ANNUAL REPORT
2016

40th

KUWAIT REAL ESTATE INVESTMENT CONSORTIUM

(K.S.C.) CLOSED

Declared Capital 10,000,000 KD

Paid – up Capital 10,000,000 KD

Commercial Registry Number 20953

Established in the State of Kuwait on Oct.26,1975

Located in Sharq – Ahmad Al Jaber street - Al Marzouq & Al-Awadi Building

P.O. Box 23411 – Safat – 13095 – State of Kuwait

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KUWAIT REAL ESTATE INVESTMENT CONSORTIUM
(K.S.C.) CLOSED

w w w . k r e i c . c o m

H. H. Sheikh Sabah Al-Ahmad Al- Jaber Al-Sabah

Amir of the State of Kuwait

H. H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

H. H. Sheikh Jaber Mubarak Al Hamad Al-Sabah

Prime Minister of the State of Kuwait

Contents

»» Board of Directors ««

Abdul Karim Mohammed Al-Saeed	Chairman
Omar Abdullah Al Omairi	Deputy Chairman
Hamad Khaled Al Abdul Karim	Board Member
Abdul Ghafour Abdullah Tifouni	Board Member
Hassan Heydar Al jumah	Board Member
Fatemah Shaker Bo Kamssen	Board Member
Mounira Asaad Al Ajeel	Board Member
Ahmed Salem Al-Hajri	Acting General Manager

Board of Director's Report

Gentlemen Shareholders

The Board Directors of Kuwait Real Estate Investment Consortium have the pleasure to present the 40th Annual Report, including the most important economic developments at the global and local levels, as well as the results of the Annual Performance; the Consolidated Financial Statements and the Independent Auditor's Report for the financial year ending 31 December 2016.

The global economic situation did not achieve a positive results during 2016 in the light of regional, international crises whether political or security and economic which reflected by fall the oil prices to the level unprecedented leading to exit the United states from the Eurozone which led to significant decline in the pound sterling as well as the euro in the global market the global market also the increase of oil production during 2016 led to the levels not seen in the global markets which led to the continued decline in the market price and this is has a negative impact for all economic activities thus the budget of regional countries which depend on oil income resulted to inability of those budget at historical levels.

But the fruitful of OPEC efforts with oil production countries inside and outside the organization reached the conclusion of an historic agreement to cut production levels, which had the immediate effect of the high oil prices at the end of the year 2016, the Kuwaiti oil price closed at US $ 51.87 (2015 - 28.37 US $), an increase of 82.83%.

About the Kuwait Stock Exchange the price index registered increase rate by2.4% to reach to 5,748.09 points {5,615.12 points - 2015} the weighted index decreased by 380.09 {381.70 points - 2015}. Similarly, Kuwait indicator performances {Kuwait 15} dropped by 885.02 to {900.43 points - 2015}.

Despite the significant economic challenges to Kuwaiti economy, the State of Kuwait continues benefit from the financial system and solid banking enjoyed by the financial and abundance that allowed to increase the investment in the infrastructure by spending large capitalist and developmental ensure the ability to deal with this decline to prove that the state of Kuwait economy still in the position to cope with the low oil prices and the sharp fluctuations in the global economy.

The interest of the Central Bank of Kuwait which is firm and continue the responsibility in the monetary political space and the banking supervision to ensure monetary and financial stability the Central Bank of Kuwait in December 2016 has raised the discount rate of Kuwaiti dinar to reach 2.50% (2.25% -2015).

The Kuwait real estate market showed a decline in total sales index by 26.% to reach KD 2.55 billion {KD3.43 billion-2015 } with the number of transactions Index fell by 23% to reach 4,610 deal { 5.955 deal-2015}.

The financial and investment business results to the esteemed company, in the light of events and economic variables KREIC achieved a net profit KD282 thousand{KD 790 thousand -2015} decrease KD508 thousand although the net revenues reached KD 2,664 thousand {KD 2.658 thousand- 2015} the net rental income KD1,419 thousand {KD1,492 thousand -2015} represent 53% from the net revenue profit , the profits sale of real estate investments (Hawalli building79), which amounted KD 905 thousand, represent 34% of total net revenues, and the investment earnings (losses) only KD 315 thousand {KD 478 thousand-2015} KREIC share in the results of an associate (Arab Ceramics Company - Egypt) amounted to KD 35 thousand { KD 192 thousand-2015} during the financial year provisions amounting to KD 216 thousand, represent 8% of total net revenues , While the management fees of other properties amounted to KD182 thousand {KD 205 thousand -2015} and other revenues amounted to KD 222 thousand {KD 291 thousand -2015}.

The expenses and other charges amounted to KD2,375 thousand {KD1.841 thousand-2015} the cost of employees are KD1,119 thousand represent by 47% from the total of expenses and other charges {KD1.251 thousand -2015} the general and administrative and other expenses amounted to KD 227 thousand dinars {KD 264 thousand -2015 }represent 10% from expenses and other charges, while the consumption is KD 287 thousand {KD 293 thousand -2015}.The loss of different evaluation for foreign exchange had a significant impact of KREIC consolidated statement of financial 2016 which reached KD 742 thousand {KD 33 thousand- 2015} represent 31% from expenses and other charges and this is an inevitable result of floating the Egyptian pound , which has lost 58% to reach 16.30 Kuwaiti Fils (38.78 Kuwaiti Fils -2015 -). In addition, KREIC incurred losses in translation the financial statements in foreign currency (statement of other comprehensive income) in the amount of KD 1,224 thousand (KD 61 thousand- 2015 -) resulted in a decrease in the value of KREIC contribution in Arab Ceramic Company (an associate - contribution the percentage is 24.39%) Due to the depreciation of the invested currency.

The following table shows the part of the financial statements

Statement	2016	2015
Net profit	282	790
Capital	10,000	10,000
Equity	27,249	28,756
Total assets	30,099	31,847
Account payables	2,850	3,091
Profit per share (Fils)	2.80	7.90
Book value per share (Fils)	272	288

from the above and the results achieved, the Board of Directors recommends no dividend distribution for 2016.

Regarding to the rewards of Chairman and the Board of Directors in accordance with the requirements of the Companies Act No. {1} for the year 2016 - article {198}, the net profit for the year does not meet the minimum requirement Which requires the payment for the members› of the Board remuneration for this year

It is worth noting that KREIC will continue to work and seek investment opportunities available to diversify sources of income and optimize the utilization of financial surpluses and disposal of non-income assets in accordance with the Executive Plan and the approved general strategy for 2017.

Finally, the Board of Directors and all the employees, are introduce the sincere gratitude and appreciation to the shareholders about their precious confidence and continue support which is a form of a source of inspiration for the company and lead us to do more works and achievement.

We would also like to thank the Executive Management of the company and all the employees for their sincere efforts, hoping everyone to make more effort and hard work in order to move the company to the higher levels of work and the specialized participation efforts.

Abdulkareem Mohammad Al Saeed
Chairman

Investment Department

The activity of investment department is focused on the strong principles business capabilities

and competitive edge and looks for investment opportunities safe and profitable within and outside the State of Kuwait. The Investment department works on the continued development of existing investments according to the events and the economic trends expectations and establishing companies in collaboration with others.

