THE INTERNATIONAL INVESTOR COMPANY K.S.C. (CLOSED) AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE INTERNATIONAL INVESTOR COMPANY K.S.C. (CLOSED)

Report on the Audit of Consolidated Financial Statements

Qualified Opinion

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

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

i. The Group carries goodwill from investment in certain subsidiaries amounting to KD 11,104,310 in the consolidated statement of financial position as at 31 December 2016. The management is currently performing the impairment test on goodwill relating to few subsidiaries amounting to KD 717,609 to assess the recoverability of the same. Accordingly, we were unable to satisfy ourselves as to the carrying amount of the goodwill to the extent of KD 717,609 and whether any adjustments to these amounts was necessary as at 31 December 2016.

ii. The Group's investment property is carried at KD 9,504,422 in the consolidated statement of financial position as at 31 December 2016. As per the accounting policy of the Group, subsequent to initial recognition the investment property is carried at fair value. We were unable to obtain sufficient appropriate audit evidence about the fair value of the investment property as the management of the Group could not obtain the fair valuation of the investment property as at 31 December 2016. Consequently, we were unable to determine whether any adjustments to the carrying value of the investment property was necessary as at 31 December 2016.

iii. The Group accounted for a subsidiary RFM Loyalty Company L.L.C. based on the management accounts as at 31 December 2016. The total assets of RFM as at 31 December 2016 amount to KD 754,291 (2015: KD 988,395), total liabilities amounting to KD 229,966 (2015: KD 216,383), total revenues amounting to KD 1,030,724 (2015: KD 1,168,064) and net profit amounting to KD 172,236 (2015: KD 357,820). We were unable to obtain sufficient appropriate audit evidence of the subsidiary's results and financial position. Consequently, we were unable to determine whether any adjustments to the consolidated financial statements were necessary.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE INTERNATIONAL INVESTOR COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Basis for Qualified Opinion (continued)

iv. As disclosed in Note 14 to the consolidated financial statements, the Group has defaulted its payments against certain murabaha payables and bank financing with various banks amounting to KD 27,657,653 and KD 7,942,724 respectively as at 31 December 2016. Furthermore, the Group has certain bank balances amounting to KD 10,146 with some of these banks as at 31 December 2016. We were unable to obtain balance confirmations from these banks and therefore, were unable to obtain sufficient appropriate audit evidence about the existence and carrying value of these balances as at 31 December 2016. Consequently, we were unable to determine whether any adjustments to the consolidated financial statements were necessary.

Emphasis of Matter

We draw attention to Note 17 to the consolidated financial statements, which explain that there is a dispute in respect of a Mudaraba agreement with a foreign bank.

Our opinion is not further qualified for the above matter.

Material Uncertainty Related to Going Concern

Without further qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which states that as at 31 December 2016, current liabilities have exceeded the current assets by KD 76,310,271 (2015: KD 66,012,579). This condition, along with other conditions mentioned in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE INTERNATIONAL INVESTOR COMPANY K.S.C. (CLOSED) (continued)

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 scepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE INTERNATIONAL INVESTOR COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit except for the matters described in the Basis for Qualified Opinion section of our report and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, and its executive regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, and its executive regulations nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.

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

5 July 2017
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	*2016 KD*	*2015 KD*
ASSETS			
Non-current assets			
Goodwill	3	**11,104,310**	11,236,612
Furniture and equipment		**2,729,011**	3,658,763
Investment in an associate	4	**17,034,794**	16,239,344
Investment property	5	**9,504,422**	9,504,422
Financial assets available for sale	7	**1,814,683**	1,921,182
Other assets	8	**5,294,094**	5,110,049
Assets used in operating leases	9	**96,529,068**	86,116,443
		144,010,382	133,786,815
Current assets			
Inventories		**9,603,014**	11,738,425
Other assets	8	**26,474,593**	19,535,294
Financial assets at fair value through statement of income	10	**-**	150,000
Cash and bank balances		**2,035,852**	3,291,650
		38,113,459	34,715,369
TOTAL ASSETS		**182,123,841**	168,502,184
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**19,159,874**	19,159,874
Statutory reserve	12	**220,985**	220,985
Treasury shares	13	**(7,118,591)**	(7,118,591)
Foreign currency translation reserve		**(13,429,010)**	(11,058,507)
Cumulative changes in fair values		**64,396**	(23,591)
Retained earnings		**7,148,898**	7,387,049
Equity attributable to equity holders of the Parent Company		**6,046,552**	8,567,219
Non-controlling interests		**5,532,111**	6,622,872
Total equity		**11,578,663**	15,190,091
Liabilities			
Non-current liabilities			
Lease obligations		**-**	691,487
Due to banks	14	**53,368,381**	49,323,437
Employees end of service benefits	15	**1,031,842**	1,104,900
Accounts payable and accruals	16	**1,721,225**	1,464,321
		56,121,448	52,584,145
Current liabilities			
Accounts payable and accruals	16	**17,271,273**	14,846,647
Due to banks	14	**97,152,457**	85,818,992
Lease obligations		**-**	62,309
		114,423,730	100,727,948
Total liabilities		**170,545,178**	153,312,093
TOTAL EQUITY AND LIABILITIES		**182,123,841**	168,502,184

Adnan A. Aziz Al Bahar
Chairman and CEO

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016

	Notes	*2016 KD*	*2015 KD*
INCOME			
Rental income from operating lease		**17,764,276**	15,260,569
Gain (loss) on sale of assets used in operating leases		**16,461**	(313,994)
Unrealised gain on investment property	5	**-**	153,110
Realised gain on sale of financial assets available for sale		**16,584**	-
Dividend income		**140,717**	75,753
Unrealised loss of financial assets at fair value through statement of income	10	**(73,357)**	(1,069,671)
Share of results of an associate	4	**1,349,520**	1,155,654
Services income		**1,708,848**	1,894,664
Other income		**1,055,288**	1,117,387
		21,978,337	18,273,472
EXPENSES			
General and administrative expenses		**(6,970,903)**	(6,843,401)
Murabaha and finance costs		**(8,188,007)**	(6,650,426)
Impairment loss on financial assets available for sale	7	**(69,662)**	-
Depreciation		**(2,918,426)**	(2,105,161)
Foreign exchange loss		**(4,825,745)**	(1,721,233)
		(22,972,743)	(17,320,221)
(LOSS) PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, ZAKAT AND DIRECTORS REMUNERATION		**(994,406)**	953,251
Provision for contribution to Kuwait Foundation for Advancement of Science (KFAS)		**-**	(7,616)
Provision for Zakat		**-**	(8,408)
Provision for directors' remuneration	18	**-**	(30,000)
Income tax expense reversed (charged)	6	**131,586**	(694,433)
(LOSS) PROFIT FOR THE YEAR		**(862,820)**	212,794
Attributable to:			
Equity holders of the Parent Company		**(706,309)**	715,622
Non-controlling interests		**(156,511)**	(502,828)
		(862,820)	212,794

