of income.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive the cash flows from the asset have expired; or
- the Group has transferred its rights to receive the 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 of the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Financial assets available for sale
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that a financial asset 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 measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available for sale previously recognised in the consolidated statement of income, is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment is recognised directly in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(ii) Impairment of financial assets (continued)

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the consolidated statement of income.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities is made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

(iii) Financial liabilities

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

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

The Group's financial liabilities include murabaha payables and other liabilities.

At the reporting date, the Group didn't have any financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments.

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

Murabaha payables
Murabaha payable represents the amount payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(iii) Financial liabilities (continued)

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

(iv) 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.

Fair value of financial instruments

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

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

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

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

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

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

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

Investment in associates
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associates are accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the statement of comprehensive income of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share of result of an associate is shown on the face of the consolidated statement of income. This is the result attributable to equity holders of the associate and therefore is result after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group and in case of different reporting date of associates, which are not more than three months, from that of the Group, 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. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize 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 recognizes the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Investment properties
Investment properties is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent, registered real estate valuers with relevant experience in the market in which the property is situated. The valuation reflects market conditions at the reporting date. Changes in the fair values of investment properties are included in the consolidated statement of income.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Properties under development
Properties under development are developed for future sale in the ordinary course of business, rather than to be held for rental or capital appreciation and are stated at lower of cost and net realisable value. Cost includes freehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs. Net realisable value is based on estimated selling price in the ordinary course of the business, based on market prices at the statement of financial position date, less costs to completion and the estimated cost of sale.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

Impairment losses are recognised in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets' or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Employees' end of service benefits
Provision is made for amounts payable to employees under the Kuwaiti Labour Law for private sector, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of termination of the reporting date.

With respect to its national employees, the Group also makes contributions to 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Parent Company 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 the equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the Group's voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares.

The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares. Part of the reserves created or appropriated and retained earnings equivalent to the cost of treasury shares is not available for distribution throughout the holding period.

Foreign currency translation
The Group's consolidated financial statements are presented in Kuwaiti Dinar, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries and the carrying amount of foreign associates are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken to the consolidated statement of comprehensive income as foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

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 the consolidated statement of financial position, but are disclosed in the notes of the consolidated financial statements.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies
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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Zakat
Zakat is calculated at 1% of the profit for the year in accordance with the requirements of the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007. Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of income.

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

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements. And the Parent Company has not prepared separate financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 7 Financial Instruments: Disclosures
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

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

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the statement(s) of income and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

Other new or amended standards which are effective on or after 1 January 2016 are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of these standards on its financial position or performance.

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

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date.

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

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

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is yet to assess the potential effect of IFRS 16 on its consolidated financial statements and adopt when effective.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as fair value through profit or loss.

All other financial assets are classified as available for sale.

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

The Group classifies property as property under development if it is acquired with the intention of development and for future sale in the ordinary course of business.

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

The Group classifies property as property and equipment when it is acquired for owner occupation.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

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

Valuation of unquoted investments
Valuation of unquoted equity investments is normally based on one of the following:
- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Valuation of investment properties
Fair value of investment properties is determined based on valuations by independent registered real estate assessors which have relevant experience in the local and international property market.

4 DIVIDEND INCOME

	2016	*2015*
	KD	*KD*
Financial assets at fair value through profit or loss	**22,453**	29,730
Financial assets available for sale	**248,026**	143,457
	270,479	173,187

5 OTHER EXPENSES AND PROVISIONS

During the year ended 31 December 2006, the Parent Company has signed a contract with the Public Authority for Housing Welfare ("the Authority") to provide consultancy services for the construction of Al Kharin project for a period of two years. Accordingly, the Parent Company has submitted bank guarantees for an amount of KD 596,868. Both parties have agreed mutually to end the contract during the year ended 31 December 2013.

During the year ended 31 December 2015, the Parent Company has filed a legal case No. 3884/2015 claiming for the compensation against the services rendered to the Authority. On 13 March 2016, the case has been transferred to the Administrative circuit of the court under No. 1508/2016. Subsequent to the reporting date, the Administrative Circuit of the court has judged on 8 January 2017 transferring the file of the case to the Department of Expertise - Ministry of Justice to verify the elements of the claims, awaiting for the report from the Department.

5 OTHER EXPENSES AND PROVISIONS (continued)

During the current year, the Authority has liquidated portion of the bank guarantees amounting to KD 347,098. As a result of this event, the Parent Company has made provision amounting to KD 347,098 and included that in the other expenses and provisions in the consolidated statement of income.

During the prior year, the court of appeal has ruled in favor of a client of the Parent Company, which grants the client 13,994,092 shares deposited in his portfolio in addition to the dividends accrued on these shares together with the legal interest. According to this ruling, the Parent Company has made a provision amounting to KD 226,610 included in other expenses and provisions in the consolidated statement of income.