Investment department contribute in numbers of companies, funds and investment portfolios and real estate in accordance with KREIC's activities as well as tracking the investment policy moderate trying to seize the investment opportunities and remunerative according to the data requirements of the market and. In addition the investment department is managing the Real Estate Portfolio of KREIC and first real estate fund.

Here are summarize some of the outlines which have been contributed by KREIC and operated under the investment department

Sawfar Hills Project

The property is located on an area of 109 thousand square meters in Sawfar - Sharon of real estate area - the province of Mount Lebanon - Aley on the average of 1,350 meters above sea level which gives distinctive view of the site. Sawfar Hills Project has been sorted to 72 plots, 6 for entertainment services 66 for housing.

Arab ceramic company (REMAS)

www.ceramicaremas.com

REMAS CERAMIC

The company owns 24.39 % of Arab Ceramics company(ceramica remas) which was founded in 1975 for the production of sanitary ware goal in accordance with the scope of the investment capital of the Arab and foreign investment and free zones , ceramica remas is the second company in Arab Republic of Egypt for exporting ceramic tiles in addition it is one of the leading companies in the industry and the production of tiles faience of various kinds and all the kinds of sanitary ware for trade and establishing factories related to the purposes of the company as well as the other products branching from the industry its related or complementary to study and prepare the designs . the company registed in stoke market.

Ceramic remas exports the products to the North Africa, GCC countries and some European countries due to its production and using the local and imported raw materials to suit all the tastes and levels at the local, Arab and international levels after the company obtained the International Quality Certificate Dutch Foundation of Kiowa.

The company is committed by applying the standards of safety and occupational health that are compatible with the laws and regulations issued by the competent authorities .

The shareholders in 2016 is 242 Million Egyptian Pounds , equivalent 194% of the capital 125 million Egyptian pounds .

KREIC'S Real Estate Portfolio

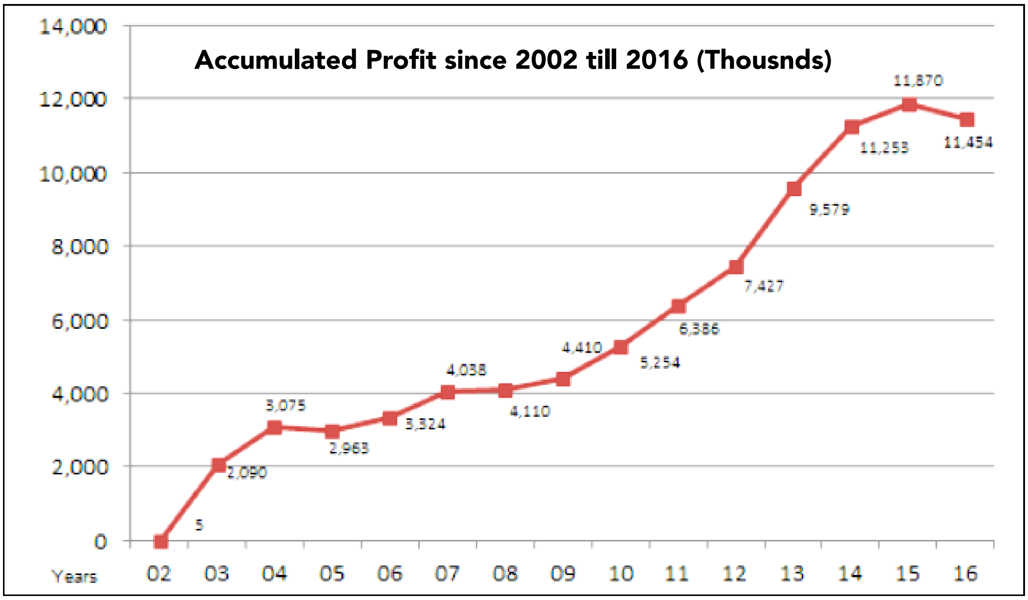
The local real estate portfolio consists a range of investment properties and commercial, characterized by high occupancy distributed in the most important areas of trade and investment in Kuwait and distinct sites, the investment department is working on operations of buying, selling and development of the portfolio.

The market value of the portfolio is KD 24% Million in 2016, the commercial real estate is 77% of the size portfolio with total value KD18.6 Million where these properties are located in the distinctive areas such as Salmiya , Sharq and Murgab, while the real estate investment is 23. % of the size portfolio and the total value is KD 5.5 Million and these properties are located in Hawalli and Bneid Al Gar.

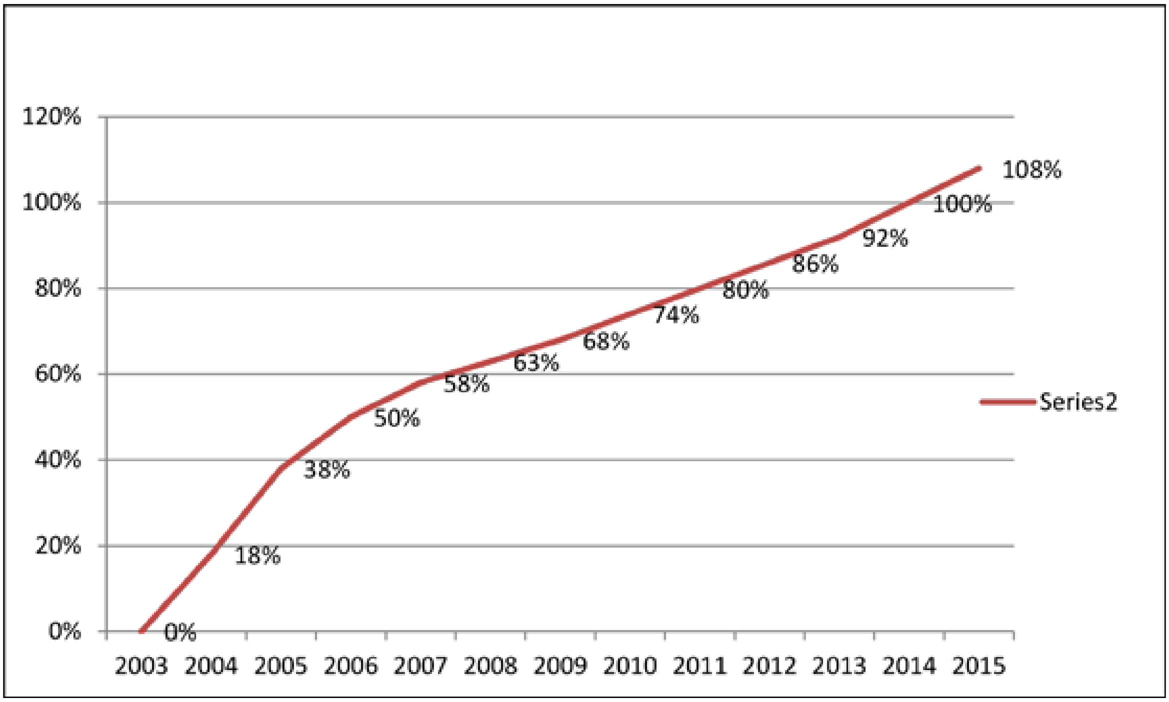
First Real Estate Fund

First Real Estate Fund was established on 17/09/2002, with a variable capital from KD (5-50) Million. The goal is to invest its money for the benefit of the participants in the trade and development of properties which constructed and land space as well as trading and leasing in order to provide an opportunity for small investors to participate in the real estate investment sector and to achieve rewarding financial returns within the State of Kuwait.