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 *KD*	*2015* *KD*
(Loss) profit for the year	**(862,820)**	212,794
Items that are or may be reclassified subsequently to the consolidated statement of income:		
Changes in fair values of financial assets available for sale	**139,888**	7,000
Foreign currency translation adjustments	**(2,370,503)**	(3,428,644)
Other comprehensive loss for the year	**(2,230,615)**	(3,421,644)
Total comprehensive loss for the year	**(3,093,435)**	(3,208,850)
Attributable to:		
Equity holders of the Parent Company	**(2,988,825)**	(2,710,375)
Non-controlling interests	**(104,610)**	(498,475)
	(3,093,435)	(3,208,850)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	*2016* *KD*	*2015* *KD*
OPERATING ACTIVITIES			
(Loss) profit for the year		**(862,820)**	212,794
Adjustments for:			
Depreciation		**2,918,426**	2,105,161
Dividend income		**(140,717)**	(75,753)
Unrealised gain on investment property		**-**	(153,110)
Share of results of an associate		**(1,349,520)**	(1,155,654)
Murabaha and finance costs		**8,188,007**	6,650,426
Provision for employees' end of service benefits	15	**187,713**	444,651
Impairment of financial assets available for sale	7	**69,662**	-
Realized gain on sale of financial assets available for sale	7	**(16,584)**	-
Unrealised loss of financial assets at fair value through statement of income	10	**73,357**	1,069,671
Provision for directors remuneration	18	**-**	30,000
		9,067,524	9,128,186
Changes in operating assets and liabilities:			
Assets used in operating leases		**(12,900,232)**	(3,507,478)
Inventories		**2,135,411**	198,325
Other assets		**(7,123,344)**	(4,528,619)
Accounts payable and accruals		**2,711,530**	888,188
Cash flows (used in) from operations		**(6,109,111)**	2,178,602
End of service benefits paid	15	**(258,140)**	(59,167)
Directors remuneration paid	18	**(30,000)**	(30,000)
Net cash flows (used in) from operating activities		**(6,397,251)**	2,089,435
INVESTING ACTIVITIES			
Purchase of financial assets available for sale	7	**(119,229)**	(411,582)
Proceeds from redemption of financial assets at fair value through statement of income	10	**76,643**	1,526,202
Dividend income received		**140,717**	75,753
Dividend received from an associate	4	**345,979**	352,288
Proceeds from sale of available for sale investments	7	**41,332**	-
Proceeds from capital redemption from financial assets available for sale	7	**280,097**	269,438
Net cash flows from investing activities		**765,539**	1,812,099
FINANCING ACTIVITIES			
Net movement in due to banks		**7,190,402**	(1,086,155)
Net movement in lease obligation		**(753,796)**	(121,686)
Net movement in non-controlling interests		**(526,885)**	(265,292)
Net cash flows from (used in) financing activities		**5,909,721**	(1,473,133)
NET INCREASE IN CASH AND BANK BALANCES		**278,009**	2,428,401
Cash and bank balances at 1 January		**3,291,650**	3,164,517
Foreign currency translation adjustment		**(1,533,807)**	(2,301,268)
CASH AND BANK BALANCES AT 31 DECEMBER		**2,035,852**	3,291,650

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to the equity holders of the Parent Company								
	Share capital KD	*Statutory reserve KD*	*Treasury shares KD*	*Foreign currency translation reserve KD*	*Cumulative changes in fair value KD*	*Retained earnings KD*	*Sub Total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2016	19,159,874	220,985	(7,118,591)	(11,058,507)	(23,591)	7,387,049	8,567,219	6,622,872	15,190,091
Loss for the year	-	-	-	-	-	(706,309)	(706,309)	(156,511)	(862,820)
Other comprehensive (loss) income for the year	-	-	-	(2,370,503)	87,987	-	(2,282,516)	51,901	(2,230,615)
Total comprehensive (loss) income for the year	-	-	-	(2,370,503)	87,987	(706,309)	(2,988,825)	(104,610)	(3,093,435)
Net movement in non-controlling interests	-	-	-	-	-	-	-	(312,369)	(312,369)
Acquisition of non-controlling interests	-	-	-	-	-	468,158	468,158	(673,782)	(205,624)
As at 31 December 2016	**19,159,874**	**220,985**	**(7,118,591)**	**(13,429,010)**	**64,396**	**7,148,898**	**6,046,552**	**5,532,111**	**11,578,663**
As at 1 January 2015	19,159,874	144,820	(7,118,591)	(7,629,863)	(26,238)	6,747,592	11,277,594	7,245,153	18,522,747
Profit (loss) for the year	-	-	-	-	-	715,622	715,622	(502,828)	212,794
Other comprehensive (loss) income for the year	-	-	-	(3,428,644)	2,647	-	(3,425,997)	4,353	(3,421,644)
Total comprehensive (loss) income for the year	-	-	-	(3,428,644)	2,647	715,622	(2,710,375)	(498,475)	(3,208,850)
Transfers to statutory reserves (Note 12)	-	76,165	-	-	-	(76,165)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	(123,806)	(123,806)
As at 31 December 2015	19,159,874	220,985	(7,118,591)	(11,058,507)	(23,591)	7,387,049	8,567,219	6,622,872	15,190,091

The attached notes 1 to 25 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of The International Investor Company K.S.C. (Closed) ("the Parent Company") and its subsidiaries (collectively "the Group") were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 7 June 2017 and were approved by the relevant regulatory authorities before issuance. The shareholders' general assembly has the power to amend these consolidated financial statements after issuance.

The Parent Company was legally incorporated as a closed shareholding company on 29 November 1992 and is regulated by the Central Bank of Kuwait ("CBK") as a financing company.

The Parent Company operates under the Islamic Shareea'a and is principally engaged in providing investment advisory and financial services permissible under Islamic Shareea'a. Its registered office is at 49th Floor, Al Hilali Street, Arraya Tower 2, Sharq, Kuwait.