6 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share are computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year (after adjusting for treasury shares) as follows:

	2016	*2015*
Profit attributable to equity holders of the Parent Company (KD)	**700,456**	1,409,778
Weighted average number of outstanding shares	**651,070,551**	651,070,551
Less: weighted average number of treasury shares	**(1,601,648)**	(9,534,147)
Weighted average number of shares	**649,468,903**	641,536,404
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**1.08 fils**	2.20 fils

On 25 July 2016, the Parent Company has distributed 30,925,598 shares of its treasury shares to the shareholders as bonus shares, which represents 5 shares for each 100 shares. (Note 16). The prior year basic and diluted earnings per share presented has been restated to reflect the effect of that distribution.

7 CASH AND CASH EQUIVALENTS

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

	2016 KD	*2015 KD*
Cash on hand	**3,592**	400
Bank balances	**3,330,210**	8,697,038
Murabaha deposits with original maturity of three months or less	**9,100,701**	9,181,203
Cash retained in portfolios	**625,973**	1,033,659
Cash and cash equivalents as per the consolidated statement of financial position	**13,060,476**	18,912,300
Less: restricted cash	**(2,577,597)**	(1,438,081)
Cash and cash equivalents as per the consolidated statement of cash flows	**10,482,879**	17,474,219

Bank balances with carrying amount of KD Nil (31 December 2015: KD 588,081) is secured as collateral against Murabaha payables (Note 14).

Murabaha deposits with carrying amount of KD 1,300,000 (31 December 2015: KD 850,000) is pledged as collateral against murabaha payables (Note 14).

Murabaha deposits represent murabaha contracts with local islamic banks with an original maturity of three months or less. Murabaha deposits yield an effective profit rate range of 0.63 % to 1.25% (2015: 0.37% to 1.31%) per annum.

7 CASH AND CASH EQUIVALENTS (continued)

During the current year, First Energy Resource Company K.S.C.C. (Under Liquidation), a local subsidiary of the Group (the subsidiary), has announced the distribution of first liquidation cash payment amounting to KD 6,062,000 to the shareholders. As a result of liquidation, the Parent Company received KD 2,013,311. An amount of KD 4,048,689 has been distributed to non-controlling interest. As at 31 December 2016, some of the shareholders did not collect their portion of the distribution. Accordingly, certain bank balances with amount of KD 1,277,597 has been restricted for the purpose of distribution to the shareholders of the subsidiary (Note 15).

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 KD	*2015 KD*
Designated:		
Quoted equity securities	**1,081,456**	764,430
Unquoted equity securities	**229,510**	197,558
Managed funds and portfolios	**111,611**	113,147
	1,422,577	1,075,135

The hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques are presented in Note 23.

9 OTHER ASSETS

	2016 KD	*2015 KD*
Advances for investment under establishment	**404,422**	1,093,595
Other receivables*	**969,657**	1,969,010
Management fees receivable	**93,865**	67,032
	1,467,944	3,129,637

*As at 31 December 2016, other receivables with an amount of KD 960,370 (2015: KD 613,272) were impaired and fully provided for.

Movement in provision for impairment of other receivables is as follows:

	2016 KD	*2015 KD*
At 1 January	**613,272**	613,272
Charge for the year*	**347,098**	-
At 31 December	**960,370**	613,272

* Provision charged during the year with amount of KD 347,098 has been included that in the other expenses and provisions in the consolidated statement of income.

10 FINANCIAL ASSETS AVAILABLE FOR SALE

	2016 KD	*2015 KD*
Unquoted equity securities	**29,904,709**	29,752,174
Quoted equity securities	**1,332,404**	1,338,077
Unquoted managed funds	**32,669**	18,555
	31,269,782	31,108,806

Unquoted equity securities amounting to KD 2,528,657 (2015: KD 2,240,584) are fair valued using valuation techniques which resulted in unrealised gain of KD 288,073 (2015: KD Nil) recorded in the consolidated statement of comprehensive income.

Unquoted equity securities amounting to KD 27,376,052 (2015: KD 27,511,590) are stated at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments and recorded an impairment loss in the consolidated statement of income of KD 82,538 (2015: KD 98,226) during the year, due to significant or prolonged decline in the fair value of these investments. Based on the latest available financial information, management is of the view that no further impairment loss is required as at 31 December 2016 in respect of these investments.

During the year, the Group has recorded an impairment loss in the consolidated statement of income of KD Nil (2015: KD 27,502) on unquoted managed funds where there has been a significant or prolonged decline in fair value.

The hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques are presented in Note 23.