Accumulated Profit since 2002
(First Real Estate Fund)



Cash Dividend Paid
(First Real Estate Fund)



Property Management Department Activity

The works of property management department is managing and maintenance the Real Estate portfolios both owned or managed by the company, in addition to real estate evaluation and management of engineering projects and real estate auctions.

Real Estate Portfolio Division

The company owns a real estate portfolio with a variety of commercial complexes and investment buildings distinctive and diverse by geographical distribution, the company are currently managing group of real estate portfolios for the benefit of Kuwait Investment Authority and the settlement and managing office for government purchased debts in addition to the managing and operating the properties of First Real Estate Fund.

Engineering Projects Management

The Engineering Project management is the most important activity; the property management department is managing several engineering projects. The most prominent one is for Kuwait Ministry of Foreign Affairs. The department is currently followed up by the development of projects and renovation for the Safir Airport Hotel - Safir International Hotel.

Real Estate Appraisal

Based on the real estate certificate No. 20 issued by the Ministry of Commerce & Industry, KREIC evaluates all the types of real estate. It is one of the leading companies in the real estate evaluation due to its credibility, professionalism, pursuing the scientific and technical evaluation and also the ability to attract a number of Kuwait banks and government agencies in addition to the number of investment and real estate companies and individuals.

Kuwait Real Estate Investment Consortium - KSCC
And its subsidiary
State of Kuwait

Consolidated Financial Statements
And Independent Auditor's Report

31 December 2016

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Real Estate Investment Consortium K.S.C. (Closed) "KREIC" ("the Parent Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of income, other comprehensive income, changes in equity, and 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of this report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Persons Responsible for Governance for the Consolidated Financial Statements

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

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

Persons responsible for governance are responsible for overseeing the process of preparing the Group's consolidated financial reports.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the persons responsible for 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.

Further, we provide persons responsible for governance with a statement indicates our commitment to related ethical requirements with regard to independence. Further, we notify them of all relationships and other matters that we reasonably believe it is possible to affect our independence, as well as related measures, whenever appropriate.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with 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 articles and memorandum of association, as amended, that an inventory was duly carried out. We further report that, to the best of our knowledge and belief, nothing has come to our attention indicating any violations of the Companies Law No. 1 of 2016, and its executive regulations, or of the Parent Company's articles and memorandum of association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business or the consolidated financial position of the Group.

Qais M. Al Nisf
Licence No. 38 – A
BDO Al Nisf & Partners

Consolidated statement of financial position
As at 31 December 2016

	Notes	2016 KD 000's	2015 KD 000's
Assets			
Currents assets			
Cash and cash equivalents	5	5,510	5,913
Investments at fair value through statement of income	6	4,409	4,595
Receivables and other debit balances	7	1,197	198
Due from related parties	8	151	205
		11,267	10,911
Non-current assets			
Available for sale investments	9	883	1,091
Lands and property under development	10	2,020	1,988
Investments in an associates	11	980	2,239
Investment Properties	12	14,936	15,598
Property and equipment		13	20
		18,832	20,936
Total assets		30,099	31,847
Liabilities and equity			
Current liabilities			
Payables and other credit balances	13	1,103	1,462
Non-current liabilities			
Provision for employees end of services benefits	14	1,747	1,629
Total Liabilities		2,850	3,091
Equity			
Share capital	15	10,000	10,000
Statutory reserve	16	3,845	3,816
Voluntary reserve	17	3,845	3,816
Foreign currency translation reserve		(2,281)	(1,057)
Change of fair value reserve		181	246
Group's share of associate's reserves		(51)	(51)
Retained earnings		11,710	11,986
Total equity		27,249	28,756
Total liabilities and equity		30,099	31,847

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Abdul Karim M. Al- Saeed	**Ahmad Salem Al-Hajri**
Chairman	Acting General Manager

Consolidated statement of income

For the year ended 31 December 2016

		2016	2015
Income	Notes	KD 000's	KD 000's
Management fees	18	182	205
Net lease income	19	1,419	1,492
Investment (losses)/ profits	20	(315)	478
Group's share of associates' business results	11	35	192
Gains on sale of investment properties	12	905	-
Write back of provisions no longer required	13	216	-
Other revenues	21	222	291
		2,664	2,658
Expenses and other charges			
Administrative and general expenses	22	227	264
Staff costs	23	1,119	1,251
Depreciation		287	293
Foreign exchange valuation differences		742	33
		2,375	1,841
Net profit before deductions		289	817
Contribution to Kuwait Foundation for the Advancement of Sciences		3	7
Zakat		4	5
Board of directors' remuneration		-	15
Net profit for the year		282	790
Basic earnings per share (fils)	24	2.8	7.9

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of income and other comprehensive income

For the year ended 31 December 2016

	2016	2015
	KD 000's	KD 000's
Net profit for the year	282	790
Other comprehensive (expense)/income		
Change in fair value of available for sale investments	(65)	(95)
Impairment of Investment available for sale	-	-
Translation of foreign currency financial statements	(1,224)	(61)
Total comprehensive expense for the year	(1,289)	(156)
Total comprehensive income for the year	(1,007)	634

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change of fair value reserve	Group's share of associate's reserves	Retained earnings	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Balance at 1 January 2015	10,000	3,734	3,734	(996)	341	(51)	11,860	28,622
Net profit for the year	-	-	-	-	-	-	790	790
Other comprehensive income items	-	-	-	(61)	(95)	-	-	(156)
Cash dividends (note 24)	-	-	-	-	-	-	(500)	(500)
Transfer to reserves	-	82	82	-	-	-	(164)	-
Balance as at 31 December 2015	10,000	3,816	3,816	(1,057)	246	(51)	11,986	28,756
Balance at 1 January 2016	10,000	3,816	3,816	(1,057)	246	(51)	11,986	28,756
Net profit for the year	-	-	-	-	-	-	282	282
Other comprehensive income items	-	-	-	(1,224)	(65)	-	-	(1,289)
Cash dividends (note 24)	-	-	-	-	-	-	(500)	(500)
Transfer to reserves	-	29	29	-	-	-	(58)	-
Balance as at 31 December 2016	10,000	3,845	3,845	(2,281)	181	(51)	11,710	27,249

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Statement of cash flows
For the year ended 31 December 2016