The Parent Company has the following objectives:-

- Manage all types and forms of financial portfolios and invest and develop funds through local and international investments for the account of the Parent Company or its customers.
- Trade in securities including stocks, bonds, investment certificates.
- Carry out all works related to the insurance and management of securities and stock for third parties and establish, subscribe to and manage investment funds.
- Carry out financing and murabaha transactions and issuance of different types of bonds with or without security in local and world markets.
- Carry out all financial brokerage works.
- Provide finance and brokerage with respect to local and international business transactions.
- Accept and manage credit contracts.
- Carry out investments in different economic sectors whether real estate, industrial, agricultural, services, etc. either directly or through participation in the companies carrying out these activities.
- Prepare all studies, specialised expertise and research works, provide consultation and analyse information in the investment field as financial advisor and all relevant services for third parties.

The Parent Company carries out the above activities directly in the State of Kuwait and abroad, for itself or through agency. The Parent Company can own interests or participate in entities with similar activities inside Kuwait or abroad which may help achieve its objectives. The Parent Company may also establish, participate in, or purchase these entities or affiliate with them.

The consolidated financial statements of the Group for the year ended 31 December 2015 were approved by the shareholders in the Annual General Assembly held on 30 November 2016.

According to the Capital Market Authority decision No. 132 for 2016 dated 25 December 2016, the Parent Company's Licence has been expired.

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2016, the Group's current liabilities have exceeded the current assets by KD 76,310,271 (2015: KD 66,012,579). Also, during the year, the Group has incurred a loss of KD 862,820 (2015: Profit of KD 212,794) and subsequent to the year end, the Parent Company could not honour the principal payment of Islamic finance payables and bank financing that was due and sought for the rescheduling of the facilities from the lenders. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the above facts, the consolidated financial statements have been prepared under the going concern concept as the management of the Parent Company has initiated certain actions, as follows, to meet the obligations, when they fall due.

a) The Parent Company is currently under discussion to restructure with lendors restructuring/rescheduling Islamic finance payables amounting to KD 27,657,653 and bank financing amounting to KD 7,942,724.

b) The rental income from operating leases have increased to KD 17,764,276 (2015: KD 15,260,569) over the years and the management of the Parent Company is expecting to have these operational cash flows to be continued in future years.

c) The management of the Parent Company has constituted task groups to actively manage and generate cash flows from the assets of the Group to ensure Group's obligations are met, as they fall due and support the restructuring/rescheduling.

The ability of the Group to continue as a going concern is dependent on implementation of the restructuring plan, continued support from the lenders and future profitability.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts, or to the amounts of liabilities to reflect the fact the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

2.2 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets at fair value through statement of income, financial assets available for sale, investment property and derivative financial instruments.

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

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

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2016. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

Non-controlling interest represents the portion of profit and loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position separately from equity attributable to the equity holders of the Parent Company.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to non-controlling interests even if it results in non-controlling interests having a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 BASIS OF CONSOLIDATION (continued)

The consolidated financial statements include the following subsidiaries:

Name of the company	*Country of incorporation*	*Ownership %*		*Principal activities*
		2016	*2015*	
Directly held subsidiaries:				
Themar International Company K.S.C. (Holding)	Kuwait	**60.41**	57	Holding investments
Corinthian Super Market K.S.C.C.	Kuwait	**100**	100	Retail trade
International Vehicles and Steel Company K.S.C. (Closed)	Kuwait	**100**	100	Car leasing and trading of heavy equipment and steel
TII Financial, Economical and Administration Consultancy W.L.L.	Kuwait	**100**	100	Consultancy and management services
PLS Holding Company K.S.C. (Holding)	Kuwait	**100**	100	Holding investments
Fleetcorp Holding K.S.C. (Holding)	Kuwait	**100**	100	Holding investments
Global Loyalty K.S.C. (Holding)	Kuwait	**100**	100	Holding investments
Fleetcorp Operasyonel Tasit Kiralama ve Turizm A.S.	Turkey	**100**	100	Automotive leasing
TII IS Gelistirme Hizmetleri Ticaret Anonim Sirketi	Turkey	**100**	100	Investment consultancy service
Procco Financial Services W.L.L.	Bahrain	**100**	100	Financial services
Procco Sales and Trading of Banking Equipments L.L.C.	Dubai	**100**	100	Consumer finance
Data Processing for Back-up Service & Marketing Co. WLL	Saudi Arabia	**100**	100	Financial and data services
Saudi Leasing Company L.L.C.	Saudi Arabia	**100**	100	Leasing & retail activities
Gulf Credit Limited	Pakistan	**100**	100	Consumer finance
Topaz Investment Worldwide Inc.	British Virgin Islands	**100**	100	Holding investments
Indirectly held through subsidiaries:				
Flair Financing Company W.L.L.	Kuwait	**100**	100	Consumer finance
Saalt Management and Economic Consultancy K.S.C. (Closed)	Kuwait	**96**	96	Management and economic Consultancy
Gulf Global Oil Technologies Company (Sheikh Malik Homoud Al Sabah & Partners) W.L.L.	Kuwait	**55.67**	55.67	Removal and treatment of oil sludge
RFM Loyalty Co. L.L.C.	United Arab Emirates	**60**	60	Customer loyalty solutions
Procco Financial Services (Private) Limited	Pakistan	**100**	100	Smart card solution provider
Selektpoints Marketing Limited	Isle of Mann	**100**	100	Loyalty services
1746391 Ontario Inc.	Canada	**90**	90	Real Estate development

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to existing IFRS recently issued by the International Accounting Standards Board (IASB) that are applicable to the Group and are effective as of 1 January 2016.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
• The materiality requirements in IAS 1
• That specific line items in the statement of income and statement of other comprehensive income "OCI" and the statement of financial position may be disaggregated;
• That entities have flexibility as to the order in which they present the notes to financial statements;
• That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of income.

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

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

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

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.The Group plans to adopt the new standard on the required effective date.

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

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

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

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Company plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate
The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

The financial statements of the associate is prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amounts of the associate and its carrying value and recognises the amount in the 'share of results of associates' in the consolidated statement of income.

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

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment
Furniture and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal/ retirement is recognised in the consolidated statement of income.

Depreciation is computed on a straight-line basis over the estimated useful lives of furniture and equipment and is estimated to be 3 to 5 years. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of furniture and equipment.

