



# ANNUAL REPORT

AL MAZAYA HOLDING CO. K.S.C.P HOLDING AND ITS SUBSIDIARIES

## 2016



M A Z A Y A

AIM TO LEAD



His Highness Sheikh  
**Sabah Al-Ahmad Al-Jaber Al-Sabah**  
Amir of the State of Kuwait



His Highness Sheikh  
**Nawaf Al-Ahmad Al-Jaber Al-Sabah**  
The Crown Prince of the State of Kuwait



His Highness Sheikh  
**Jaber Al-Mubarak Al-Hamad Al-Sabah**  
Prime Minister of the State of Kuwait





M A Z A Y A

AIM TO LEAD

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**Mr. Rashid Al Nafisi**  
Chairman

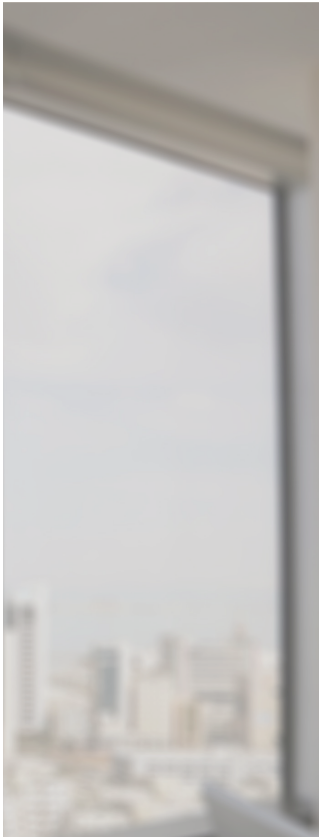
**May Peace, Mercy and the Blessings of Allah be upon you!**

It gives me great pleasure to meet you again at the beginning of an auspicious year that, God willing, will add a new chapter of success to Al Mazaya Holding's track record of achievements. We are here to present the 2016 Annual Report, which proves Al Mazaya Holding's ability in continuing its steady growth, relying on the energy and drive of its people to reach new great heights of success at all levels, starting from asset management, going all the way down to execution, marketing, close-out and handover of different projects.

Before I begin to reveal the financial results and achievements of last year, by the grace of the Almighty Allah, and thanks to the prudent strategy adopted by Al Mazaya Holding, I would like to sincerely thank and express my gratitude to all our shareholders who have wholeheartedly supported us since our inception.

**Honorable Shareholders,**

In 2016, Al Mazaya Holding managed to ensure a steady performance and positive results all year round in all its platforms, proving its real value and stature as a pioneering real estate developer in the region. The company has continued to make great strides in its financial results and reported a net profit of KWD 10.25 million by the end of 2016, which is a 10.02% increase from the KWD 9.32 million achieved by the end of 2015 – earnings per share (EPS) were calculated at 16.51 fils per share by the end of 2016, compared to 15.04 per share by the end of 2015. These achievements were made by the grace of Allah and due to the focus on sale and rent operations, the timely delivery of projects in accordance with the predetermined schedule, the well-thought out marketing plan, the huge demand for the units available for



sale, and last but not least, the investor confidence in the company's brand. The intensive sale operations and high occupancy rates at the company's income-generating streams pushed the operating revenues to around KWD 55.17 million by the end of 2016. This has resulted in sales revenue of KWD 47.81 million. The total rental revenues have also jumped by 15.19%, from KWD 6.17million in 2015 to KWD 7.11 million by the end of 2016.

#### Dear Shareholders

During the last year, Al Mazaya Holding was able to maintain its resilience and pioneering position in all its business sectors. The resounding success achieved through the new markets tapped by the company over the past years has fructified into increasing assets, the total value of which amounted to KWD 254.78 million by the end of 2016 from KWD 251.04 million in 2015. The company's total equity reached KWD 119.61 by the end of 2016 against KWD 111.45 by the end of 2015.

#### Noble Shareholders

Thanks to the high revenue reaped the last year, Al Mazaya Holding's Board of Directors has recommended 8% cash dividends, which is equal to 8 Kuwaiti fils per share, to our esteemed shareholders, in a fresh sign of the company's commitment to sharing its results with our shareholders, and in renewed proof of the company's financial strength, solvency, and balanced future plan. We submit this recommendation to your annual general assembly for approval, after fulfilling all the requirements of the Capital Markets Authority and the state regulators concerned.

#### Esteemed Shareholders

It gives me great pleasure and pride to present to you some of the main achievements we have made in 2016 with regards to the launch of new projects, including the Queue Line Residential Project in Dubai, the construction, sale and delivery work of which has been completed. Up to 70% of the Clover Sabah al Salem development has been completed as well and the project is expected to be handed over this year. Al Mazaya Holding increased its shares in its Turkish partner that owns the Ritim Istanbul Development from 50% to 100% having the complete ownership to Mazaya and its strategic investors.. Over 80% of the Ritm's units have been sold and 50% have been rented.

The company has beefed up its connections and business relationships with a large number of banks and investors, getting new credit facilities that have significantly contributed to the company's growth.

#### Honorable Shareholders

In conclusion, it gives me great pleasure and pride to express my deep sense of gratitude to the significant and continued support of our esteemed shareholders to the Board of Directors and the Executive Management. I assure you that we will relentlessly continue to execute the comprehensive strategies that you have developed in order to push the company further to new heights of excellence. We will spare no effort to meet your expectations while following global standards in areas of management, planning and execution.

**May Peace, Mercy and the Blessings of Allah be upon you all!**

**Chairman**

Mr. Rashid Y. Al Nafisi



**Eng. Ibrahim Al Soqabi**  
Group CEO

#### **Dear Shareholders and Partners in Success,**

It gives me great pleasure to be here at the beginning of a promising year. I wish many happy returns for Al Mazaya Holding and for us all. I will be providing updates for the business status of our company over the past year, including the many milestones we have added to our track record of achievements. Reflecting the in-depth vision adopted by the company in terms of creating distinctive Real estate investments in new markets and platforms, the significant accomplishments in 2016 are the result of our core principles which strike a balance between our current operating plans and our future investment enterprises.

As part of its growth-driven methodology, Al Mazaya Holding ushers in strong indications of growth in 2017 supported by the great strides made during 2016. Last year, we have managed to strengthen our stature as a pioneering regional company, efficiently operating in areas of real estate and other types of associated investments.