11 INVESTMENT IN ASSOCIATES

Name of the Company	*County of incorporation*	*31 December 2016*		*31 December 2015*	
		Percentage of ownership%	*Amount KD*	*Percentage of ownership%*	*Amount KD*
Burgan Company for Well Drilling K.S.C.P. "BDC"	Kuwait	**20.46%**	**16,339,779**	20.46%	16,023,493
Arkan Al-Kuwait Real Estate Company K.S.C.P. "Arkan"	Kuwait	**29.06%**	**12,242,581**	29.06%	12,020,984
First Education Company K.S.C. (Closed) ("FEDCO")	Kuwait	**22.19%**	**4,252,301**	21.85%	4,098,542
Taameer Investment Company O.L.L.C. ("Taameer")	Oman	**37.40%**	**13,130,419**	37.40%	12,862,318
Al Jazeera Al Oula Real Estate W.L.L.	Saudi Arabia	**20.90%**	**3,971,206**	20.90%	2,989,846
Adeem Capital (Saudi Shareholders Closed Company)	Saudi Arabia	**40.00%**	**856,759**	40.00%	1,069,316
Sahab Al-Khalij Real Estate Company B.S.C. (Closed) (Under liquidation)	Bahrain	**35.29%**	**66,238**	35.29%	66,915
			50,859,283		49,131,414

11 INVESTMENT IN ASSOCIATES (continued)

As at 31 December 2015, investments in associate with carrying value of KD 15,510,060 were pledged as collateral against Murabaha payables (Note 14).

In respect of Group's investment in Burgan Company for Well Drilling K.S.C.P., the management considered performance outlook and business operations of the cash generating unit (CGU) to assess whether the recoverable amount of this entity cover its carrying amount, based on the estimated cash flows, discounted back to their present value using a discount rate that reflects the risk profile.

The recoverable amount of the CGU has been estimated based on a value in use calculation, using cash flow projections approved by senior management covering a 3 years period (2015: 3 years period). The discount rate of 11.1% (2015: 10.9%) is applied to the cash flow projections with projected terminal growth rate of 3 % (2015: 3%).

The calculation of value in use for the CGU is sensitive to the following assumptions:

- Revenue forecast;
- Discount rate; and
- Projected growth rate used to extrapolate cash flows beyond the budget period.

Revenue Forecast:
Revenue forecasted is based on the renewal and extension of existing contracts that Burgan Company for Well Drilling currently has in its log books. The rates used in calculating the forecasted revenue are fixed to existing contractual rates.

Discount rate:
Discount rate is calculated by using the Weighted Average Cost of Capital (WACC). The inputs to the calculation of the discount rate reflects current market assessment of the time value of money and risks specific to the CGU and the country of the CGU.

Projected growth rate:
Assumptions are based on industry research.

In respect of Group's investment in Arkan Al-Kuwait Real Estate Company K.S.C.P., the management considered performance outlook and business operations of the cash generating unit (CGU) to assess whether the recoverable amount of this entity cover its carrying amount, based on Dividend Yield approach, Price to Earnings approach and Price to Book Value of comparable companies.

The movement in the carrying value of investment in associates is as follows:

	2016 KD	*2015 KD*
At 1 January	**49,131,414**	46,293,802
Additions	**991,416**	581,156
Dividends received	**(652,981)**	(834,139)
Foreign currencies translation adjustment	**149,483**	1,027,711
Cumulative change in fair value	**90,620**	115,767
Share of results	**1,149,331**	1,947,117
At 31 December	**50,859,283**	49,131,414

11 INVESTMENT IN ASSOCIATES (continued)

During the current year, the Parent Company has accounted for an amount of KD 594,748 which represents foreign currency translation adjustment of associates for the year ended 31 December 2015 as follows:

	As previously reported KD	*Effect of adjustment KD*	*After adjustment KD*
Consolidated statement of financial position and consolidated statement of changes in equity as at 31 December 2014			
Foreign currency translation reserve	1,552,765	333,688	1,886,453

	As previously reported KD	*Effect of adjustment KD*	*After adjustment KD*
Consolidated statement of comprehensive income for the year ended 31 December 2015			
Foreign currencies translation adjustment	432,963	261,060	694,023

	As previously reported	*Effect of adjustment*	*After adjustment*
Consolidated statement of financial position as at 31 December 2015			
Investment in associates	48,536,666	594,748	49,131,414

11 INVESTMENT IN ASSOCIATES (continued)

The reporting dates of certain associates are not more than three months from that of the Group and there were no significant events or transactions between the reporting dates of associates and 31 December 2016.

	Arkan	*BDC*	*FEDCO*	*Taameer*	*Others*	**2016**	2015
Associate's statement of financial position:	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Assets	46,872,837	180,914,842	22,317,123	57,536,876	24,327,318	331,968,996	277,813,416
Liabilities	(14,539,390)	(122,267,571)	(3,456,670)	(22,428,803)	(3,227,273)	(165,919,707)	(133,841,911)
Intangible assets	-	21,214,797	-	-	-	21,214,797	21,214,797
Equity	32,333,447	79,862,068	18,860,453	35,108,073	21,100,045	187,264,086	165,186,302
Proportion of the Group's ownership	29.06%	20.46%	22.19%	37.40%			
Group's share in the equity	9,396,100	16,339,779	4,185,135	13,130,419	4,894,203	47,945,636	46,188,360
Goodwill arising on acquisition of associates	2,846,481	-	67,166	-	-	2,913,647	2,943,054
Carrying value of the investment	12,242,581	16,339,779	4,252,301	13,130,419	4,894,203	50,859,283	49,131,414
Share of associates' revenue and results for the year							
Revenue	1,247,214	4,329,692	404,694	766,644	117,495	6,865,739	9,290,910
Results - profit for the year	708,178	316,295	194,796	153,521	(223,459)	1,149,331	1,947,117