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

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 such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Intangible assets
Intangible assets acquired separately are measured on initial acquisition at cost. The cost of an intangible asset acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Intangible assets with indefinite useful lives are tested for impairment annually. Such intangible assets are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible assets are included within "other assets" in the consolidated statement of financial position (Note 8).

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

Amortisation is calculated on a straight-line basis over the estimated useful lives of the intangible assets which are as follows:

Computer software programs	5 years
Customer relationships	5 years
Non-compete agreements	2 years

Financial instruments – initial recognition and subsequent measurement

Financial assets - Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through statement of income, loans and receivables or available for sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

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

The Group's financial assets include financial assets at fair value through statement of income, receivables, certain other assets, financial assets available for sale, investment properties, and bank balances. At 31 December 2016, the Group did not have any held to maturity investments.

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

Financial assets available for sale
Financial assets available for sale include equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through statement of income.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income in the cumulative changes in fair values until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income and removed from the cumulative changes in fair values.

Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost less impairment losses, if any. Loans and receivables include receivables and other assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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

After initial recognition, financial assets at fair value through statement of income are remeasured at fair value with all changes in fair value recognised in the consolidated statement of income.

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

- the rights to receive the cash flows from the asset have expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Impairment of financial assets (continued)

Financial assets available for sale
For financial asset 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 financial assets classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity financial assets are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities - Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income, due to banks and payables, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of Murabaha payable and bank financings including directly attributable transactions costs. The Group's financial liabilities include accounts payable, due to banks at 31 December 2016, the Group did not have any financial liabilities at fair value through statement of income.

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

Due to banks comprise of murabaha payables and other bank financing.

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

Bank financing
All bank financing are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the financing.

After initial recognition, finance cost on bank financing are subsequently measured at amortised cost using the effective profit method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognized, as well as through the amortisation process.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated statement of income.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The Group designates its foreign currency borrowings as hedging instruments in fair value hedge of the exposures to changes in foreign exchange rates of its unrecognized firm commitments. Unrecognized firm commitment to lease the fleet in return for leasing revenues and sell the specific second hand vehicles to the specific buyers at specific dates for vehicle sales revenue are designated as hedged items in this fair value hedge.

In this fair value hedge, the amount of future lease receivables and future second hand vehicle sales receivable equals that of the borrowings and all cash flow dates coincide between the borrowings and the future lease receivables, therefore the hedging design is effective.

The Group discontinues fair value hedge accounting prospectively if the hedging instrument expires or is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or if the entity revokes the designation.

In the fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value for the foreign currency component of its carrying amount measured in accordance with IAS 21 is recognized in the consolidated income statement and the change in the fair value of the hedged item is accounted under "fair value of unrecognized firm commitment" in the consolidated statement of financial position and in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Fair value hedges (continued)
The initial carrying amount of the asset that results from the Group meeting the firm commitment is adjusted to include the cumulative change in the fair value of the firm commitment attributable to the hedged risk that was recognized in the consolidated statement of financial position.

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

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Fair value measurement of non –financial assets
Fair values of investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Investment properties
Investment properties comprise of properties under development held to earn rentals or for capital appreciation or both. Property held under lease is classified as investment property when the definition of an investment property is met. Investment properties are initially recorded at cost, including transaction cost. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are carried at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of income, in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

Inventories
Inventories consist of second hand vehicles whose rental period ceases or newly acquired vehicles held during registration process.

Inventories are valued at the lower of cost and net realizable value. Cost includes the purchase price, import duties, transportation, handling and other direct costs. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases where the Group is lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognised in finance cost in consolidated statement of income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the consolidated statement of income on a straight line basis over the lease term. Contingent rents are recognised as expenditure in the year in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases where the Group is lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received under operating leases are recognised as revenue in the consolidated statement of income on a straight line basis over the lease term.

Assets used in operating leases are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on cost less residual value over the estimated useful lives of 3 to 4 years. The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Treasury shares
The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

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

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Rental income from operating lease transactions
Rental income from operating lease transactions is recognised in the period to which they relate under the accrual principle.

Finance income
Finance income is recognised as it accrues using the effective profit rate method.

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

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

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Foreign taxes
The subsidiaries located in Turkey are assessed for taxation in accordance with the Turkish fiscal regulations. In accordance with Turkish Tax Law, agreed taxable losses may be carried forward. This may result in a deferred tax asset.

Share-based payment transactions
Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

Equity-settled transactions
The cost of equity-settled transactions is recognised, together with a corresponding increase in treasury shares reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in general and administrative expenses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled transactions (continued)
No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Significant accounting judgment and estimates
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant use of judgements and estimates are as follows:

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

The Group classifies property as investment property if it is acquired or developed or is in the process of development to generate rental income or for capital appreciation, or for undetermined future use.

Classification of financial instruments
Management decides on acquisition of financial assets whether they should be classified as financial assets carried at fair value through profit or loss or financial assets available for sale. The Group classifies financial assets as carried at fair value through statement of income if they are acquired primarily for the purchase of short term profit making.

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

Valuation of unquoted equity securities is normally based on the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Earnings multiples;
- The expect cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Underlying net asset base of the investment; or
- Other valuation models.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgment and estimates (continued)

Impairment of investment in associates

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

Impairment of available for sale financial assets

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

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 based on historical recovery rates.

Impairment of goodwill

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

Valuation of investment property

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's property.

3 GOODWILL

	2016	*2015*
	KD	*KD*
At 1 January	**11,236,612**	11,404,790
Foreign currency translation adjustment	**(132,302)**	(168,178)
At 31 December	**11,104,310**	11,236,612

Goodwill amounting to KD 9,726,965 (2015: KD 9,726,965) is represented by leasing CGU.

The carrying value of goodwill of KD 10,386,701 is tested for impairment on an annual basis (or more frequently if evidence exists that goodwill might be impaired) by considering fair market values of listed subsidiaries and/or estimating the recoverable amount of the cash generating unit (CGU) to which these items are allocated using value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five- year period. The discount rate used range from 17% to 19% (2015: 17% to 19%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate in a range of 1% to 5% (2015: 1% to 5%).

3 GOODWILL (continued)

The management is currently performing the impairment test on goodwill relating to certain subsidiaries amounting to KD 717,609 to assess the recoverability of the same.

The calculation of value in use for each segment unit is sensitive to the following assumptions:
- Profit margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

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

Discount rates
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions
These assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the forecast period.

Projected growth rates and local inflation rates
Assumptions are based on published industry research.