#### **Noble Brothers & Sisters**

Guided by a prudent strategy that is based on ensuring operational and administrative performance while maximizing returns, Al Mazaya has achieved and delivered in all of its business platforms. Within this context, I'm proud to present the achievements made during 2016 that have been aligned with the 10-step strategy adopted by the company over the past years; thanks to Allah the Almighty, 2016 has the lion's share of these milestones which I will summarize in the following:

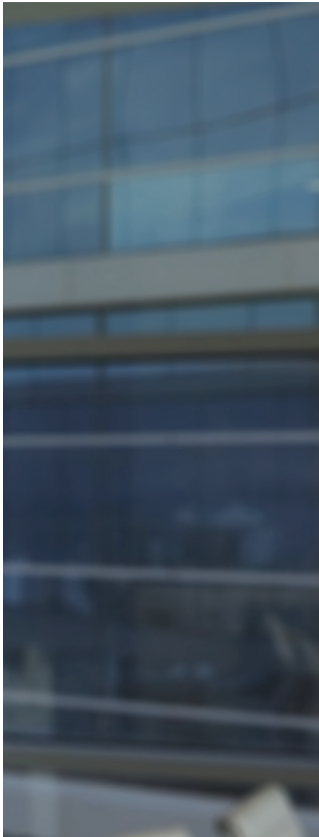
##### **1st GOAL: Sidestepping Market Risks**

Al Mazaya Holding increased its shares from its Turkish partner from 40% to 90%. The Turkish real estate developer is the owner of Ritim Istanbul Development where over 80% of the units have been sold and 50% rented. This has had a positive impact on the operating revenue generated from sales in the company's financial results for H42016-.

##### **2nd GOAL: Embarking on New Developments Every Fiscal Year**

- The company started execution of six new developments in 2016, finalising the foundation work of its Queue Line Residential Project, which consists of two new buildings, in Dubai Land, Dubai. The design work of the 500-flat Queue Zone project in Dubai is progressing and approaching completion.





- Al Mazaya completed studies to develop a plot of land for investment in Al Sharq, Kuwait. A reputable engineering consultant, Gensler, has been contacted to commence the design and licensing works.
- In preparation for kicking off sales by March 2017, the company started construction work at Mazaya Residence Development in Oman, which consists of a fully-serviced residential compound.
- More than 70% of its 17-storey medical facility in Sabah Al-Salem, Kuwait has been completed.

### **3rd GOAL: Periodical Selling, Execution & Delivery of Real Estate Developments**

- Five existing projects have already been sold and handed over as part of the first phase of the Queue Line Residential Project, which consists of two new buildings (R054, R064), in Dubai Land, Dubai. The 230-flat project, which targets middle-income households, is progressing ahead of schedule and the delivery work has been completed in a record-breaking 17 months.
- Completed the execution of Ritim Istanbul Development, which consists of 6 residential towers and a mall.
- Completed the execution of ten residential buildings as part of the Queue Point Residential Project and targets middle-income households.

### **4th GOAL: 10% Growth in Net Profits**

- A net profit of KWD 10.25 million from KWD 9.32 million in 2015

### **5th GOAL: Sound Management of Company Debt & Securing High Credit Ranking from Internationally-Recognised Agency**

- Acquiring bank facilities worth KWD 8.5 million, reflects a strong financial position and the ability to receive financial credit for operating activities. The result of the company's rich portfolio of projects is a liabilities-to-assets ratio that is less than the required levels set for the Kuwaiti market.
- Capital Intelligence Ratings (CI) affirmed the ratings of Al Mazaya Holding's long-term and short-term foreign currency ratings (FCR) at "BBB" and "A3" with "Stable" outlook. The ratings reflect the company's financial strength and ability to meet its obligations in the long term. The agency's ratings have boosted the confidence of investors in the company with its strong financial position. The ratings are supported by the company's diversified business model, good liquidity and its ability to fulfill its long-term obligations through robust selling and leasing-generated operating revenues.

### **6th GOAL: Islamic Sharia-Compliant Operations**

- All the company's developments, including rentals and sales, are Islamic Sharia-compliant.

### **7th GOAL: Corporate Governance**

Al Mazaya Holding is named among the top ten companies complying with corporate governance regulations by the Capital Markets Authority.

### **8th GOAL: State-of-The-Art Technology**

- Company's financial transactions are electronically linked with all its subsidiaries inside and outside Kuwait via the ERP technology.

### **9th GOAL: Maintaining Share Real Value**

- Obtained Fair Share Evaluations from the following three independent rating companies with high share ratings and buy recommendations:
- Arqaam Capital has confirmed Al Mazaya Holding's share fair value at 160 Fils; 45% higher than its current trading price at the Kuwaiti Securities Market
- NBK Capital affirms Al Mazaya Share Fair Value at KWF 165.
- KFH Capital affirms Al Mazaya share fair value range of KWF 170 to KWF 175.

### **10th GOAL: Build & Protect Brand Value**

- The company continues to build and protect its brand value across the region's markets through well-defined marketing campaigns that include a dynamic and modernized web portal and robust social media presence. This is evidenced by its 95,000+ visitors on Facebook; 16,000 followers on Instagram; 20,000 visitors on Twitter; and 5,000 subscribers on LinkedIn accounts.

### **Ladies & Gentlemen,**

Al Mazaya Holding has a history of being guided by values and ideals that go beyond the mere achievement of lucrative financial returns and acceleration of economic diversification in the region. Therefore, the company spares no effort to tap new markets and launch fresh investments by utilizing its resources and seizing distinguished investment opportunities.

Last but not least, I'd like to extend my sincere thanks to the company's Board of Directors and Shareholders for their continuous support. I would also like to thank all of the company's executive teams for their dedication as well as the employees for their creativity, innovative talents, and commitment to the mission the company has set out for itself since its establishment.

**May Peace, Mercy and the Blessings of Allah be upon you all!**

**Group CEO**

Eng. Ibrahim A. Al Soqabi



## Vision

To be ONE of the MARKET LEADERS in REAL ESTATE Development working in targeted prospective MARKETS with a STRONG BRAND that provides distinguished PRODUCTS.





## Mission

- DEVELOP Land Mark PROJECTS.
- SUSTAIN a value added QUALITY of PROJECTS.
- DEVELOP high CALIBER human CAPITAL.
- DIVERSIFY the Projects to Encompass THE WIDE Spectrum of Real Estate SEGMENTS/SECTORS.



## Board Of Directors



**Mr. Rashid Y. Al Nafisi**  
Chairman

### **Educational Background / Work Experience**

Received his Bachelors in Commerce Emphasis in ( Accounting ) from the Faculty of Commerce, Economics & Political Science - Kuwait University.

In more than 41 years of business administration, real estate development and management, Mr. Rashid Al Nafisi has a track record of diverse achievements. The multiple roles he has taken on over the past decades underline the breadth of his scientific and practical experience, as well as his distinct management skills. He has served as the Chief Executive Officer of Al Nafisi United Group and the Director of Real Estate Loans Administration at the Kuwait Real Estate Bank. He has also served on the board of a number of companies and banks, including the Farmer's Union, Commercial Bank of Kuwait, Loan Committee, Kuwait Asia bank, Kuwait Airways Corporation, and Mazaya Qatar Real Estate Company. Mr. Rashid Al Nafisi was also the Chairman of the Board of Directors of the National Investments Company. He currently holds the position of Chief Executive Officer of Yacoub Al Nafisi Corporation for General Trading and Contracting Company, and Chairman of Al Mazaya Holding Company since its inception.