12 PROPERTIES UNDER DEVELOPMENT

	2016 *KD*	*2015* *KD*
At 1 January	**2,224,023**	2,169,445
Additions	**423,582**	31,295
Foreign currencies adjustment	**5,835**	23,283
At 31 December	**2,653,440**	2,224,023

As at 31 December 2016, properties under development with a carrying value amounting to KD 1,534,194 (2015: KD 1,534,194) are pledged as a security against murabaha payables to the foreign islamic financial institution, (Note 14).

13 INVESTMENT PROPERTIES

	2016 *KD*	*2015* *KD*
At 1 January	**36,048,434**	29,567,473
Additions	**-**	6,886,301
Swapped for settlement of murabaha payable (Note 14)	**(26,900,000)**	-
Disposals	**(45,921)**	(421,792)
Transfer to property and equipment	**-**	(350,000)
Change in fair value	**667,013**	366,452
Foreign currency translation adjustment	**50,893**	-
At 31 December	**9,820,419**	36,048,434

Certain investment properties with fair value of KD 3,526,704 includes leasehold land. Notwithstanding the contractual term of the leases, management considers that, based on market experience, the leases are renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease and, consequently, as is common practice in Kuwait, these leases have been accounted for as freehold land.

The fair value of investment properties has been determined based on valuation performed by two independent professional real estate valuation experts who are industry specialised in valuing such type of properties. Both valuers have used the following methods:

- Properties under development valued using the market comparison approach.
- Developed properties which generates rental income valued using the income capitalisation approach and market comparison approach.

For valuation purpose, the Group has selected the lower of those two valuations (2015: the lower of two valuations). Based on those valuations, the Group has recognised an unrealised gain on revaluation of KD 667,013 (2015: revaluation gain of KD 366,452) in the consolidated statement of income.

As at 31 December 2016, the range of average market prices for investment properties used by the valuers is between KD 56 and KD 692 (2015: KD 49 and KD 692) per square meter (sqm). Capitalisation of rental income method assumes capitalisation of annual rental income of 7% (2015: 6%).

Based on 5% increase/ decrease in average market prices, the value of the investment properties would be increased/ decreased by KD 59 and KD 727 (2015: KD 51 and KD 727) per sqm would impact the consolidated statement of income by KD 491,022 (2015: KD 369,151).

As at 31 December 2016, investment properties with carrying value amounting to KD 5,812,032 (2015: KD 5,131,711) are pledged as a security against murabaha payables to foreign islamic financial institution (Note 14).

During the current year, the Parent Company has used one of its investment properties with a carrying value of KD 26,900,000 (31 December 2015: KD 26,900,000) in a settlement of murabaha payable (Note 14).

All investment properties are considered level 2 for the fair value hierarchy and there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

14 MURABAHA PAYABLES

	2016	*2015*
	KD	*KD*
Gross amount	**2,554,294**	30,166,126
Less: deferred profit	**(286,232)**	(497,294)
	2,268,062	29,668,832

As at 31 December 2016, murabaha payables amounting to KD 1,830,639 (2015: KD 1,878,996) is denominated in Omani Riyal, which carry effective profit rate payable of 6 % (2015: 6%) per annum.

During the current year, the Parent Company has settled murabaha payable with carrying value of KD 27,200,000 and its related profit of KD 379,331 with a local Islamic financial institution, through transferring its interest right in investment properties with carrying value of KD 26,900,000. This transaction has resulted in a gain amounting to KD 679,331 that has been recorded in the consolidated statement of income (Note 13).

Murabaha payables amounting to KD 2,268,062 (31 December 2015: KD 29,668,832) are secured against the following:

- Bank balances with amount of KD Nil (2015: KD 588,081) (Note 7).
- Murabaha deposits with amount of KD 1,300,000 (2015: KD 850,000) (Note 7).
- Investment in associates with carrying value of KD Nil (2015: KD 15,510,060) (Note 11).
- Properties under development with carrying value of KD 1,534,194 (2015: KD 1,534,194) (Note 12).
- Investment properties with carrying value of KD 5,812,032 (2015: KD 5,131,711) (Note 13).