Inflation rates
Estimates are obtained from published indices for countries where the Group operates.

The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. Based on such analysis, there are no indications that goodwill is impaired.

4 INVESTMENT IN AN ASSOCIATE

The Parent Company has interest in the following quoted associate:

			Effective interest (%)		*Carrying value*	
Name of company	*Country of incorporation*	*Activity*	***2016***	*2015*	***2016 KD***	*2015 KD*
Courts Asia Limited	Singapore	**Investment Holding**	**23.86**	23.86	**17,034,794**	16,239,344

The following table illustrates the movement in investment in an associate:

	2017 KD	*2016 KD*
At the beginning of the year	**16,239,344**	16,638,494
Share of results	**1,349,520**	1,155,654
Dividend received	**(345,979)**	(352,288)
Foreign currency translation adjustment	**(208,091)**	(1,202,516)
	17,034,794	16,239,344

4 INVESTMENT IN AN ASSOCIATE (continued)

Summarised financial information of the Group's investment in an associate is as follows:

	2016 *KD*	*2015* *KD*
Current assets	**89,941,347**	95,576,441
Non-current assets	**71,326,558**	67,551,864
Current liabilities	**(36,233,870)**	(54,655,935)
Non-current liabilities	**(63,281,189)**	(47,966,378)
Equity	**61,752,846**	60,505,992

	2016 *KD*	*2015* *KD*
Group's carrying amount of the investment in an associate	**14,734,229**	14,436,730
Goodwill	**1,302,300**	1,302,300
Foreign currency translation adjustment	**998,265**	500,314
	17,034,794	16,239,344

	2016 *KD*	*2015* *KD*
Revenue	**157,919,826**	168,270,678
Cost of revenue	**(104,279,397)**	(112,378,501)
Other expenses	**(47,163,174)**	(49,652,584)
Other income	**910,071**	788,007
Tax expense	**(1,731,333)**	(2,184,121)
Profit for the year	**5,655,993**	4,843,479
Total comprehensive income for the year	**4,476,134**	(220,197)
Group's share of results for the year	**1,349,520**	1,155,654

The market value of investment in associate, based on quoted prices, is amounting to KD 11,925,727 (2015: KD 10,241,523).

The associate had no contingent liabilities or capital commitments as at 31 December 2016 or 31 December 2015.

The management of the Parent Company has assessed the recoverability of the carrying value of the associate and based on this assessment there are no indications that the carrying value of this associate is impaired as at 31 December 2016.

5 INVESTMENT PROPERTY

	2016 *KD*	*2015* *KD*
At 1 January	**9,504,422**	9,351,312
Gain on fair valuation of investment property	**-**	153,110
At 31 December	**9,504,422**	9,504,422

The investment property represents a portion of the total land area of 577.91 acres that was agreed to be purchased by the Group. The land once acquired completely will be used to develop a motor speed way complex with ancillary recreational, commercial and industrial uses including an automotive research, technology and innovation centre. The fair value of the investment property as at 31 December 2015 was determined and recorded based on the two valuations obtained from professional independent real estate valuators. The basis for determining the fair value of investment property was by direct comparison approach through analyzing the value of recent transactions in the market for similar properties, including the potential development in the area and in the land itself. Hence, classified as level 3 under fair value hierarchy (Note 19). As at 31 December 2016, the management did not obtain the fair valuation and hence no change in the fair value of the investment property has been recorded by the Group.

Furthermore, the revival agreements with the landowners for the balance portion of the land is under negotiation.

6 INCOME TAX EXPENSE (REVERSED) CHARGED

One of the subsidiaries in the Turkey is subject to the local income tax. The major component of the income tax expense for the year ended 2016 and 2015 are:

Current income tax:	*2016* *KD*	*2015* *KD*
Current income tax charge	**-**	-
(Reversal) charge of deferred tax	**(131,586)**	694,433
	(131,586)	694,433

Reconciliation of tax expense and the accounting profit multiplied by Euroland's domestic tax rate for 2016 and 2015:

	2016 *KD*	*2015* *KD*
Accounting profit before tax	**1,086,296**	3,714,864
Provision for Turkey's corporate tax rate of 20% (2015: 20%)	**(217,254)**	(742,973)
Effect of disallowance expenses	**(45,168)**	(178,410)
Other – DT on tax loss carry forward and investment incentive	**394,008**	226,950
Income tax expense reported in the statement of income	**131,586**	(694,433)

6 INCOME TAX EXPENSE (REVERSED) CHARGED (continued)

Deferred tax expense:

The breakdown of temporary differences and the resulting deferred tax assets and liabilities applying the tax rate of 20% (2015: 20%) were as follows:

	Consolidated statement of financial position		*Consolidated statement of income*	
	2016	*2015*	***2016***	*2015*
	KD	*KD*	***KD***	*KD*
Effect of difference between tax base and carrying value of property and equipment, intangible asset and assets used in operational lease	**3,013,550**	1,851,112	**1,471,648**	(21,806)
Tax loss carry forward	**609,238**	500,322	**192,489**	529,662
Investment incentive	**3,086,399**	3,370,328	**279,050**	(499,748)
Effect of hedge accounting	**(2,953,590)**	(1,050,986)	**(2,078,160)**	(858,955)
Employee benefit	**12,871**	17,134	**(1,400)**	1,535
Others	**(321,522)**	(686,820)	**250,571**	(754,775)
Total	**3,446,946**	4,001,090	**114,198**	(1,604,087)

Movement of net deferred tax asset as of December 2016 and 2015 is as follows:

	2016	*2015*
	KD	*KD*
Balance as at 1 January	**4,001,090**	5,634,517
Deferred tax expense (income) recognised in the consolidated statement of income	**131,586**	(694,433)
Foreign currency translation adjustment	**(685,730)**	(938,994)
	3,446,946	4,001,090

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	2016	*2015*
	KD	*KD*
Quoted equity securities	**531,353**	382,574
Unquoted equity securities	**1,283,330**	1,538,608
	1,814,683	1,921,182

The fair value of quoted equity securities is determined based on the market bid prices.

The Group has received a capital redemption amounting to KD 280,097 (2015: KD 269,348) relating to unquoted equity securities held.

The Group has sold certain unquoted equity securities with a carrying value of KD 24,748 for a cash consideration of KD 41,332.

As at 31 December 2016, unquoted equity securities amounting to KD 1,283,330 (2015: KD 1,538,608) are carried at cost, less impairment if any, due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these financial assets. There is no active market for these financial assets and the Parent Company intends to hold them for the long term.