#### **Educational Background / Work Experience**

Eng. Al Shared received his Masters Degree in Environmental Science & holds a Bachelor Degree in Architectural Engineering.

Eng. Abdulrahman Al Shared has held senior positions in several sectors. In October 2004, he contributed to the establishment of Awqaf and Minors Affairs Foundation in United Arab Emirates and was the Secretary General thereof until May 2009. Moreover, he was a Director for Projects and General Maintenance Sector at Dubai Municipality from 2001 till 2004 & the Director for the Building and Governmental Housing. Currently, Eng. Al Shared is a board member in several companies including: Zayed Housing Programme, Dubai World Trade Centre, Dubai Investments, Emirates Glass Co., Dubai Club For The Disabled (Voluntary), Beit Al Khair Society (Voluntary).



**Eng. Abdulrahman M. Rashed Al Shared**  
Vice Chairman

#### **Educational Background / Work Experience**

Mr. Mihrez holds the designation for CFA Since 2005 and received his MBA (Emphasis in Finance) from the Lebanese American University (LAU) & holds a Bachelor of Science from the American University of Beirut (AUB).

Mr. Mihrez brings over 13 years of experience in investment banking, asset management and capital markets. He is currently responsible for managing a portfolio of special assets worth USD 600m which entails proactive management of the underlying positions, focusing on creating and enhancing the value and ensuring an orderly asset disposition. Abdul Hamid is a board member of a number of regional and international companies in the sectors of real estate, insurance, food, industrial, and financial services. During his career, he has led and co-lead a number of investment banking transactions worth USD 700m covering valuations, financial advisory, mergers & acquisitions, capital raising, bond issuance, financial restructuring and listing assignments.



**Mr. Abdul Hamid Mihrez**  
Board Member

## Board Of Directors



**Mr. Mohammad K. Al-Othman**  
Board Member

### Educational Background / Work Experience

Received his Degree in Business Administration from the Australian College of Kuwait. Mr. Mohammad Completed Various specialised Courses in the Real Estate Field such as "Real-Estate Valuation-Theoretical Methods and Operational Implementation", "Effective Sales Tools and Techniques from Real Estate Perspectives", "Commercial Real Estate Marketing and Management", in addition to various other certificates from different professional Real-Estate institutions.

Mr. Mohammad is currently the "Marketing Manager" for Al Hamra Real Estate Co., responsible for marketing the commercial components of Al Hamra Project. Also, he is currently a Board Member in Al Hamra Cinema Co. Previously, Al Othman was conducting Real Estate market research and analysis in both the Retail as well as the office space segments for Al-Jal Real-estate Services Co., Ajjal Real Estate & Entertainment Co., and Al Hamra Real Estate Co.



**Mrs. Rasha A. Al- Qenaei**  
Board Member

### Educational Background / Work Experience

Mrs. Al-Qenaei received her Bachelors of Science in Biological sciences from Kuwait University with a specialization in Molecular Biology and Genetics. Mrs. Al-Qenaei has more than 16 years of experience in the Wealth Management arena covering various client segments throughout the region including sovereign wealth funds.

She started her career with Global Investment House in Corporate Finance. She later moved to help set up the Wealth Management Department at Global and headed a team focusing on high net worth individuals. Later on, she was promoted as Head of Corporate and Institutional clients unit in Kuwait. In December 2008, she was promoted to head the Wealth Management Department covering Kuwait, where she successfully managed the relationship with clients. In 2011, she was promoted to manage the newly merged Wealth Management Department covering Kuwait and International markets. During this time, she re-engineered the processes and modified the strategy of the Department to best suit the challenges faced by the capital markets. In parallel, she also headed and grew the Portfolio Management Unit, a third party funds platform at Global. Mrs. Al Qenaei has historically served the below board positions in First Dubai Real Estate Development Company & Future Kids Company. And is currently on the board as Vice Chairman in Shurooq Investment Services Company, Oman & a Board Member in Al Mazaya Holding Company, Kuwait.







# Executive Management



**Eng. Ibrahim Al Soqabi, MBA**  
Group CEO

## Educational Background / Work Experience

Mr. Ibrahim Al Soqabi holds a Bachelor of Science in Civil Engineering from George Washington University, DC, USA, and a Master of Business Administration (MBA) from Maastricht University.

Over all, he possesses a cumulative practical experience of 18 years, diversified among the fields of Civil Engineering, project and construction management, risk analysis and management, enterprise and corporate governance, operational system management, in addition to business and strategic planning. Mr. Al Soqabi was successful in turning the pioneering Kuwaiti Managers Company – a fully owned organization by one of the most prominent “Shari’a compliant enterprises, Kuwait Finance House (KFH) – into a Holding entity, encompassing seven different subsidiaries which have been undertaking several activities ranging from contracting and projects management, to real estate valuation, management and development, both locally, regionally, and internationally, such as Gulf Cooperation Council (GCC) countries, Turkey, and Hong Kong. Moreover, Mr. Al Soqabi assumed multiple directorship positions in several real estate organizations at the local and regional levels. Currently, he holds the Group CEO post for Mazaya Holding, a leading real estate development company, with numerous successful subsidiaries, not only focusing on the GCC market, but extending well into other geographical settings, hence diligently oversees its growth through a relentless perseverance and endeavors into selective opportunities that are compatible with its vision and aspiration, thus enhancing the company’s position and share within which it operates.



**Eng. Salwa Malhas, ME**  
Chief Business Development and  
Marketing & Sales Officer

## Educational Background / Work Experience

Eng. Salwa Malhas - holds a Bachelor and a Master Degree in Civil Engineering from the Jordanian University and has more than 20 years of experience in Real Estate Development, Business Models and Feasibility Studies.

Eng. Malhas has more than 25 years of experience in Real Estate Development, Business Models and Feasibility Studies. Eng. Salwa is Chief Business Development and Marketing & Sales Officer at Al-Mazaya Holding. The role – held since January 2004 – entails, building, structuring, setting up and assessing the company business plan; sourcing and overseeing the development and growth of profitable new business; participating in tendering projects with government; conducting feasibility studies for different business opportunities, and Corporate & project marketing. Prior to this position, Malhas was General Manager at Al-Masaken, a subsidiary of ACICO and Ghassan Al-Khaled Group for eight years – where duties encompassed sourcing and overseeing new lands for profitable real estate development projects, research, tendering and corporate marketing, and prior to that, served as tendering engineer at Al-Zaben International company (as a first grade contractor). Malhas was a professor assistant in the engineering department of TECNO Jordan University in 1993. In addition to that, Malhas has sat on the board in many real estate and investment companies, was a board member in Al Nawadi for 5 consecutive years, and currently a board member in Seven Zones Real Estate Company & and Vice Chairman in First Dubai Real Estate Development Company (above 300 million dollars capital).