	Notes	2016 KD 000's	2015 KD 000's
Operating activities			
Net profit for the year		282	790
Adjustments:			
Investment losses/(profits)	20	315	(478)
Gains on sale of investment properties		(905)	-
Interest payable	21	(123)	(109)
Group's share of associates' business results		(35)	(202)
Depreciation		287	293
Reversal of provision of claims		(214)	36
Reversal of doubtful debts		(2)	-
Provision for indemnity		152	160
Profit of operations before change in operating assets and liabilities		(243)	490
Investments at fair value through statement of income		(279)	(1,000)
Receivables		14	(6)
Due from related parties		54	85
Payables		(145)	(291)
Cash flows from operations		(599)	(722)
End of service benefits (indemnity) paid		(34)	234
Net cash used in operating activities		(633)	(956)
Investing activities			
Dividends received from the associate		25	491
Available for sale investments		46	-
Paid for purchase of investment properties		(21)	-
Proceeds from sale of investment properties		263	-
Paid in land and real estate under development		(32)	(68)
Paid for purchase of property and equipment		7	-
Interest received		139	107
Dividends received from investments	20	285	426
Net cash generated from investing activities		730	956
Financing activities			
Cash dividends		(500)	(500)
Net cash used in financing activities		(500)	(500)
Net decrease in cash and cash equivalents		(403)	(500)
Cash and cash equivalents at beginning of the year		5,913	6,413
Cash and cash equivalents at end of the year	5	5,510	5,913

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

1. Overview of the Group

Kuwait Real Estate Investment Consortium K.S.C. "KREIC" (Closed) ("the Parent Company") was incorporated on 26 October 1975. It is a subsidiary of Kuwait Investment Authority. Several amendments were made to the memorandum and articles of association of the parent company. Latest amendment was made under a memo issued by the Shareholding Companies Department No. 942 dated 4 March 2015 in accordance with resolution of the extraordinary general assembly held on 20 August 2014. It was registered in the commercial register on 4 March 2015. KREIC works in filed of real estate transactions, investments in shares and activities of managing real estate and investment portfolios inside and outside the State of Kuwait.

On 28 December 2016, the parent company was granted an initial approval till 28 June 2017 by Capital Markets Authority "CMA" to practice securities activity as per law No. (7) of 2010 on establishment of CMA and the regulation of activity of securities, as amended.

The parent company is working on completing all legal procedures and main requirements related to issuance of a license by CMA for practicing securities activity.

The parent company's objectives are as follows:

- Coordinating efforts of Kuwaiti real estate companies.
- Undertaking various business and real estate activities with the target to generate profit including selling, purchase, rental and lease of land and buildings, establishing buildings and preparing the studies of private and public real estate projects and executing them whether directly by the company or by third party.
- Carry out various construction types and related works whether for its account or for the account of others as well as importing and trading in all materials related to real estate or necessary thereto.
- Establishing and managing hotels, clubs, restaurants, coffee shops, motels, chalets and all tourism, sports and entertainment facilities.
- Investment in shares of projects and companies which are similar to the purposes of the company and management of such companies and direct them for the interest of the company.
- Building houses whether for individuals or official or private bodies in return for obtaining their value from them either in cash or in installments.
- Management of third party properties.
- Establishing companies with similar objectives in various countries and participating therein as per provisions of laws effective in such countries, to achieve objectives of this company and for as a documentation of Arab and international cooperation. The company may have an interest in or participate with entities carrying out similar activities or those parties who will assist it in achieving its objectives. The company may also purchase such entities or affiliate them.
- Utilizing the financial surpluses of the company by investing them in financial and real estate portfolios by specialized companies and entities.

- Establishing and managing real estate funds.
- Holding and managing real estate auctions. As per the Ministry's applicable regulations.
- Valuation of third parties properties as per applicable regulations at Ministry of Commerce and Industry.

Law No. 1 of 2016 was issued on 24 January 2016 and was published in the official gazette on 1 February 2016,under which law No. 20 of 2012 as amended was cancelled. This Law shall be applicable as of 26 February 2016.

Executive regulations ("executive regulations") of law No. 1 of 2016 ("law") was published in the official gazette of Kuwait on 17 July 2016 and became effective from that date.The parent company shall regularize its affairs in accordance with provisions of law and its executive regulations within six months from issuance date of this executive regulations.

The consolidated financial statements of the group include the financial statements of the Parent Company and its wholly owned subsidiary (Lebanese Real Estate Investment Consortium S.A.L.) together referred to as "the Group" note (3.3).

The parent company's headquarters is at: Sharq, Ahmed Al Jaber Street, P.O. Box 23411, Safat 13095, Kuwait.

The Company is 99.127% owned by Kuwait Investment Authority.

The consolidated financial statements of Kuwait Real Estate Investment Consortium K.S.C. (closed) and its subsidiary for the year ended 31 December 2016 were authorized for issue by the parent company's board of directors on -------- 2017 and it is subject to the approval of the shareholders' annual general assembly. The shareholders of the parent company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. Adoption of new and revised International Financial Reporting Standards ("IFRSs")

a) New standards and amendments effective from 1 January 2016

The accounting policies applied by the group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards:

IFRS 14 – Regulatory Deferral Accounts

This standard, effective for an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous accounting standards, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. Since the group is an existing IFRS preparer, this standard would not apply.

Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business requiring the acquirer to apply all the principles on business combinations accounting in IFRS 3 and other IFRSs. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact on the Group.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 clarify that the determination of the accumulated depreciation or amortisation under the revaluation method does not depend on the selection of the valuation technique. They also clarify that the accumulated depreciation or amortisation is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortisation method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortisation is not proportionate to the change in the gross carrying amount of the asset. These amendments are not expected to have any material impact on the Group.

Amendments to IAS 27 – Equity method in separate financial statements
The amendment, effective for annual periods beginning on or after 1 January 2016, 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 its separate financial statements will have to apply that change retrospectively. These amendments are not expected to have any material impact on the Group.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 require that bearer plants (a subset of biological assets used solely to grow produce over several periods) should be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing, unlike all other biological assets related to agricultural activity which are measured at fair value less cost to sell. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41, and the produce growing on bearer plants will remain within the scope of IAS 41. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Annual Improvements to IFRSs 2012-2014 Cycle:

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

Amendments to IFRS 5 – Non Current Assets Held for Sale and Discounted Operations
When an asset (or disposal Group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

Amendments to IFRS 7 – Financial Instruments: Disclosures
Specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. Additional disclosures relating to the offsetting of financial assets and financial liabilities need to be included only in interim reports if required by IAS 34.

Amendments to IAS 19 Employee benefits
When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

Amendments to IAS 34 – Interim Financial Reporting
What is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

Amendments to IAS 1 Disclosure Initiative
The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify some judgments used in the presentation of the financial reports. The amendments make changes about:

- Materiality, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income of equity accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

These amendments are not expected to have any material impact on the Group.

Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 confirm that the exemption from preparing consolidated financial statements under IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its subsidiaries at fair value in accordance with IFRS 10. However, the subsidiary shall be consolidated if it provides investment-related services or activities to the investment entity. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose are to provide services and activities that are related to the investment activities of the investment entity parent. All other subsidiaries of an investment entity should be measured at fair value.