7 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

The Parent Company's management has performed a detailed review of the financial assets available for sale based on the latest available financial information of these investments to assess whether impairment has occurred in the value of these investments, as a result KD 69,662 impairment was recorded in the consolidated statement of income (2015: KD Nil).

Quoted equity securities amounting to KD 531,353 (2015: KD 382,574) have been provided as collateral against murabaha payables (Note 14).

8 OTHER ASSETS

	2016 *KD*	*2015* *KD*
Gross trade accounts receivable	**2,421,383**	2,206,106
Less: allowance for impairment of trade receivables *	**(508,125)**	(422,016)
Net trade accounts receivables	**1,913,258**	1,784,090
Amount due from a related party (Note 18)	**3,436**	171,801
Receivable from sale of securities	**-**	761,925
Prepaid expenses	**5,794,209**	3,494,754
Other receivables	**1,036,645**	4,020,013
Deferred tax (Note 6)	**3,446,946**	4,001,090
Value added tax receivables	**4,730,857**	5,083,068
Fair value hedge (Note 24)	**14,768,062**	5,254,900
Intangible assets	**75,274**	73,702
	31,768,687	24,645,343

*The movement in the allowance for impairment of trade receivables in the consolidated statement of financial position is as follows:

	2016 *KD*	*2015* *KD*
At the beginning of the year	**422,015**	312,299
Charge for the year	**183,413**	234,324
Collections during the year	**(29,409)**	(11,592)
Written off	**(67,894)**	(113,016)
At the end of the year	**508,125**	422,015

Classified in consolidated statement of financial position as follows:

	2016 *KD*	*2015* *KD*
Non-current	**5,294,094**	5,110,049
Current	**26,474,593**	19,535,294
	31,768,687	24,645,343

9 ASSETS USED IN OPERATING LEASES

	2016 *KD*	*2015* *KD*
At 1 January, net of depreciation	**86,116,443**	83,934,227
Additions	**61,088,799**	44,906,684
Disposals	**(32,675,974)**	(26,492,132)
Depreciation reversed (charged)	**1,095,591**	(541,498)
Foreign currency translation adjustment	**(19,095,791)**	(15,690,838)
At 31 December, net of depreciation	**96,529,068**	86,116,443

Assets used in operating leases are pledged as collateral against bank financings (Note 14).

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2016 *KD*	*2015* *KD*
Designated on initial recognition:		
Unquoted securities	**-**	150,000

During the year, the Group received a capital redemption amounting to KD 76,643 (2015: KD 1,526,202) and has recognized an unrealized loss on the financial assets at fair value through statement of income by KD 73,357 (2015: KD 1,069,671).

11 SHARE CAPITAL

Authorised, issued and fully paid share capital consists of 191,598,740 (2015: 191,598,740) shares of 100 fils each (2015: 100 fils each) in cash.

12 STATUTORY RESERVE

In accordance with the Companies Law and Parent Company's articles of association, no transfers have been made to reserves since the Parent Company has a loss for the year ended 31 December 2016. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of this reserve is limited to the amount required to enable payment of a dividend of 5% of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

13 TREASURY SHARES

	2016	*2015*
Number of treasury shares	**11,514,095**	11,514,095
Percentage of treasury shares	**6.01%**	6.01%
Cost of treasury shares (KD)	**7,118,591**	7,118,591
Market value of treasury shares (KD)	**739,500**	739,500

The market value of treasury shares was determined using the last transaction price in Kuwait Stock Exchange ("KSE") as at 30 September 2010 since the Parent Company was delisted from KSE on 1 July 2012.

14 DUE TO BANKS

	2016 ***KD***	*2015* *KD*
Murabaha payables	**35,600,377**	35,651,005
Bank financings	**114,920,461**	99,491,424
	150,520,838	135,142,429

The following table shows the current and non-current portion of the Group's obligations:

	Current portion *KD*	*Non-current portion* *KD*	***Total*** ***2016*** ***KD***
Murabaha payables	**35,600,377**	**-**	**35,600,377**
Other bank financings	**61,552,080**	**53,368,381**	**114,920,461**
As at 31 December 2016	**97,152,457**	**53,368,381**	**150,520,838**

	Current portion *KD*	*Non-current portion* *KD*	*Total* *2015* *KD*
Murabaha payables	35,651,005	-	35,651,005
Other bank financings	50,167,987	49,323,437	99,491,424
As at 31 December 2015	85,818,992	49,323,437	135,142,429

The murabaha payables carry an effective profit in the range of 4% to 4.6% per annum (2015: 4% to 4.5% per annum). These are repayable in semi-annual instalments over a period of 1 to 4 years.

Certain financial assets available for sale amounting to KD 531,353 (2015:KD 382,574) have been provided as collateral towards murabaha payables (Note 7).

Other bank borrowings represent funds borrowed by a subsidiary which bear average profit rates of 6.67% on US Dollar borrowings, 5.43% on Euro borrowings and 16.63% on Turkish Lira borrowings per annum (31 December 2015: 6.34%, 5.72% and 13.79% per annum respectively). These are maturing over a period of 1 to 5 years (31 December 2015: 1 to 5 years). These borrowings are secured by assets used in operating leases (Note 9).

As at 31 December 2016, the Parent Company has defaulted its payments against murabaha payables amounting to KD 27,657,653 (2015: KD 21,301,060) and bank financing amounting to KD 7,942,724 (2015: KD 7,993,353) and is currently in the process of rescheduling.

15 EMPLOYEES' END OF SERVICE BENEFITS

	2016 ***KD***	*2015* *KD*
At 1 January	**1,104,900**	718,145
Charge for the year	**187,713**	444,651
End of service benefits paid	**(258,140)**	(59,167)
Foreign currency translation adjustment	**(2,631)**	1,271
At 31 December	**1,031,842**	1,104,900

16 ACCOUNTS PAYABLE AND ACCRUALS

	2016 *KD*	*2015* *KD*
Trade accounts payable	**13,556,969**	11,818,618
Dividends payable	**481,052**	524,144
Accrued expenses	**1,131,116**	805,392
Other payables	**3,823,361**	3,162,814
	18,992,498	16,310,968

Classified in consolidated statement of financial position as follows:

	2016 *KD*	*2015* *KD*
Non-current	**1,721,225**	1,464,321
Current	**17,271,273**	14,846,647
	18,992,498	16,310,968

17 ACCOUNTING FOR MUDARABA CONTRACT

The Parent Company (the "Mudarib") has entered into a Mudaraba contract on 13 November 2007 with a foreign bank ("Rab Al-Mal") for three years in accordance with Sharia principles for Mudaraba contracts. The Mudaraba contract stipulates that the Mudarib and Rab Al-Mal shall be entitled to net profit generated from the Mudaraba capital in proportion of their investment in Mudaraba contract. The Mudaraba contract also stipulates that the Mudarib is not entitled to any remuneration if the Mudaraba has not made any profit.