#### Educational Background / Work Experience

Dr. Jarkas received his Bachelor and Master of Science Degrees in Civil Engineering from The University of South Carolina, Columbia, USA, and a Doctor of Philosophy (Ph.D.) Degree in Construction Engineering and Projects Management from the University of Dundee, Scotland, UK. He is a Fellow of the UK Society of Professional Engineers, Registered Chartered Engineer (CEng) by the UK Engineering Council (ECUK), and a Registered International Professional Engineer (Int.PE) by the UK Engineering Council. He is also an active member in several International Professional Associations, Engineering Institutes/Societies, and Arbitration Tribunal Panels. Dr. Jarkas is an authority in Projects and Construction Management with an extensive research record of over 40 peer-reviewed publications in the area of Projects and Construction Management, particularly, in the fields of Constructability, Buildability, Construction Productivity, Lean Construction, Benchmarking, Bidding Practices, Construction Complexity, Learning Phenomenon in Construction, and Motivation. His practical experience spans over twenty years and encompasses: Planning and Design Management; Structural Design; Structural Damage Assessment; Risk Analysis and Management; Constructability Analysis; Value Engineering; Mediation, Arbitration and Alternate Dispute Resolution (ADR); in addition to Projects, Contracts and Construction Management. His Managerial and Technical skills are specifically suited for Management of Real Estate Developments, Projects and Complex Construction Management. Currently, Dr. Jarkas serves as the Vice Chairman of Al Mazaya Real Estate Development Co., KSCC.



**Dr. Abdulaziz Jarkas**, Ph.D, P.Eng., CEng MIED, Int.PE, FSPE  
Chief Projects Officer

#### Educational Background / Work Experience

Mr. Harfoush received his Bachelor of Science in Accounting with honors, English section from Tanta University -Egypt. He is also a Certified Public Accountant (CPA) from the State of New Hampshire, USA.

Mr. Harfoush has held remarkable senior positions in the Real Estate Market with over 15 years of experience. He served as the CFO of National Real Estate Company in Kuwait, where he worked for 8 years. The Company holds consolidated assets of more than USD 1.8 Billion and had more than 40 direct and indirect regional subsidiaries in real estate activity. Mr. Harfoush also held a notable position as the Chief Audit Executive for NREC in Kuwait for 1 year during the initial stage of compliance with the guidelines and requirements of Capital Markets Authority of Kuwait. Moreover, Mr. Harfoush's served for 3.5 years in RSM International Auditing Firm in Kuwait as a Director of Quality Assurance & technical assistance for the office as well as providing inhouse trainings to the auditors about the financial reporting and auditing standards. He worked for 3 years at Commercial International Bank, Egypt, being the largest private sector bank in Egypt. This makes him retain a diverse range of experience in various fields such as finance, accounting, auditing and banking.



**Mr. Ahmed Harfoush**, CPA  
Chief Financial Officer



## Executive Management



**Eng. Abdullah Al Sultan**  
Chief Property Management Officer

### **Educational Background / Work Experience**

Eng. Abdullah holds a Bachelor Degree in Civil Engineering from the Kuwait Petroleum and Engineering University and has more than 15 years experience in the real estate sector .

Eng. Abdullah held senior positions in real estate sector as Business Development Manager in First Dubai Real Estate, Deputy Manager of project department in Commercial Real Estate Company (CRC) and as Head of Development unit in project department in Commercial Real Estate Company (CRC). He has an extensive experience in management, development and operation of the projects from initial study to operate the projects; also he has high experience in design and construction phase. In addition, he has good skills in property management ,setting up models to manage the properties of the company, preparing study to reduce the expenses & cost of properties, and establishing lease plan and strategy for property, currently Al Sultan is a board member in Water Front Real Estate Co.and endeavors into selective opportunities that are compatible with its vision and aspiration, thus enhancing the company's position and share within which it operates.



**Eng. Cem Yolcu, CFA**  
CEO - Mazaya Turkey

### **Educational Background / Work Experience**

Mr. Cem holds a Charter as Chartered Financial Analyst "CFA" as well as a Bachelor Degree in Electric and Electronic Engineering from the Middle East Technical University in Ankara, Turkey.

Eng. Cem's professional career includes 15 years of practical experience in several fields, the most prominent of which were the financial, consulting, administrative, communications, real estate industries and other sectors. Before joining Al Mazaya, Mr. Cem occupied the position of Director of Strategic and Planning Sector in Zain Telecom Company between 2003 and 2011. Moreover that, he occupied the position of senior consultant at the International Administrative Consulting Company - Accenture. It is worth noting that Mr. Cem contributed in introducing many gulf companies to the Turkish market. Most of these companies worked in the fields of real estate, technology and communications.





#### Educational Background / Work Experience

Mr. Khaled holds a Bachelor Degree in Accounting from Faculty of Commerce – English Department, Alexandria University, Egypt and holds an Executive “MBA” from Cass University, London. He holds designations of Certified Public Accountant “CPA”, Certified Management Accountant “CMA” and Certified Financial Manager “CFM”.

Mr. Khaled has over 20 years of operations, corporate finance, consulting, audit, banking, and accounting experience. Mr. Khaled was Chief Operating Officer of F&S Holding Company. From 2005 to 2011, he was Senior Vice President – Finance & Operations of Al-Muthanna Investment Company, a wholly owned subsidiary of Kuwait Finance House. He served as Chief Financial Officer, Vice President and Assistant Secretary of couple of U.S. Property Co. He also was Board Member of Florida Atlantic BOCA Research Park and Deerfield Research Park, State Of Florida, USA. He was Board Member of Muthanna Financial Brokerage Company. He started his career with Barclays Bank, where he worked in the corporate and investment banking department. He has wide and extensive experience in audit and consulting having previously worked with Ernst & Young and Arthur Andersen. During his service with those firms, he was acting manager of a large portfolio of medium to large size clients and was responsible for overall assignment control, client relationship coordination, and quality control assurance. Mr. Khaled is a Board Member of The Kuwaiti Manager Company for Managing Real Estate Projects and First Dubai Real Estate Development Company. He also is an instructor for full courses of professional designations.



**Mr. Khaled Abdulatif**, MBA, CPA, CMA, CFM  
Acting CEO - Dubai Office Operations





## Company Establishment

AL MAZAYA IS WIDELY RECOGNIZED AS ONE OF THE MOST PROMINENT AND HIGHLY THOUGHT-OF REAL ESTATE DEVELOPMENT COMPANIES IN THE MIDDLE EAST MARKET, WITH NUMEROUS IMPRESSIVE PROJECTS. THE COMPANY CAME ABOUT THROUGH A BELIEF IN THE NEED FOR STRONG, RIGOROUS INVESTMENT IN THE REGION, AND HAS PREVAILED IN CREATING AND MAINTAINING THE TRUST OF LARGE-SCALE INVESTORS IN THE KUWAITI MARKET AND ABROAD.

The company was established in 1998 and started operation as Al Mazaya Holding Company in 2004 with a paid up capital of KD 15 million to reach KD 68.8 million which is equivalent to approximately USD 243 million. Al Mazaya is a publicly-traded company dually listed on both the Boursa Kuwait since 2005 and Dubai Financial Market since 2006. Since its inception, Al Mazaya has adopted a balanced expansion strategy allowing mitigating risk, while maximizing investment and by doing so have witnessed strong growth.