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

Consequential amendments have been made to IAS 28 to confirm that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity, even if the investment entity parent measures all its subsidiaries at fair value. IAS 28 has been also amended to permit an entity to retain the fair value measurement applied by an associate or joint venture that is an investment entity to its interests in subsidiaries rather than applying uniform accounting policies.

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities. These amendments are not expected to have any material impact on the Group.

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group.

b) Standards and interpretations issued but not effective

IFRS 9 Financial Instruments

The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and recognition of financial instruments from IAS 39.

The Directors of the Company anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

IFRS 15 – Revenue from contract with customers

The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the following existing standard and interpretation upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue – Barter Transactions Involving Advertising Services

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16: Leases

This standard becomes effective for annual periods beginning on or after 1 January 2019. This standard replaces IAS 17 "lease" as it requires tenants to recognize all leases in the statement of financial position in a similar way to finance leases as per IAS 17 with limited exceptions for impaired assets and short term leases. As at the date of commencement of the lease, the tenant will acknowledge commitment of paying the lease payments, and a principal amount represents the right to use the concerned principal during lease period.

These amendments are not expected to have any material impact to the group.

Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses

The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that any entity needs to look into whether the tax law limits sources of the taxable profits in return for deducting the amendment resulting from temporary tax differences. Further, the amendments provide guidelines on the way that the entity shall determine the future taxable profits, and explanation of circumstances where the taxable profit may contain redemption of some assets at more than their carrying value.

These amendments are not expected to have any material impact on the Group.

Amendments to IAS 7: Disclosure Initiative

The amendment to this standard, which is effective prospectively for annual periods beginning on or after 1 January 2017, requires the entity to provide disclosures to enable users of the financial statements to assess the changes in liabilities resulted from financing activities, including the changes resulted from cash flows and non-cash changes. Early application of this amendment is permitted.

These amendments are not expected to have any material impact on the Group.

Amendments to IFRS 2: Classification and measurement of share-based payment transactions.

This amendment will become effective for annual periods beginning on or after 1 January 2018.

These amendments address three main aspects as follows:

- Impact of vesting conditions on cash settlements for share-based payment transactions.
- Classification of share-based payment transactions with features of settlement (net) for deducted tax commitments.
- Accounting, whereas amendment of items and conditions of share-based payment transactions changes its classification from cash settlement to equity settlement.

These amendments are not expected to have any material impact on the Group.

3. Significant accounting policies

3.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Kuwait Commercial Companies Law of No. 1 of 2016, and its executive regulations. These consolidated financial statements are presented in Kuwaiti Dinar ("KD"), the Group's operational and presentation currency, and are prepared under the historical cost convention, except for available for sale investments, investments at fair value through statement of income that are stated at fair value.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain significant accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies. The areas of significant judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Classification of assets and liabilities to current and non-current

The nature of group's activity as an entity established for purposes and investment requires classification of assets and liabilities according to their liquidity, where the Group has selected to present it in the statement of financial position according to its liquidity in descending order, where management believes that this presentation provides information relevant and more reliable to Group's activities. This way in the presentation of assets and liabilities requires the provision of other information about the maturity of all financial assets and financial liabilities off the consolidated statement of financial position in the notes to the financial statements. The Group provides this information based on the length of the remaining contractual period as at the consolidated financial statements date.

The group's financial assets mainly include cash and cash equivalents, fixed term deposit, trade and other receivables, investments at fair value through statement of income and available for sale investments.

The Group's financial liabilities mainly include payables and credit balances and provision for staff indemnity.

The amounts expected to be recovered for the assets or paid with regard to the liabilities are presented at minimum in notes in items (1) assets and liabilities due within one year from the reporting date, (2) assets and liabilities due within a period more than one year from the reporting date

3.3 Basis of consolidation

The consolidated financial statements comprise financial statements of the Parent company and its subsidiary drawn up to 31 December 2016 (see below). The subsidiary has a reporting date of 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.
- The financial statements of subsidiaries are included in the consolidated financial statements

from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits or losses and unrealized profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Profits or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities (i.e. reclassified to the statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary (together referred to as "the group").

Name of the company	Legal entity	Activity	Country of incorporation	Percentage of holdings	
				2016	**2015**
Lebanese Real Estate Investment Consortium	.S.A.L	Real estate	Lebanon	100%	100%

The subsidiary's total assets amounted to KD 2,182 thousand as at 31 December 2016 (31 December 2015: KD 2,163 thousand) and its net losses amounted to KD 14 thousand for the year ended 31 December 2016 (31 December 2015: KD 6 thousand).

It was depended upon audited financial statements of the subsidiary for the financial year ended 31 December 2016 when preparing the consolidated financial statements of the group.

3.4 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy (see borrowing costs policy). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at eaAch year end, with the effect of any changes in estimate accounted for on prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

3.5 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, financial assets available for sale. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at fair value through profit or loss
- Trade and other receivables
- Investments held to maturity
- Available for sale financial assets)AFS(

Available for sale investments
Available for saleinvestments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income in finance costs. Profit earned whilst holding AFS financial assets is reported as profit in the consolidated statement of profit or loss using the EPR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EPR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EPR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income

Trade and other receivables
Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective profit rate method, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of income when there is objective evidence the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective profit rate computed at initial recognition.

Cash and cash equivalents
Cash on hand, current and call account balances with banks are classified as cash and cash equivalents in the statement of cash flows, net of bank overdrafts (if any).

Effective profit rate method
The effective profit rate method is a method of calculating the amortised cost of a financial asset and of allocating profit over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or where appropriate, a shorter period.

Financial assets at fair value through statement of income
Financial assets at fair value through statement of income include financial assets held for trading and financial assets designated upon initial recognition at fair value through statement of income. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near future. The group did no classify any financial assets at fair value through statement of income. Financial assets are carried at fair value through profit or loss in the consolidated statement of financial position at fair value, and net changes in fair value are recognized 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- rights to receive cash flows from the assets have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed

an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of theasset, 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, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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

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 carried at amortised cost
For financial assets carried at amortized cost, the Group first assesses whether 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, recognized are not included in a collective assessment of impairment.

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 present value of the estimated future cash flows is discounted at the financial asset's original effective profit rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of income. Profit (recorded as finance income in the consolidated statement of income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. Loans 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 write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

Available for sale financial assets
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.'Significant impairment' is evaluated against the original cost of the investment and 'prolonged impairment' against the period in which the fair value has been below its original cost. When 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 that investment previously recognised in the statement of comprehensive income – is removed from OCI and recognised in the consolidated statement of income.Impairment losses on equity investment are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is "significant" or "prolonged" requires considerable judgment. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income. Further profit continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The profit is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities or other liabilities as appropriate.

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The financial liabilities of the Group consist of trade and other payables.

Subsequent Measurement
The measurement of financial liabilities depends on its classification as trade and other payables.

Trade and other payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective profit rate method.

Derecognition
A financial liability is derecognized when it is extinguished, cancelled or expires. Where 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 derecognization of the original liability and the recognition of a new liability. Any difference in the carrying value is recognised directly in the consolidated statement of income.