The Mudaraba contract also stipulates that in case of loss situation, Rab Al-Mal will absorb the loss alone unless the Mudarib acted in willful misconduct, negligence or fraud.

The Parent Company made payments on account of the Rab Al-Mal during 2008 and 2009. The management of the Parent Company believes that they have overpaid the Rab Al-Mal by USD 4,918,872 equivalent to KD 1,398,562 therefore; the Rab Al-Mal must repay the amount back to the Parent Company at the final settlement of the Mudaraba.

On 13 November 2010 the Mudaraba contract expired with losses due to reasons and circumstances beyond the control of the Mudarib as a result of the global economic crisis.

The management is not able to obtain confirmation from the Rab Al-Mal on the amount of losses or the current balance. In the opinion of the external and internal legal counsel, as supported by the Sharia consultation opinion, the Parent Company bears no liability toward the Ral Al-Mal. The Parent Company has started legal proceeding against the Ral Al-Mal for determining the final balance of the Mudaraba contract.

18 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and senior management of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

There were no transactions with related parties included in the statement of comprehensive income.

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

	Shareholders *KD*	*2016* *KD*	*2015* *KD*
Amount due from a related party (Note 8)	**3,436**	**3,436**	171,801

18 RELATED PARTY TRANSACTIONS (continued)

	2016 *KD*	*2015* *KD*
Key management compensation:		
Salaries and other short term benefits	**658,927**	648,775
Employees' end of service benefits	**103,689**	103,674
Provision for directors remuneration	**-**	30,000
	762,616	782,449

On 30 November 2016, Annual General Assembly approved KD 30,000 as director's remuneration for the year ended 31 December 2015.

19 MATERIAL PARTLY-OWNED SUBSIDIARIES

The Group has concluded that Themar International Company K.S.C. ("Holding") is the only subsidiary with non-controlling interest that is material to the Group. Financial information of subsidiary that has material non-controlling interest to the Group is provided below:

Proportion of equity interest held by non-controlling interests:

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*	
		2016	*2015*
Themar International Company K.S.C. ("Holding")	Kuwait	39.59%	43%

	2016 *KD*	*2015* *KD*
Accumulated balances of material non-controlling interest:		
Themar International Company K.S.C. ("Holding")	**5,532,111**	6,622,872
Loss allocated to material non-controlling interest:		
Themar International Company K.S.C. ("Holding")	**(144,400)**	(26,988)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of income	*2016* *KD*	*2014* *KD*
Income	**1,330,466**	1,627,988
Expenses	**(1,714,121)**	(2,824,072)
Net loss	**(383,655)**	(1,196,084)
Attributable to non-controlling interests	**(144,400)**	(26,988)

Summarised statement of financial position	*2016* *KD*	*2015* *KD*
Current assets	**3,140,296**	3,414,338
Non-current assets	**17,250,451**	17,373,134
Current liabilities	**44,393**	37,531
Non-current liabilities	**2,882,316**	2,877,095
Total equity	**17,464,038**	17,872,846
Attributable to:		
Equity holders of Parent Company	**19,311,323**	19,407,762
Non-controlling interests	**(1,847,285)**	(1,534,916)

19 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Summarised cash flow information:	***2016*** ***KD***	*2015* *KD*
Cash flow used in operating activities	**(52,798)**	(735,261)
Cash flow from investing activities	**166,914**	1,072,747
Cash flow used in financing activities	**(167,969)**	(298,182)
Net (decrease) increase in cash and bank balances	**(53,853)**	39,304

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group achieving profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into foreign exchange risk, profit rate risk and equity price risk. The independent risk control process does not include business risks such as changes in the environment technology and industry.

Risk management structure
The Parent Company's Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. It also obtains security when appropriate.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party.

Maximum exposure to credit risk
With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances, receivables and certain other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements. The maximum exposure is shown net of provisions, before the effect of mitigation through the use of collateral agreements.

	2016 ***KD***	*2015* *KD*
Other assets	**22,762,526**	17,376,927
Bank balances	**2,035,453**	3,291,446
Total credit risk exposure	**24,797,979**	20,668,373

Risk concentration of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management structure (continued)

Maximum exposure to credit risk (continued)

The Group's geographical and industry sector concentrations of assets without taking into account any collateral held or credit enhancements can analysed as follows:

	2016 *KD*	*2015* *KD*
Geographic region:		
Kuwait	**347,423**	2,613,818
Other Middle East	**951,903**	263,017
Turkey	**23,386,131**	17,707,346
Rest of Asia	**112,522**	84,192
	24,797,979	20,668,373
Industry Sector:		
Investment management and advisory services	**347,423**	2,613,818
Leasing	**24,450,556**	18,054,555
	24,797,979	20,668,373

Credit quality of financial assets that are neither past due nor impaired

For assets subject to credit risk, neither internal credit grading system nor external credit grades are used by the Group as these are one off transactions and are granted only to credit worthy customers.

The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of financing and investing activities.

Analysis of past due but not impaired

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

Liquidity Risk

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

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations:

31 December 2016	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 Years KD***	***Total KD***
Accounts payable and accruals	**12,777,198**	**4,494,075**	**1,721,226**	**18,992,499**
Due to banks	**54,343,962**	**44,284,568**	**58,103,089**	**156,731,619**
TOTAL LIABILITIES	**67,121,160**	**48,778,643**	**59,824,315**	**175,724,118**

31 December 2015	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 Years KD*	*Total KD*
Lease obligations	-	756,796	-	756,796
Accounts payable and accruals	11,666,317	3,180,330	1,464,321	16,310,968
Due to banks	42,337,540	44,667,028	53,278,651	140,283,219
TOTAL LIABILITIES	54,003,857	48,604,154	54,742,972	157,350,983

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management structure (continued)

Market Risk

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

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

Foreign exchange risk

Foreign exchange risk is managed on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements and natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

The management closely monitors the foreign exchange exposure of the Group. The Group mitigates the risk of currency exposure by mostly hedging its borrowings against future lease receivables.