Al Mazaya prides itself in providing various comprehensive real estate products and services in several fields, among them housing projects such as deluxe villas and high-class residential buildings, commercial projects such as office and retail buildings, and health projects such as medical centers. Al Mazaya is engaged in several other real estate fields such as purchasing, ownership, and selling of lands and its development for the company within Kuwait and abroad.

Furthermore, Al Mazaya handles the management of third parties' properties and management, operation and investment, leasing and rent of hotels, health clubs, recreational parks, gardens, exhibition grounds, restaurants, residential and commercial complexes, and touristic and health resorts.

Al Mazaya's Investments have always focused on building strategic alliances and partnerships that allow for developing the company's competitive edge.



## Capital Structure

PAID-UP CAPITAL ..... KD 68,827,896

NUMBER OF SHARES ..... 688,278,956

## Major Shareholders Structure

Al Mazaya has a diversified structure that is divided among high net worth of investors and solid corporate organizations.

NAME OF SHAREHOLDER

Gimbal Holding Company



# Al Mazaya Head Quarters



MAZAYA TOWERS  
@ KUWAIT CITY

## MAZAYA TOWERS - KUWAIT

Al Murqab Area, Block 3  
Khaled ben Waleed Street -  
Tower 1- Floor 25



## CLOVER CENTER - KUWAIT

Jabriya,  
4th Ring Road,  
Block 1A



## BUSINESS AVENUE - DUBAI

Jumeirah Lake Towers,  
AA1 Tower,  
Floor 45



MAZAYA  
TURKEY

## TURKEY

Cevizli Street. Zuhul Avenue. |  
Ritim Istanbul A3 Block  
No:46| C 169 Maltepe | Istanbul



## Al Mazaya Listing



Al Mazaya Holding Company's great success in the real estate sector was revealed through the company's listing in the Kuwait Stock Exchange in **2005**.



On February **2006**, Al Mazaya Holding Company was listed in the Dubai Financial Market as a Step towards being a regional company.







## Operations & Services



### REAL ESTATE DEVELOPMENT & INVESTMENT

Prime among Al Mazaya's range of services, our professional Real Estate Development Team offers an array of skilled personnel and key services, including purchasing and distribution strategy for large spaces to invest in and develop, building new and emerging opportunities, and due diligence and feasibility assessments of potential projects. Additional services include building business models, and structuring mainstream plans for major tasks (financing options and marketing).



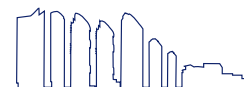
### PROJECTS MANAGEMENT & CONSULTANCY

Al Mazaya's comprehensive basket of services forms the cornerstone of our Projects Management Sector. Providing a wide range of services including Development Management, Project, Programme and Portfolio Management, Pre-Design and Design Management, Projects and Construction Management, Cost Engineering, in addition to Constructability Analysis, Applications and Value Engineering. The strength of our team lies in its experience and dedication to follow up and directly manage all Projects all through the multiple stages of the Development process, that is, from Conception to Completion and Handing Over. Our Projects Management Department further offers and manages services which involve Lean Construction Principles and Applications, Risk Analysis and Management, Fast-tracking Projects Delivery, Troubleshooting and Troubled Projects turnaround, Construction Productivity Optimization, as well as training and Technical support.



### MARKETING & SALES MANAGEMENT

With its varied and distinctive product basket, Al Mazaya holds an incomparable position in the market when it comes to creating an exclusive image for our clients. The pillar of Al Mazaya's marketing services is built on our highly motivated in-house team with its expertise in communications, strategy building, branding initiation and development. The services offered by the Marketing and Sales Department cover all marketing activities – from brand and corporate identity to on and off-line advertising campaigns, event management, PR, social media management and Website. At Al Mazaya, the Marketing Department's scope entails working on new promotions, affiliate programs and customer retention techniques. The sales division takes the lead on setting strategies and driving sales and is proactive in contacting customers with surveys, special offers and developing new leads.



## PROPERTY MANAGEMENT

Al Mazaya acts on behalf of its owners to provide services such as legal registration, governmental follow up, and rent collection and contracting. Our Property and Facility Management Department assures investors that their properties are taken care of in the best way possible. Services offered include cleaning, security, maintenance, leasing, IT, and valet parking. In addition, our professional property management team will evaluate the property and determine an accurate rental rate, along with tenant screening and selection.



## REAL ESTATE PORTFOLIO MANAGEMENT

Al Mazaya's portfolio management division provides world-class management services to real estate companies within Al Mazaya Group, as well as to external clients. Our services encompass consultations on the various aspects of real estate management including Overall Management Services, Strategic Planning and Budgeting, Business Operations, Policies and Procedures, Operational Manuals, and Setup of IT Systems. Furthermore, we provide professional advice on investment opportunities locally and regionally, ensuring our clients make informed decisions. Real estate portfolio management at Al Mazaya has a responsibility to maximize the performance and value of a company's portfolio of real estate assets that are owned or managed through acquisitions and operations.



## REAL ESTATE VALUATION

A significant addition to the range of services that Al Mazaya provides is the Valuation of Real Estate Properties – an important step in determining the true value of a property. Such Valuation is extremely expedient when preparing feasibility reports for projects on sale or for future expansion, as well as accurately calculating a company's assets. Valuating real estate means measuring the value of a property in terms of projected future profits and preparing an inclusive report, in compliance with international standards and regulations. The service that we offer is crucial to mortgage lenders, investors, insurers, as well as the buyers and sellers of real estate property.





## OPERATIONS & SERVICES



### AL MAZAYA RESEARCH

AL MAZAYA'S RESEARCH DIVISION AND ITS DEDICATED TEAM OF EXPERTS HANDLE THE IMPORTANT TASK OF ASSESSING THE LARGE NUMBER OF RISK FACTORS ASSOCIATED WITH THE RAPIDLY GROWING REAL ESTATE DEVELOPMENT INDUSTRY. AT AL MAZAYA, WE OFFER COMPREHENSIVE MARKET RESEARCH WITH EXTENSIVE EXPERTISE IN BOTH QUANTITATIVE AND QUALITATIVE RESEARCH METHODOLOGY. WITH TRIED-AND-TESTED APPROACHES TO UNDERSTANDING THE PROCESSES OF THE MARKET, WE ARE ABLE TO PROVIDE PRECISE INFORMATION, FIGURES AND DATA, AND IN-DEPTH ANALYSIS OF THE REASONING BEHIND ALL ASPECTS CONTRIBUTING TO THE GROWTH OF THIS SECTOR. OUR RESEARCH ENABLES US TO HAVE A SCIENTIFIC AND TRANSPARENT UNDERSTANDING OF THE INDUSTRY, WHICH TRANSLATES INTO HARD DATA THAT IS MADE READILY AVAILABLE TO OUR CLIENTS.