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

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

3.6 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 cash-generating units (CGU) fair value less costs of disposal and its value in use.The 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 of disposal, recent market transactions are taken into account.If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.These budgets and forecast calculations generally cover a period of five years.For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased.If such indication exists, the Group estimates the asset's 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.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.7 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at the date of each consolidated financial position. Fair value measurement of financial instruments and non-financial assets is disclosed in the notes to the consolidated financial statements. 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. Fair value measurement depends on the presumption that the asset is disposed of or the liability is settled by transferring it. This happens in one of the following cases:

- Disposal or settlement to the primary market of asset or liability, or
- In case there is no primary market for the asset or liability, disposal or settlement is done in the secondary market, i.e. in the most useful market to the asset or liability. In this context, the Group must be able to reach the primary market or the most useful market to the asset or liability.

With regard to assets and liabilities recognised in the consolidated financial statements of the Group measured at fair value frequently, the Group determines whether there are transfers made between levels of the fair value hierarchy through reclassification at the end of each reporting period.

To present the disclosures on the fair value, the Group determined categories of assets and liabilities taking into consideration nature and characteristics of the risks related to the asset or liability and level of the hierarchy referred to above.

The fair value of asset and liability are measured by using assumptions used by the participants in the market when pricing the asset or liability, and by assuming that such participants are working to reach the best achievement of their economic interests.

Fair value measurement of non-financial assets takes into account ability of the participants in the market to achieve economic benefits for them through the best way of usage at the highest and best level of the asset, or through selling the asset to another party in the market, that is expected to use the asset in an ideal way at the highest and best level. The Company uses appropriate valuation techniques that have available sufficient data to measure the fair value while using maximum observable inputs related to the asset and reducing usage of the unobservable inputs to the maximum limit.

All assets and liabilities that its fair value is measured or disclosed are classified within the fair value hierarchy. The fair value hierarchy consists of three levels: 1. In accordance with quoted prices. 2. Valuation techniques use prices of observable current market transactions. 3. Valuation techniques use generally accepted pricing models.

3.8 Equity and reserves

Capital represents the nominal value of shares that have been issued.

Reserves (statutory and voluntary) represent retained amounts from annual profits in such accounts under requirements of company's memorandum and articles of association, companies law, its executive regulations and decisions of board of directors approved by general assembly of shareholders.

General reserve was made in previous years based on decisions of board of decisions and approval of the general assembly of shareholders on the same.

Retained earnings includes current and retained profits for prior period.

3.9 Dividends to shareholders

The Parent Company recognises a liability for cash or non-cash distributions to its shareholders when the distribution is authorised and the distribution is no longer among options of the Parent Company. The Parent Company records the liability emerging from cash and non-cash distributions directly in the liabilities with the corresponding entry is charged to retained earnings. In accordance with Companies Law No. 1 of 2016 and its executive regulations, dividends are disclosed when approved by the shareholders at the annual general assembly meeting.

The non-cash dividends are measured at fair value of assets that will be distributed. Fair value measurement is recognized directly in equity. When distributing the non-cash assets, the difference between carrying value of the liability and carrying value of the assets distributed to the shareholders is recognised in the consolidated statement of income.

3.10 Provision for employees end of services benefits

Provision is made for employees' end of service indemnity which is payable on completion of employment. The provision is calculated in accordance with Kuwait Labor Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the financial position, on the basis that this computation is a reliable approximation of the present value of this obligation.

3.11 Social security

Concerning the Kuwaiti national staff, the Group makes subscriptions to the General Organisation for social security being calculated as a percentage of monthly salaries of the employees.The group's liability is limited to the amounts of these commitments, which are recognized as expense when the terms of their accrual by concerned employees are met.

3.12 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of the money material, the provisions are deducted at a rate reflecting the risks specific to the obligation where appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after disposal of sales between group's companies.

The Group had concluded that it is a principal in all of its transactions (except management and maintenance of third party's real estate) since it is the primary obligor in all the revenue arrangements has pricing latitude and also exposed to inventory and credit risk.

The group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration type of customer and type of transactions.

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

Profits on sale of investments
Profit on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal and is recognized at the same date of the sale.

Dividends
Dividend income is recognized when group's right to receive payment is established. Group's right in such dividends is established when such dividends are announced and approved by shareholders in investee companies.

Rentals
Rental income is recognized when earned on a time proportion basis.

Bank Deposits income
Bank Deposits income is recognised when it falls due.

Real estate sales income
Real estate sales income is recognised on accrual basis, when all the following conditions are met:

- On completion of sale transaction and signing the contracts.
- When investment of the buyer (sale value) is sufficient to indicate his commitment to pay value of the real estate as at date of the consolidated financial statements.
- Receivables category of the group shall not be less than the sale in the future.
- When the group already transferred all the regular risks and rewards and real estate ownership to the buyer throu gh selling transaction and the group does not have any continuous substantial participation in the real estate or its ownership.

If the works required for completing the building can be measured and recorded on an accrual basis easily, or if such works are not significant as for the total value of the contract and if all abovementioned conditions are fulfilled except the last condition, the percentage of completion shall be the method applied in recognizing the revenue.

3.14 Translation of foreign currencies

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

Transactions and balances

Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the financial statements date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Group companies
The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the financial position date. Income and expense items are translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate.

3.15 Assets and contingent liabilities

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

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

3.16 Contribution to Kuwait Foundation for the Advancement of Sciences

The Parent Company is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). KFAS is imposed at 1% of profit, less permitted deductions.

3.17 Zakat

The Parent Company is legally required to contribute to the Zakat in accordance with the requirements of Law No. 46 of 2006. Zakat is imposed at 1% of profit, less permitted deductions.

3.18 Related parties transactions

Related parties represent the associates, major shareholders, directors and key management personnel of the Company, their family members and the entities they own. All related party transactions are conducted on a normal course of activity and are approved by the Group's management.

3.19 Leasing

The company as a lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

The company as a lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Significant accounting judgements and key sources of estimation uncertainty

Accounting judgements

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements.

Commitments of operating lease agreements
The group entered into trade operating leases with other parties. The group determined, based on review and assessment of conditions and rules of these arrangements, such as term of leases that does not form a major part of the economic useful life of properties, and fair value of an asset, and whether it retains all significant risks and rewards of ownership of the real estate leased to third parties. Therefore, the group accounts for all of these contracts as operating lease arrangements.

The group's status as a principal
The group conducts a revision and assessment to determine whether its current status as a principal or an agent in its commercial transactions has changed. Such revision and assessment cover any change in the overall relationship between the group and other parties dealing with the group, which may mean that its current status as a principal or an agent has changed. Such as if changes occurred to rights of the group or other parties, the group would reconsider its current status as a principal or an agent. Initial assessment considers market conditions that originally led the group to consider itself as principal working as a main principal or an agent in arrangements of revenues contracts. The group concluded that it works as a main principal in all contracts and arrangements leading to revenues to the group, except its activity related to management and maintenance of third parties properties.

Impairment of receivables
Objective evidence of impairment for a portfolio of receivables could include the Group's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in international and financial economic conditions that correlate with default on receivables.

Impairment of financial investments:
The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Investment classification:
Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, available for sale or held to maturity investments.