15 OTHER LIABILITIES

	2016	*2015*
	KD	*KD*
Payable to the shareholders of subsidiary under liquidation (Note 7)	**1,277,597**	-
Accrued expenses	**970,440**	1,704,271
Other payables	**3,171,265**	3,076,884
	5,419,302	4,781,155

16 SHARE CAPITAL, SHARE PREMIUM, DIVIDEND AND TREASURY SHARES

(a) Share capital and share premium

The authorised, issued and fully paid up capital of the Parent Company amounted to 651,070,551 shares (2015: 651,070,551 shares) of 100 fils each. All shares are paid in cash.

Share premium is not available for distribution.

(b) Dividend

The Parent Company's Board of Directors in the meeting held on 4 April 2017, has recommended no cash dividends or bonus shares for the year ended 31 December 2016. This proposal is subject to approval by the shareholders at the Annual General Assembly meeting.

The Parent Company's Board of Directors, in the meeting held on 31 March 2016 has proposed distribution of treasury shares as bonus shares at 5% repressing 5 shares for each 100 share. This proposal has been approved by the shareholders at the Annual General Assembly Meeting held on 5 June 2016. On 25 July 2016, the Parent Company has distributed 30,925,598 shares of its treasury shares to the shareholders for the year ended 31 December 2015.

The Annual General Meeting of the shareholders held on 21 May 2015 approved the payment of cash dividend of 5 fils per share amounting to KD 3,239,353 for the year ended 31 December 2014.

16 SHARE CAPITAL, SHARE PREMIUM, DIVIDENDS AND TREASURY SHARES (continued)

(c) Treasury shares

	2016	*2015*
Number of treasury shares	**1,627,929**	31,200,000
Treasury shares as a percentage of total issued shares	**0.250%**	4.79%
Cost of treasury shares (KD)	**108,816**	2,102,052
Market value of treasury shares (KD)	**74,071**	1,778,400

The balance in the treasury share reserve account is not available for distribution.

An amount of KD 108,816 (31 December 2015: KD 2,102,052) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve and share premium throughout the holding period of treasury shares.

The weighted average market price of the Company's shares for the year ended 31 December 2016 was 49 fils per share (year ended 31 December 2015 was 79 fils per share).

On 25 July 2016, the Parent Company has distributed 30,925,598 shares of its treasury shares to the shareholders as bonus shares, which represents 5 shares for each 100 shares (Note 6).

17 RESERVES

a) Statutory reserve

As required by the Companies law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat, and Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividends of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of dividends of that amount.

b) Voluntary reserve

In accordance with Article 49 of the Parent Company's Articles of Association, a percentage of the profit for the year attributable to Parent Company's shareholders proposed by the Board of Directors to be allocated to voluntary reserve. The Annual General Assembly of shareholders may, upon a recommendation by the Board of Directors, resolve to discontinue such annual transfers.

The board of directors have not recommended any transfer to voluntary reserve for the current year.

18 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, managed funds, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties are as follows:

	2016		*2015*
	Others KD	***Total KD***	*Total KD*
Consolidated statement of income			
Management fees	**10,362**	**10,362**	14,544
Consolidated statement of financial position			
Management fees and other receivables	**9,941**	**9,941**	858

18 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation

	2016	*2015*
	KD	*KD*
Salaries and other short term benefits	**290,160**	283,681
Terminal benefits	**30,892**	42,507
	321,052	326,188

Directors' remuneration for the year ended 31 December 2015 with amount of KD 42,000 has been approved by the Annual General Assembly of the shareholders of the Parent Company held on 5 June 2016. The remuneration has been recorded as current year expense.

Other transactions

The Group also manages portfolios on behalf of related parties amounting to KD 1,981,953 (2015: KD 2,393,454) which are not reflected in the Group's consolidated statement of financial position.

19 SEGMENT INFORMATION

Management monitors the operating results of its geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. For management purposes, the Group is organised into three major geographical segments:

- Kuwait
- Kingdom of Saudi Arabia
- Others

The Group does not have any inter-segment transactions.

	Kuwait		Kingdom of Saudi Arabia		Others		Total	
Year ended 31 December	***2016 KD***	*2015 KD*	***2016 KD***	*2015 KD*	***2016 KD***	*2015 KD*	***2016 KD***	*2015 KD*
Income	**2,078,696**	2,569,791	**1,332,483**	1,288,573	**1,149,726**	605,754	**4,560,905**	4,464,118
Expenses	**(2,543,016)**	(2,546,209)	**(594,317)**	(439,121)	**(269,560)**	(59,065)	**(3,406,893)**	(3,044,395)
(loss) - profit before contribution to KFAS, NLST, ZAKAT and directors' remuneration	**(464,320)**	23,582	**738,166**	849,452	**880,166**	546,689	**1,154,012**	1,419,723
At 31 December								
Operating assets	**56,013,555**	59,676,407	**33,426,391**	60,566,341	**23,650,286**	22,952,177	**113,090,232**	143,194,925
Operating liabilities	**3,125,300**	29,321,571	**2,605,770**	3,057,279	**1,956,294**	2,071,137	**7,687,364**	34,449,987
Other disclosures:								
Investment in associates (Note 11)	**32,834,661**	32,143,019	**4,827,965**	4,059,162	**13,196,657**	12,929,233	**50,859,283**	49,131,414
Provision against other assets (Note 9)	**(347,098)**	-	**-**	-	**-**	-	**(347,098)**	-
Impairment of financial assets available for sale (Note 10)	**(82,538)**	(98,226)	**-**	-	**-**	(27,502)	**(82,538)**	(125,728)

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's principal financial liabilities comprise non-derivative financial instruments such as murabaha payables and other liabilities. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as financial assets at fair value through profit or loss, financial assets available for sale, other assets and cash and cash equivalents, which arise directly from its operations.