### REAL ESTATE BROKERAGE

AL MAZAYA REAL ESTATE BROKERAGE WAS INTRODUCED SPECIFICALLY TO PROVIDE HIGH-QUALITY, PERSONALIZED SERVICES TO OUR CLIENTS, DEVELOPED SPECIFICALLY FOR THEIR CONVENIENCE. FOR EXAMPLE, OUR BROKERS OBTAIN AGREEMENTS FROM PROPERTY OWNERS TO PLACE PROPERTIES FOR SALE WITH REAL ESTATE FIRMS, MONITOR THE FULFILLMENT OF PURCHASE CONTRACT TERMS AND ENSURE THAT THEY ARE HANDLED IN A TIMELY MANNER, COMPARE A PROPERTY WITH SIMILAR PROPERTIES THAT HAVE RECENTLY BEEN SOLD (IN ORDER TO DETERMINE ITS COMPETITIVE MARKET PRICE), AND MAY ALSO ACT AS AN INTERMEDIARY IN THE CLOSING NEGOTIATIONS BETWEEN BUYERS AND SELLERS OVER PROPERTY PRICES AND SETTLEMENT DETAILS.





REAL ESTATE DEVELOPMENT  
PROJECT MANAGEMENT  
MARKETING MANAGEMENT  
PROPERTY MANAGEMENT  
PORTFOLIO MANAGEMENT  
REAL ESTATE VALUATION  
AL MAZAYA RESEARCH  
AL MAZAYA REAL ESTATE BROKERAGE





## Subsidiaries & Associates

SUBSIDIARY COMPANIES	
KUWAIT	Al Mazaya Real Estate Development Co. K.S.C.C.
	First Dubai Real Estate Development Company K.S.C.P
	Seven Zones Real Estate Company K.S.C.C.
	Waterfront Real Estate Company K.S.C.C.
	Future International Project Management W.L.L.
	Mezzan Combined For General Trading W.L.L.
	Gulf Turkey for General Trading W.L.L.
	United Circle General Contracting and Building Company O.P.C.
	Al Yammar Kuwaiti Agriculture Co. O.P.C.
UAE – DUBAI	Al Mazaya Real Estate FZ W.L.L.
	Al Wahda Real Estate Investments limited
	Advantage General Trading O.P.C.
	Al Dana Real Estate Limited
	Al Rayhan Real Estate Limited
	Al Mazaya Emirates Real Estate Development O.P.C.
	Al Mazaya Real Estate DMCC
	Flaw less properties limited company
	Varitety Plus properties limited company
	Concerto Investments limited company
	CT& J properties limited company
LEBANON	Al Mazaya Lebanon S.A.L. (Holding)
	Al Mazaya Lamartin S.A.L.
SAUDI ARABIA	Kuwaiti Saudi Real Estate Limited Co. W.L.L.
	Al Mazaya Grand Real Estate Co. W.L.L.
TURKEY	Mazaya Real Estate Turkey GAYRIMENKUL YATIRIMLARI ANONIM SIRKETI
	Ritim Istanbul INSAAT ANONIM SIRKETI
	GULF TURKEY GAYRIMENKUL ANONIM SIRKETI
OMAN	Mazaya Real Estate Development W.L.L.
BAHRAIN	Bilsaan Real Estate S.P.C



## Kuwait Projects



MAZAYA TOWERS  
@ KUWAIT CITY

Mazaya Towers 1, 2 & 3 each soaring to more than 26 floors encompass a fully integrated development for executive commercial use and are strategically located in the Heart of Kuwait City offering world class office buildings. The Towers cater to the diverse business needs bringing a futuristic trend to the corporate sector in Kuwait.



**SEVEN ZONES**  
DESIGN CENTER

Seven Zones is a concept introduced by Al Mazaya to create a state-of-the-art design center, a 'depot of diversity' under one roof. Our exclusive design center offers an assortment of distinctive showrooms and office spaces for interior designers, contractors and consultants giving the center a competitive edge by hosting all aspects of design.



**clover**  
Center

Clover Center is Al Mazaya's first venture into the medical sector providing world-class medical services soaring to 19 floors and embracing a wide selection of clinics and specialties under one roof in a very prime location. The clinics are exclusively designed with an upmost pleasant ambience and equipped with the latest medical technology that caters to all the needs of the doctors & visitors.



**المها**  
MAHA

Combining the charm of Moroccan architectural style with state-of-the-art amenities, Al Maha villas are a unique residential project strategically located along the Gulf Road in Salwa. The project features 30 villas and each unit hosting four separate individual elements that guarantee complete privacy to the occupants.





Strategically located in the heart of Kuwait City to provide easy access to key landmarks in the area and rising up to 22 floors, Global Tower is a business-oriented high-rise building located in one of Kuwait's leading financial & commercial hubs. The Global Tower comprises well-appointed office spaces built in contemporary style and are adaptable to the specific professional requirements of the occupant.



Mazaya Villas built to uncompromising standards in terms of engineering and architectural detailing are individual bespoke villas located in selected areas across prime locations in Kuwait. Each villa is built to meet high class specifications, and is set in lushly landscaped gardens with exquisite swimming pools.



Al Roya project is a prominent residential complex conveniently located in Al Mahboulah area in Kuwait, and consists of 61 residential apartments and 10 villas overlooking a swimming pool. The residential units come in varying sizes and exclusive interior designs to suit the diverse needs of the individual clients seeking their perfect living space.



Neira Financial Hub & Yammar Cultural Village is an idea initiated by Al Mazaya that aims to develop an ambitious real estate project inspired by, and in accordance with, the desire of the Emir of Kuwait. This exceptional project will eventually help Kuwait to evolve into a new financial center in the region that will attract local and international investors and will host residential, and commercial complexes.





## UAE - Dubai Projects



sky(x)gardens  
PARK AVENUE DIFC

Sky Gardens is a luxurious residential tower strategically located at the entry to the prestigious Dubai International Financial Center (DIFC). Soaring up to 40 floors with more than 600 Apartments and is fully complemented by the modern conveniences with designer furniture & state-of-the-art fit-outs from FENDI CASA and set against a stunning backdrop. Sky Gardens reinvents fine living in Dubai & introduces a stylish new aesthetic to Dubai's dazzling urban skyline.



AVENUE  
MAZAYA BUSINESS AVENUE

Mazaya Business Avenue rises to an imposing 45 floors & encompasses three exquisite commercial and office towers primarily located in Jumeirah Lake Towers. The Towers offer ultra-modern office spaces, business centers, self-contained business world with state-of-the-art recreation centers, vast conference halls, meeting rooms, seminar rooms, retail plazas, cafes and restaurants.



The Villa project spanning an area of 29 million sq.ft. with more than 500 villas & ideally located within Dubai Land in the middle of an innovative entertainment & leisure development to become one of the world's top tourism destinations, is an enchanting residential retreat that offers exclusive outdoor living with its Spanish style courtyard housing. The Villa is a unique combination of luxury, space and affordability.