Financial investments at fair value are investments which are designated as held for trading investments and investments at fair value, at initial recognition, through consolidated statement of income on initial recognition.

Classification of investments as investments at fair value at initial recognition through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported in the management accounts.

As part of statement of income, at initial recognition, they are classified as at fair value through statement of income. All other investments are classified as available for sale or as held to maturity.

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

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

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate Lease income or for capital appreciation, or for undetermined future use.

Estimates uncertainty

Impairment of associates
Estimation for existence of impairment losses of the associate is done when there is an indication on such impairment. Impairment of all the carrying value of the group's investment in the associate including goodwill is studied, therefore no impairment study for goodwill is required independently.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the consolidated financial statements within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following recent arms length market transactions:

- current fair value of another instrument that is substantially the same; or
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

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

Impairment of receivables
An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of tangible assets
The Group's management estimates whether there is an indication to impairment of tangible assets. The recoverable amount of an asset is determined based on "value in use method". In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Useful lives of tangible assets
The Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

5. Cash and cash equivalents

	2016	**2015**
	KD 000's	KD 000's
Term deposits and call accounts	5,437	5,783
Cash and current bank accounts	73	130
	5,510	5,913

	2016	2015
Term deposits in the State of Kuwait	4,484	4,195
Term deposits outside the State of Kuwait	953	1,588
	5,437	5,783

The average effective interest rate on term deposits in the State of Kuwait was 1.7% as at 31 December 2016 (31 December 2015: 0.9%).
The average effective interest rate on term deposits in Egypt was 8.125% as at 31 December 2016 (31 December 2015: 7.5%).

6. Investments at fair value through statement of income

	2016	**2015**
	KD 000's	KD 000's
Investments in local real estate funds	3,916	3,908
Investments in local financial funds	158	314
Investment in unquoted shares	335	373
	4,409	4,595

Fair value of investment is determined as per bases of fair value described in note (27).
Group's investments in financial funds are represented in investment in a local fund suffering liquidity problems due to impacts of the global and regional financial crisis. Fund's manager suspended the units redemption transactions, and financial statements and net value of the unit were not approved by the concerned parties. Therefore, a provision has been made of KD 156 equivalent to 50% of the investment value.

7. Receivables and other debit balances

	2016	**2015**
	KD 000's	KD 000's
Receivable from sale of investment properties	1,052	-
Trade receivables	375	377
Accrued revenues	118	170
Other debit balances	86	87
	1,631	643
Provision for impairment	(434)	(436)
	1,197	198

Movement on provision for doubtful debts is as follows:

	2016	2015
	KD 000's	KD 000's
Brought forward balance	436	439
Write back of provision during the year	(2)	(3)
Closing balance	434	436

Item of receivable from sale of investment properties is represented in the group's sale of one of its investment properties to third party at KD 1,315 during the year ended 31 December 2016 (note 12). 20% of the total sale value was received from the buyer during the year ended 31 December 2016 till completing procedures of transferring property ownership.

8. Related party transactions

Related parties represent the major shareholder in Kuwait Real Estate Investment Consortium, fund managed by it and board members. Prices and payment terms of such transactions were approved by the group's management.

Balances and transactions with related parties are as below:

	2016	2015
	KD 000's	KD 000's
Balances		
Kuwait Investment Authority	282	326
First Real Estate Group Fund	49	59
	331	385
Provision for doubtful debts	(180)	(180)
	151	205
Transactions		
Management fees of the major shareholder's portfolios	131	147
Management fees of First Real Estate Group Fund	51	58
Lease income	104	104
Executive committees fees	-	12
Directors' remuneration	-	15

All transactions with related parties are subject to the Shareholders' General Assembly approval.

9. Available for sale investments

	2016	2015
	KD 000's	KD 000's
Local shares - unquoted	874	1,026
Foreign shares - unquoted	9	65
	883	1,091

10. Lands and property under development

Movement on balance of lands and real estate under development during the year is as follows:

	2016	2015
	KD 000's	KD 000's
Brought forward balance	1,988	1,523
Additions	16	407
Foreign exchange translation	16	58
Closing balance	2,020	1,988

Lands and property under development include an amount of KD 1,597 thousand represents lands through the subsidiary recorded at cost (amount of KD 1,581 thousand as at 31 December 2015). Fair value was reached to as at 31 December 2016 based on the valuation carried out on that date by an independent valuer. This valuer is licensed by the official bodies and has qualifications and experience in valuation of properties at these locations. Fair values were determined based on method of comparable sale price (second level).

Additions during the year represent value of a residential unit under development at one of the GCC countries received in return for exit from an investment classified as available for sale investments.

11. Investments in an associates

	Ownership percentage	2016	2015
	%	KD 000's	KD 000's
Arab Ceramic Company S.A.E	24.4	978	2,237
Arab Brick Company -S.A.E	31.5	1	1
Financial Economic Development Company - S.A.E	23.8	1	1
		980	2,239

Group's share in business results of Arab Ceramic Company was recorded at profit of KD 35 thousand as per its latest available unaudited financial statements as at 30 September 2016 (30 September 2015: profit of KD 192 thousand).

The fair value of Arab Ceramic Company was KD 1,353 thousand as at 31 December 2016 (31 December 2015: KD 4,544 thousand).

Summarized financial statements of the associate company is set out below .As per latest available financial statements of such company:

	2016	2015
	KD 000's	KD 000's
Arab Ceramic Company - S.A.E.		
Currents assets	3,757	10,610
Non-current assets	3,203	7,489
Current liabilities	2,623	8,624
Non-current liabilities	318	303
Income	5,532	12,867
Profit from continuing operations	666	2,660
Profit for the period	624	1,783
Other comprehensive income for the period	-	-
Total comprehensive income for the period	624	1,783
Cash dividends received from the associate during the year	25	491
Net assets of the associate	4,010	9,172
Groups' ownership share in Arab Ceramic Company - S.A.E. (%)	24.39%	24.39%
Carrying value of the company	978	2,237

12. Investment properties

Investment properties represent residential buildings and commercial complexes in many areas in the State of Kuwait. As per latest valuation, fair value of investment properties reached KD 24.1 million as at 31 December 2016 (31 December 2015: KD 27.4 million).

Analysis of movement over investment properties is as follows:

	2016	2015
	KD 000's	KD 000's
Opening balance	15,598	15,871
Additions	21	-
Sales	(410)	-
Depreciation	(273)	(273)
Balance at end of the year	14,936	15,598

During the year, the group sold one of its investment properties to a third party in return for KD 1,315. Such sale was resulted in realized profit of KD 905 thousand (31 December 2015: nil).

13. Payables and other credit balances

	2016	2015
	KD 000's	KD 000's
Due to employees	358	355
Provision for liabilities	208	422
Advance from customers	133	119
Other payables	356	479
Accrued expenses	23	41
Contribution to Kuwait Foundation for the Advancement of Sciences	10	21
Zakat	15	25
	1,103	1,462

During the year, the group has reversed provisions previously made at KD 216 thousand related to labor lawsuits, in which final judgments were issued except in one lawsuit where no session was determined for it in the cassation court, knowing that the group has settled all its obligations with the judged amounts in favor of plaintiffs for all above labor lawsuits.