The main risk arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

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

Credit risk
Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances and other assets.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis by the Parent Company's Board of Directors. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with a view to minimise the Group's exposure to bad debts. The maximum exposure is the carrying amount as presented in the consolidated statement of financial position.

Maximum exposure to credit risk
The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements.

	2016	*2015*
	KD	*KD*
Bank balances (excluding cash on hand)	**13,056,884**	18,911,900
Other assets	**1,467,944**	3,129,637
	14,524,828	22,041,537

Analysis of past due but not impaired
The Group does not have any past due but not impaired financial assets at 31 December 2016 and 31 December 2015.

liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the finance department of the Parent Company. To manage this risk, the Group invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by finance department to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over 1 year KD*	*Total KD*
2016					
Liabilities					
Murabaha payables	**115,306**	**278,803**	**417,553**	**1,840,114**	**2,651,776**
Other liabilities (excluding rent received in advance)	**75,483**	**620,425**	**612,798**	**4,083,058**	**5,391,764**
	190,789	**899,228**	**1,030,351**	**5,923,172**	**8,043,540**

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over 1 year KD*	*Total KD*
2015					
Liabilities					
Murabaha payables	119,772	27,611,451	238,460	2,192,386	30,162,069
Other liabilities	676,958	846,477	524,831	2,732,889	4,781,155
	796,730	28,457,928	763,291	4,925,275	34,943,224

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all financial instruments traded in the market.

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

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to significant profit rate risk since its borrowings are from Islamic financial institutions at fixed profit rates.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed by the investment department of the Parent Company on the basis of limits determined by the Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Foreign currency risk (continued)

The Group had the following significant net exposures denominated in foreign currencies as of 31December:

	2016 Equivalent in KD	*2015 Equivalent in KD*
Saudi Riyal	**29,017,677**	31,133,457
Omani Riyal	**11,417,352**	11,073,520
Others	**3,485,370**	3,413,138
	43,920,399	45,620,115

The following table demonstrates the sensitivity of the Group's profit (due to changes in the fair value of financial assets and liabilities) to a 5% possible change in the exchange rates, with all other variables held constant.

	2016			*2015*		
Currency	***Change in currency rate in %***	***Effect on consolidated statement of income KD***	***Effect on other comprehensive income KD***	*Change in currency rate in %*	*Effect on consolidated statement of income KD*	*Effect on other comprehensive income KD*
Saudi Riyal	±5	**(17,069)**	**1,467,953**	±5	26,009	1,530,663
Omani Riyal	±5	**663**	**570,205**	±5	8,903	544,774
Others	±5	**60,146**	**114,122**	±5	58,918	111,739

Equity price risk
Equity price risk arises from the change in fair values of equity investments. The Group manages this risk though diversification of investments in terms of geographical distribution and industry concentration.

The effect on the Group's profit and other comprehensive income (as a result of a change in the fair value of financial assets) due to a 5% change in market indices, with all other variables held constant, is as follows:

	2016			*2015*		
Market indices	***Change in equity price %***	***Effect on consolidated statement of income KD***	***Effect on other comprehensive income KD***	*Change in equity price %*	*Effect on consolidated statement of income KD*	*Effect on other comprehensive income KD*
Kuwait	**±5**	**34,857**	**16,723**	±5	28,301	22,799
United Arab Emirates	**±5**	**20,437**	**14,355**	±5	-	13,301
Kingdom of Saudi Arabia	**±5**	**11,695**	-	±5	-	-

21 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of cash and cash equivalents and murabaha payables at the reporting date is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on management's estimate of liquidation of those financial assets and settlement of financial liabilities. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