Dubai Healthcare City (DHCC) comprises of seven buildings exclusively developed by AL Mazaya & primarily located in the heart of Dubai with a very close proximity to Dubai Airport. DHCC offers the latest in the healthcare service & provides world-class medical education, health care systems and for innovative health care management, education, and research.





The Icon Tower soaring up to 45 floors and strategically located in Jumeirah Lake Towers is a distinctive residential tower that consists of 400 exquisite studio, 1 & 2 bedroom apartments and is Dubai's newest master-planned waterfront development overlooking a stunning lake view on one side and a spectacular view of Jumeirah Islands on the other. The Icon encompasses parks and restaurants & retail outlets.



Strategically located at the entrance of Shams Abu Dhabi Development on Reem Island, Morina Residence is designed over 32 million sq.m. of land comprising a 29-storey residential tower with adjacent townhouses consisting of 1, 2, & 3 bedroom apartments and duplexes, as well as specially designed townhouses designed to take advantage of superior water views.



The Indigo project Comprises office space, retail zone & Gym area with a wide selection of area sizes and strategically located on Sheikh Zayed Road, after the intersection with Al Manara Road on a total built up area of 24,016 square feet. Indigo is registered with the Dubai Land Department as Freehold land available for GCC citizens and companies.



## Regional Projects



### AL MA'ATHAR

in Saudi Arabia

Al Maathar is located in one of the most important commercial streets in the city of Riyadh, where the majority of banks and investment companies in the city are based. The tower is part of a 3 towers complex characterized by a unique design and architectural features. Al Maathar consists of G + 9 floors, all with flexible floor plans and view overlooking the main road.



MAZAYA

OLAYA

in Saudi Arabia

The project is located on one of the most important commercial streets in the economic heart of the city of Riyadh, where the majority of banks and investment companies are based and ideally located on the main Olaya Road parallel to King Fahed Road .Mazaya Olaya Tower rises up to 7 floors and comprises a ground floor, three large retails shops, and 55 commercial office spaces.

The tower features the latest trends in technology and security systems. Moreover, Mazaya Olaya includes a prayer room, gym and parking lot to accommodate the needs of the tenants & visitors.



RESIDENCE

in Oman

Badia Residence is strategically located in Sohar area in Oman with close proximity to key attractions and consists of 73 residential villas with a choice of two different villa types. In addition, the residence boasts a sports club, a multi-function hall and clubhouse with an outdoor swimming pool. The villas incorporate modern facilities.



MAZAYA

LOGISTICS

in Bahrain

Al Mazaya Logistics is a concept initiated and wholly owned by Al Mazaya in the world of industry to conduct, develop & operate ideal key storage solutions with a state of the art management system. The land totaling 27,605 sq.m. is primarily located at the Bahrain Investment Wharf (BIW) and makes it the key choice for many local international companies.



## MARINA MALL

in Qatar - Project Management

Marina mall is one of the most prestigious shopping center in Lusail, Doha, characterized by its prime location in the center of the Marina & by its state-of-the-art architectural design extending over 57,605 sq.m spreading on two floors and a ground floor . Marina Mall accommodates exquisite facilities such as hotels, commercial offices, residential units, entertainment venues and playgrounds.



talaresidence

in Qatar - Project Management

Tala Residence is a 346-unit housing project being developed for the employees of the Qatar National Convention Centre (QNCC) .The QNCC is the first project of its kind to be built with the standards of the Gold Category Certification of the Leadership in Energy and Environmental Design (LEED). It constitutes conferences, Exhibitions Center. It's a result of understanding between Mazaya Qatar & Qatar foundation.



in Qatar - Project Management

A walled community on the outskirts of Doha, Sidra Village provides 1,165 flats and consists of 658 one bedroom apartment of approximately 50 square meters each, and 507 two bedroom apartments of approximately 85 square meters each dedicated for the nursing staff of the new Sidra hospital, as part of the Education City development. It also contains a small mosque, community and leisure facilities, restaurants and cafes, public spaces & shaded roof gardens.





## Ritim Istanbul - Turkey

### Ritim İstanbul



Ritim Istanbul is the first Real Estate Development for Al Mazaya and partners in Istanbul. The project is strategically located on the Asian side over an area of 39,000 m<sup>2</sup> and consists of 863 Residential Units, 363 offices, and 147 commercial units. The project accommodates the highest restaurant in the Asian side of Istanbul with stunning views & features with an array of exquisite facilities including 3 swimming pools, high-tech gym, state-of the art gallery and exhibition center. The project is 100 % constructed and achieved 80 % sales. AL Mazaya is currently managing the mall which is 50 % occupied by top brands in Istanbul.









# Queue Point - Dubai



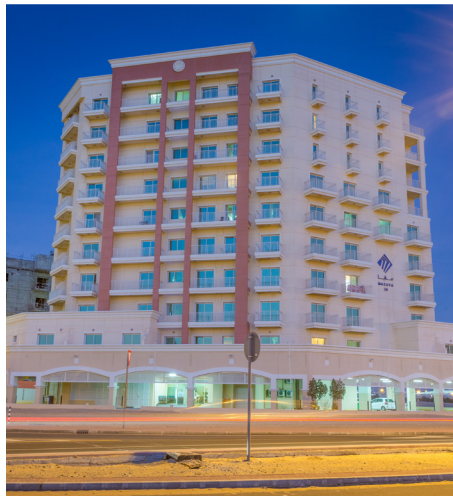
## QUEUE POINT

FOR THOSE WHO VALUE GOOD LIVING AT LIWAN

QueuePoint is ideally located in Liwan, At Dubailand, and directly on SH Mohammed Bin Zayed Road & Al Ain Road. QueuePoint spreads on 13 million sq.ft. and comprises 52 medium housing buildings of one, two, & three bedroom freehold apartments in which 3,131 apartments have been constructed and 2,467 Apartments handed over to clients. QueuePoint residents enjoy key attractions in the neighborhood that includes schools, supermarkets, gym, shopping outlets, and many future entertainment projects.









## Q-line - Dubai



**Q-line**  
A GREAT PLACE TO CALL HOME

Qline is a medium housing project and consists of 4 buildings. The project is strategically located in Liwan, in Dubai Land directly on SH Mohammed Bin Zayed Road and Al Ain Road. The project consists of studio ,one & two bedroom freehold apartments with a wide selection of areas & views.Qline residents will enjoy the close proximity to many main attractions, schools , supermarkets, gym, shopping outlets, and many future entertainment projects. The first phase of the project ,comprising of two buildings is completely constructed & sold out, while the second phase is under construction & will be completed by end of 2017.









## Q-Zone - Dubai



 Q-Zone

Q-zone is a medium housing project and consists of 4 buildings. The project is strategically located in Liwan, in Dubai Land directly on SH Mohammed Bin Zayed Road and Al Ain Road. The project consists of studio ,one & two bedroom freehold apartments with a wide selection of areas & views.Q-zone residents will enjoy the close proximity to many main attractions, schools , supermarkets, gym, shopping outlets, and many future entertainment projects. The Project is Currently in the design phase and will be completed by end of 2018.