The effect on results (due to change in the fair value of monetary assets and liabilities), as a result of 5% change in currency rates, with all other variables held constant is shown below:

	2016	*2015*
Currency	***Effect on results KD***	*Effect on results KD*
US Dollar	**148,014**	252,888
Euro	**(3,194,785)**	4,260,268

Sensitivity to currency rate movements will be on a symmetric basis as financial instruments giving rise to non symmetrical movements are not significant.

Equity price risks

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration.

The effect on equity (as a result of a change in the fair value of financial assets available for sale) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2016		*2015*	
Market indices	***Change in equity price %***	***Effect on other comprehensive income KD***	*Change in equity price %*	*Effect on other comprehensive income KD*
Kuwait	**5**	**26,568**	5	19,129

Sensitivity to equity price movements will be on a symmetric basis as financial instruments giving rise to non symmetrical movements are not significant.

Profit rate risks

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk only on due to banks as profit bearing assets are at fixed rate and not market driven.

As at 31 December 2016 and 31 December 2015, the Group has no financial assets or liabilities with variable profit rate, therefore the Group is not exposed to profit rate risk.

21 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 100%. The Group includes within total debts accounts payable and accruals, due to banks, lease obligations, and employees end of service benefits. Total capital includes equity attributable to equity holders of the Parent Company and non-controlling interests.

	2016 *KD*	*2015* *KD*
Accounts payable and accruals	**18,992,498**	16,310,968
Due to banks	**150,520,838**	135,142,429
Lease obligations	**-**	753,796
Employees end of service benefits	**1,031,842**	1,104,900
Total debt	**170,545,178**	153,312,093
Less: Bank balances and cash	**(2,035,852)**	(3,291,650)
Net debt	**168,509,326**	150,020,443
Total capital	**11,507,638**	15,190,091
Capital and net debt	**180,016,964**	165,210,534
Gearing ratio	**93.5%**	90.8%

22 PROFIT-SHARING SCHEME

The Parent Company operates an employee's share option scheme (as explained in its Articles of Association). Under this scheme the Parent Company can increase its share capital up to 12% of the total shares outstanding within a period of 10 years from the date of incorporation.

In 2002, this period expired and Parent Company did not issue share options up to the 12% limit. Accordingly, under the terms of this scheme and as provided by the Articles of Association, this period was renewed for a further 10 years, as approved by the Board of Directors and have expired in 2012. The management of the Parent Company is in the process of renewing the scheme; however, there has been no impact on the consolidated financial statements.

	2016		*2015*	
	Number of Options	***Weighted Average Exercise price in KD***	*Number of Options*	*Weighted Average Exercise price in KD*
Outstanding at the beginning of the year	**9,761,211**	**0.100**	9,761,211	0.100
Exercisable at the end of the year	**9,761,211**	**0.100**	9,761,211	0.100

The options outstanding at 31 December 2016 had a weighted average exercise price of KD 0.100 and a remaining contractual life of options of 2 years after the date of termination of employees. There were no options granted or exercised during the year 2016 and 2015.

All outstanding options were either granted on or before 7 November 2002 or have vested before 31 December 2004 and, accordingly, have not been expensed in accordance with IFRS 2. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

23 RENTAL INCOME FROM OPERATING LEASE

The future minimum lease rent receivable on the operating lease is KD 41,342,010 (2015: KD 32,212,675) and is receivable as follows:

	2016 *KD*	*2015* *KD*
Income receivable within one year	**26,670,316**	21,076,019
Income receivable within one year to five years	**14,671,694**	11,136,656
	41,342,010	32,212,675

24 FAIR VALUE HEDGES

The Group applies fair value hedge accounting considering operating lease receivables and second hand vehicles sales (unrecognised firm commitment) as hedged item and borrowings as hedging instrument to hedge foreign exchange risk of future lease receivables and foreign currency vehicle sales revenue. Unrecognised firm commitment of USD 3,288,250 and EUR 314,995,289 (2015: USD 7,621,596 and EUR 269,232,439) are hedged by USD 6,123,282 and EUR 381,050,059 (2015: USD 11,066,991 and EUR 166,864,164) of hedging instrument of borrowings.

As a result of the hedge accounting as at 31 December 2016, the Group recognised an asset of KD 14,768,062 (2015: KD 5,254,900) as fair value of unrecognised firm commitment in the consolidated statement of financial position (Note 8).

25 FAIR VALUE MEASUREMENT

Financial instruments comprise of Group's financial assets and financial liabilities.

Financial value measurement

Financial value measure
Financial instruments consist of financial assets at fair value through statement of income, financial assets at available for sale, available for sale, fair value hedges, and investment properties.

The fair values of financial assets, with the exception of certain financial assets available for sale and financial asset at fair value through statement of income are carried at cost.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

25 FAIR VALUE MEASUREMENT (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

31 December 2016	***Level 1 KD***	***Level 2 KD***	***Level 3 KD***	***Total KD***
Financial assets at fair value through statement of income	-	-	-	-
Financial assets available for sale	531,353	-	1,283,330	1,814,683
Fair value hedge (Note 24)	-	14,768,062	-	14,768,062
Investment property	-	-	9,504,422	9,504,422
	531,353	**14,768,062**	**10,787,752**	**26,087,167**

31 December 2015	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Financial assets at fair value through statement of income	-	-	150,000	150,000
Financial assets available for sale	382,574	-	1,538,608	1,921,182
Fair value hedge (Note 24)	-	5,254,900	-	5,254,900
Investment property	-	-	9,504,422	9,504,422
	382,574	5,254,900	11,193,030	16,830,504

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

	As at 1 January 2015 KD	***Impairment of financial assets KD***	***Fair value movement KD***	***Sale KD***	***As at 31 December 2016 KD***
Financial assets at fair value through statement of income:					
Unquoted securities	**150,000**	**(73,357)**	-	**(76,643)**	-
Investment property	**9,504,422**	-	-	-	**9,504,422**

	As at 1 January 2014 KD	*Purchase/ transfer KD*	*Fair value movement KD*	*Sale KD*	*As at 31 December 2015 KD*
Financial assets at fair value through statement of income:					
Unquoted securities	2,745,874	-	(1,069,671)	(1,526,203)	150,000
Investment property	9,351,312	-	153,110	-	9,504,422