21 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2016	*Maturing within one year* *Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Sub-Total KD*	*Over 1 year KD*	***Total KD***
ASSETS						
Cash and cash equivalents	13,060,476	-	-	13,060,476	-	**13,060,476**
Financial assets at fair value through profit or loss	1,081,457	-	341,120	1,422,577	-	**1,422,577**
Other assets	562,241	478,812	414,363	1,455,416	12,528	**1,467,944**
Inventories	235,495	235,495	470,989	941,979	-	**941,979**
Financial assets available for sale	-	-	-	-	31,269,782	**31,269,782**
Investment in associates	-	-	856,759	856,759	50,002,524	**50,859,283**
Properties under Development	-	-	-	-	2,653,440	**2,653,440**
Investment properties	-	-	-	-	9,820,419	**9,820,419**
Property and equipment	-	-	-	-	1,594,332	**1,594,332**
TOTAL ASSETS	**14,939,669**	**714,307**	**2,083,231**	**17,737,207**	**95,353,025**	**113,090,232**
LIABILITIES						
Murabaha payables	87,898	252,410	367,812	708,120	1,559,942	**2,268,062**
Other liabilities	103,021	620,425	612,798	1,336,244	4,083,058	**5,419,302**
TOTAL LIABILITIES	**190,919**	**872,835**	**980,610**	**2,044,364**	**5,643,000**	**7,687,364**
NET LIQUIDITY GAP	**14,748,750**	**(158,528)**	**1,102,621**	**15,692,843**	**89,710,025**	**105,402,868**

2015	*Maturing within one year* *Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Sub-Total KD*	*Over 1 year KD*	*Total KD*
ASSETS						
Cash and cash equivalents	18,912,300	-	-	18,912,300	-	18,912,300
Financial assets at fair value through profit or loss	764,430	-	310,705	1,075,135	-	1,075,135
Other assets	1,622,242	1,505,832	1,563	3,129,637	-	3,129,637
Inventories	87,287	261,860	-	349,147	-	349,147
Financial assets available for sale	-	-	1,207,935	1,207,935	29,900,871	31,108,806
Investment in associates	-	-	-	-	49,131,414	49,131,414
Properties under Development	-	-	-	-	2,224,023	2,224,023
Investment properties	-	26,900,000	-	26,900,000	9,148,434	36,048,434
Property and equipment	-	-	-	-	1,216,029	1,216,029
TOTAL ASSETS	21,386,259	28,667,692	1,520,203	51,574,154	91,620,771	143,194,925
LIABILITIES						
Murabaha payables	91,587	27,583,266	182,090	27,856,943	1,811,889	29,668,832
Other liabilities	676,958	846,477	524,831	2,048,266	2,732,889	4,781,155
TOTAL LIABILITIES	768,545	28,429,743	706,921	29,905,209	4,544,778	34,449,987
NET LIQUIDITY GAP	20,617,714	237,949	813,282	21,668,945	87,075,993	108,744,938

22 FIDUCIARY ACCOUNTS

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2016 amounted to KD 121,563,039 (2015: KD 92,394,328). The total income earned from fiduciary activities amounted to KD 527,316 (2015: KD 530,849).

23 FAIR VALUES FINANCIAL INSTRUMENTS

Financial instruments

The fair values of financial instruments, with the exception of certain financial assets available for sale and designated financial assets at fair value through profit and loss carried at cost, are not materially different from their carrying values.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

2016	**Level 1** *KD*	**Level 3** *KD*	**Total** *KD*
Financial assets at fair value through profit or loss			
- Equity securities	**1,081,456**	**-**	**1,081,456**
- Unquoted equity securities	**-**	**229,510**	**229,510**
- Managed funds and portfolios	**-**	**111,611**	**111,611**
Financial assets available for sale			
- Unquoted equity securities	**-**	**2,528,657**	**2,528,657**
- Equity securities	**1,332,404**	**-**	**1,332,404**
- Managed funds and portfolios	**-**	**32,669**	**32,669**
	2,413,860	**2,902,447**	**5,316,307**

2015	Level 1 *KD*	Level 3 *KD*	Total *KD*
Financial assets at fair value through profit or loss			
- Equity securities	764,430	-	764,430
- Unquoted equity securities		197,558	197,558
- Managed funds and portfolios	-	113,147	113,147
Financial assets available for sale			
- Unquoted equity securities	-	2,240,584	2,240,584
- Equity securities	1,338,077	-	1,338,077
- Managed funds and portfolios	-	18,555	18,555
	2,102,507	2,569,844	4,672,351

23 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the beginning and closing balances of level 3 financial assets which are recorded at fair value.

	At 1 January 2016 KD	*Gain (loss) recorded in the consolidated statement of income KD*	*Gain recorded in other comprehensive income KD*	*Net purchases, sales, transfers and settlements KD*	*At 31 December 2016 KD*
Financial assets at fair value through profit or loss					
- Unquoted equity securities	**197,558**	**31,952**	-	-	**229,510**
- Managed funds and portfolios	**113,147**	**(1,536)**	-	-	**111,611**
Financial assets available for sale					
- Unquoted equity securities	**2,240,584**	-	**288,073**	-	**2,528,657**
- Managed funds and portfolios	**18,555**	-	**14,114**	-	**32,669**

	At 1 January 2015 KD	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in other comprehensive income KD*	*Net purchases, sales, transfers and settlements KD*	*At 31 December 2015 KD*
Financial assets at fair value through profit or loss					
- Unquoted equity securities	197,558	-	-	-	197,558
- Managed funds and portfolios	186,224	(708)	-	(72,369)	113,147
Financial assets available for sale					
- Unquoted equity securities	2,240,584	-	-	-	2,240,584
- Managed funds and portfolios	51,999	(27,502)	1,747	(7,689)	18,555

24 COMMITMENTS AND CONTINGENCIES

Commitments

	2016 KD	*2015 KD*
Operating lease rentals due within one year	**151,950**	169,881
Operating lease rentals from one to five years	**607,800**	759,750
	759,750	929,631

Contingencies

- At 31 December 2016, the Group had provided bank guarantees amounting to KD 964,493 (2015: KD 596,868) for which the management anticipates that no material liabilities will arise.