14. Provision for employees end of services benefits

	2016	2015
	KD 000's	KD 000's
Balance at 1 January	1,629	1,703
Charged during the year	152	160
Payment during the year	(34)	(234)
Balance at 31 December	1,747	1,629

15. Share capital

The authorized, issued and fully paid up share capital comprises of KD 10 million divided into 100 million shares of nominal value 100 fils per share. All shares are cash shares.

16. Statutory reserve

In accordance with the Companies Law and the company's memorandum of association, 10% of the net profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, directors' remuneration, and Zakat expense is transferred to the statutory reserve account. The General Assembly may resolve to discontinue such transfers when the reserve exceeds 50% of share capital. Such reserve is not distributable to shareholders except in limits of 5% of the share capital paid in years when earnings are not sufficient for such dividends. If the statutory reserve exceeds half of the company's share capital, the General Assembly is permitted to utilize amounts in excess of this limit in aspects seen appropriate for interest of the shareholders.

17. Voluntary reserve

In accordance the Company's articles of association, 10% of the net profit for the year, before KFAS contribution, Board of Directors' remuneration and Zakat expense is transferred to the voluntary reserve. Such transfers are recommended by the board of directors and approved by the general assembly. Such transfer can be discontinued by a recommendation of the board of directors. The Company's board of directors proposed transferring 10% of the net profit for the year before contribution to KFAS, board remunerations and Zakat is required to be transferred to the voluntary reserve.

18. Management fees

Management fees represent agreement signed between the parent company and Kuwait Investment Authority, and between the parent company and First Real Estate Group Fund for managing properties of Kuwait Investment Authority and First Real Estate Group Fund represented in their commercial and investment properties.

Management fees are calculated based on a specific percentage of net operating and rental revenues of management contracts signed with Kuwait Investment Authority (note 29).

Management calculates fees of 10% of net annual profits realized by First Real Estate Group Fund.

Management fees analysis is divided as follows:

	2016 KD 000's	2015 KD 000's
Management fees of properties of Kuwait Investment Authority	131	149
Management fees of properties of First Real Estate Group Fund	51	56
	182	205

19. Net lease income

	2016 KD 000's	2015 KD 000's
Lease income	1,603	1,596
Properties expenses	(184)	(104)
	1,419	1,492

20. Investment (losses)/profits

	2016 KD 000's	2015 KD 000's
Available for sale investments:		
Cash dividends	157	314
Sale (losses)/profits	(51)	13
Impairment	(93)	-
	13	327
Investments at fair value through statement of income:		
Cash dividends	128	112
Change in fair value	(456)	39
	(328)	151
	(315)	478

21. Other revenues

	2016 KD 000's	2015 KD 000's
Gains on valuation of third party properties	83	102
Deposit interests	123	109
Other	16	80
	222	291

22. Administrative and general expenses

	2016 KD 000's	2015 KD 000's
Rent	111	111
Maintenance expense	26	21
Other Expenses	90	132
	227	264

23. Employee costs

	2016	2015
	KD 000's	KD 000's
Salaries & wages	650	705
Employees' end of service indemnity	152	160
Leaves	79	93
Staff bonuses	160	160
Social security and others	78	133
	1,119	1,251

24. Basic earnings per share

Basic earnings per share is computed based on net profit for the year and the weighted average number of ordinary shares during the year is calculated as follows:

	2016	2015
Net profit for the year (KD 000's)	282	790
Adjusted weighted average number of shares (No's)	100,000,000	100,000,000
Earnings per share (fils)	2.8	7.90

25. Dividends

The parent company's general assembly of shareholders held on 6 April 2016 approved the consolidated financial statements for the year ended 31 December 2015, and approved cash dividends at 5% of the share capital equivalent to KD 500 thousand for the year ended 31 December 2015 (31 December 2014: 5% equivalent to KD 500 thousands).

26. Segment information

Group's activities are represented in investment real estate segment, financial investments segment and real estate properties management segment. Segments results are reported to senior executive management. Further, Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. The revenues, profits, assets and liabilities are measured as per the same accounting basis followed in preparing the consolidated financial statements.

Business segment analysis in line with internal reports submitted to management for the year ended 31 December is as follows:

	Investment Management		Real Estate Property Management		Total	
	2016	2015	2016	2015	2016	2015
Segments revenue	1,976	2,169	688	489	2,664	2,658
Segments results	280	737	9	80	289	817
Unallocated expenses					(7)	(27)
Net profit for the year					282	790

Geographic distribution

	Kuwait		Middle East (Except Kuwait)		Total	
	2016	2015	2016	2015	2016	2015
Total revenues	2,579	2,341	85	317	2,664	2,658
Total assets	24,904	25,524	5,195	6,323	30,099	31,847
Total Liabilities	2,838	3,077	12	14	2,850	3,091

27. Fair value estimation

a) ***Valuation techniques and assumptions applied for the purposes of measuring fair value***

The fair values of financial assets are determined as follows:

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of financial assets (unquoted funds and bonds) is determined based on prices from observation current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with the acceptable pricing models.

b) ***Fair value measurements recognized in the consolidated statement of financial position***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs) classified in level 3 fair value hierarchy.

c) ***Valuation techniques and assumptions applied for the purposes of measuring fair value***

The fair values of financial assets are determined as follows:

- The fair val`ues of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of financial assets (unquoted funds and bonds) is determined based on prices from observation current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with the acceptable pricing models.

d) ***Fair value measurements recognized in the consolidated statement of financial position***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs) classified in level 3 fair value hierarchy.

e) ***Fair value of financial instruments***

All assets and liabilities that its fair value is measured or disclosed are classified within the fair value hierarchy. The fair value hierarchy consists of three levels; 1: In accordance with quoted prices. 2: Valuation techniques use prices of observable current market transactions. Level 3: Valuation techniques use generally accepted pricing models.

To present the note on the fair value ,the Group determined categories of assets and liabilities taking into consideration nature and characteristics of the risks related to the asset or liability and level of the hierarchy referred to above.

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD 000's	KD 000's	KD 000's	KD 000's
Investments at fair value through statement of income				
Unquoted equities	-	4,074	335	4,409
Available for sale investments				
Quoted equities	-	874	-	874
Unquoted equities	-	-	9	9
Total	-	4,948	344	5,292

f) ***Fair value of financial instruments***

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at fair value through statement of income				
Unquoted equities	-	4,222	373	4,595
Available for sale investments				
Quoted equities	-	1,026	-	1,026
Unquoted equities	-	-	65	65
Total	-	5,248	438	5,686

28. Contingent liabilities and future commitments

	2016	2015
	KD 000's	KD 000's
Bank and other guarantees	22	63

29. Fiduciary assets

Total fiduciary assets as at 31 December 2016 was KD 88,565 thousand (31 December 2015: KD 85,367 thousand) Such assets are not recorded in the company's financial statements, as the company manages and retains them on behalf of parties under management contracts signed by such parties.