- On 12 August 2016, one of the subsidiaries of the Group has received a notification from the Ministry of Finance at the Kingdom of Saudi Arabia- "Department of Zakat and income"-"DZIT" for an obligation to pay Zakat for the financial years from 2007 till 2012 for an amount of SAR 31,643,000 (equivalent to KD 2,542,771) out of which the Parent Company's share is SAR 22,757,645 (equivalent to KD 1,828,761).

24 COMMITMENTS AND CONTINGENCIES (continued)

Contingencies (continued)

The management of the subsidiary believes that the Zakat dues notified by DZIT do not reflect the correct application of tax laws in the Kingdom of Saudi Arabia. Furthermore, the management of the subsidiary has appointed a tax consultant in the Kingdom of Saudi Arabia to review the Zakat dues notification and file an objection letter with DZIT. Accordingly, the tax consultant has filed an objection letter dated 18 October 2016 with DZIT. The final outcome of that appeal is uncertain at this time. However, as at the reporting date the management of the subsidiary and the Parent Company believes that no provision is required to be made in the books of account for this Zakat claim.

25 SUBSEQUENT EVENTS

- On 4 January 2017, the Parent Company has entered into an agreement to acquire 100% equity interest in Gulf Business Forms Company W.L.L. ("the Company") with total consideration of KD 3,200,000. On 10 January 2017, the Parent Company has paid the initial down payment for the acquisition with an amount of KD 1,000,000.

- On 15 November 2015, the Extraordinary General Meeting (EGM) of the shareholders of one of the Group subsidiaries named "First Energy Resources Company K.S.C.C. ("the subsidiary") have approved the liquidation of the Company. The Subsidiary has investment in Burgan Company for Well Drilling K.S.C.P. which classified as investment in associate (the associate). On 15 February 2017, the liquidators committee of the subsidiary has distributed 19,117,935 shares of the investment in the associate to the shareholders. According to the distribution of these shares, the Group's percentage of ownership in Burgan Company for Well Drilling K.S.C.P. will decrease from 20.46% to 14.66%.

26 LEGAL CASES

During the years ended 31 December 2006 and 31 December 2007, the Parent Company has entered into agreements to buy 14,500,000 shares of Al Muttaheda for Investment and Real Estate Development Company S.S.C.C (the Company) from the existing shareholders (the sellers) and accordingly the Parent Company paid the consideration for 10,500,000 shares, in full.

During the year ended 31 December 2007, the Parent Company noted that the sellers have not fulfilled their commitment of transferring certain assets to the Company as part of their share of increase in the capital of the Company. Accordingly, the Parent Company withheld the payment for remaining 4,000,000 shares and filed legal cases against the sellers of these shares claiming for a temporary compensation. On the other hand, the sellers filed a legal case against the Parent Company claiming payment for the remaining considerations of 4,000,000 shares. However, the sellers legal claim was rejected by the court of first instance, court of appeals and the court of cassation on 11 April 2016.

Despite the decision from the court of cassation, the sellers filed a legal case again against the Parent Company claiming the consideration for 4,000,000 shares by an amount of KD 13,814,991. Subsequent to the reporting date, on 17 January 2017, the court of first instance has ruled in favor of the Parent Company rejecting the claim of the sellers that was adjudicated earlier by the court of cassation on 11 April 2016. As on the date of these consolidated financial statements, the sellers have further appealed to the court against the ruling of court of first instance.

Based on the advice from the legal counsel, the amount claimed by the sellers is unrealistic and has no merit. In addition, the sellers are not entitled to any compensation due to the judicial ruling of the previous legal case that was adjudicated by the court of cassation. Accordingly, as at 31 December 2016, the Group has not made any provision against this claim in the consolidated financial statements.

27 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to the owners of the Parent Company. The Group includes within net debt, islamic borrowings, less cash and cash equivalents. Capital represents equity attributable to owners of the Parent Company.

As at 31 December 2016, there is no net debt for the Group. Accordingly, the gearing ratio is not applicable.

The following table represents the gearing ratio for the year ended 31 December 2015

	2015 *KD*
Murabaha payables	29,668,832
Less: Cash and cash equivalents	(18,912,300)
Net debt	10,756,532
Equity attributable to the equity holders of the Parent Company	94,901,575
Gearing ratio	11%