## Mazaya Residence - Oman



Mazaya Residence is strategically located in Al Seeb province, Muscat near the new commercial centers and behind Muscat City Center with a total plot area of 23,194 sq.m. The project consists of 3 Zones that comprise residential & retail units and offer a wide selection of Areas. The residential units consist of 1,2 & 3 bedroom apartments that are set for sale and rent. The project features various facilities including a beautiful pool surrounded by gardens and kids playground. The Project started the construction work and will be completed by end by 2018.









## Clover - Kuwait

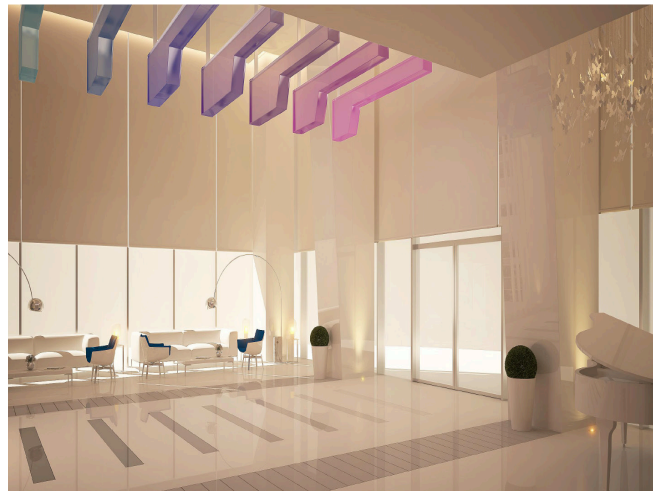


Clover Sabah Al Salem is the second development for Al Mazaya in the medical sector in Kuwait. The project is fully designed on a land size of 2,000 m<sup>2</sup> and consists of 17 floors to serve more than 40 clinics. The project reflects a world-class medical center featuring an array of specialties, laboratory & radiology unit with the latest medical technologies.

The Project has reached 72 % completion and will be handed over by September 2017.

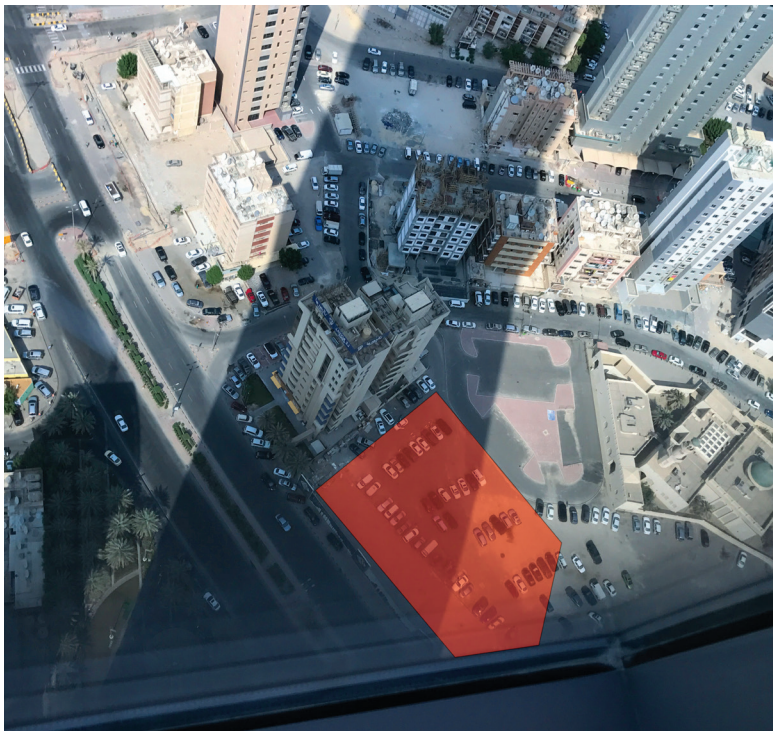








## Sharq land - Kuwait



### SHARQ LAND

Sharq land is located in the Heart of Kuwait city, specifically in SHARQ district and falls on one of the main streets of the Capital, Al Shuhada Street . Sharq Land spreads on an Area of 2,900 sqm and being in the center of the Financial & Investment Hub surrounded by key landmarks in Kuwait including Al Hamra Tower & NBK Headquarters, and many other prime Towers. The project is currently in the design phase by one of the most famous Architectural firms in the world «Gensler» . The construction work will start by end of 2017.











# Corporate Governance Report

- **First Rule** : Building A Balanced Structure Of The Board Of Directors.
- **Second Rule** : Proper Identification Of Tasks And Responsibilities.
- **Third Rule** : Selection Of Competent Persons For The Membership Of The Board Of Directors And Executive Management.
- **Fourth Rule** : Ensuring The Integrity Of Financial Reports.
- **Fifth Rule** : Laying Down Proper Systems For Risk Management And Internal Control.
- **Sixth Rule** : Promoting Professional Conduct And Ethical Values.
- **Seventh Rule** : Accurate Disclosure And Transparency In The Right Time.
- **Eighth Rule** : Observing Shareholders' Rights.
- **Ninth Rule** : Recognizing The Role Of Stakeholders.
- **Tenth Rule** : Promoting And Enhancing Performance.
- **Eleventh Rule** : Focusing On The Significance Of Social Responsibility.



# Introduction

Corporate governance rules are represented in the principles, systems and procedures which achieve the best protection and balance between the Company's interests, its shareholders and other stakeholders related to it. The fundamental objective of implementing the corporate governance rules is underlined by the Company's being in line with the shareholders' goals which promotes the investors' confidence in the efficiency of the Company's performance and its ability to face crises, as the corporate governance rules regulate the methodology of taking all decisions within the Company and motivate the existence of transparency and credibility for such decisions.

Among the most significant corporate government rules are the protection of shareholders and separating the executive authority which directs the Company's businesses from the board of directors which prepares and reviews the Company's plans and policies, and thus adds assurance and promotes the feeling of confidence in dealing, as well as enable shareholders and stakeholders to efficiently control the Company.

On 27 June 2013, the Capital Markets Authority issued decree No.25 of 2013 in connection with issuing the governance rules for companies subject to its supervision. The issuing of such rules comes under the framework of the provision of article No.(40) of the executive regulation of law No.7 of 2010 in connection with establishing the Capital Markets Authority and Regulation of Securities Activity, that the Authority issues a special system for governance. This is in addition to the provisions of article No.217 of the decree law No.25 of 2012 promulgating the Companies Law and its amendments, which stipulated that "the concerned regulatory bodies shall lay down the corporate governance rules for companies subject to their control, in order to achieve the best protection and balance between the interests of the Company's management, its shareholders and other related stakeholders. Further, it illustrates the requirements which should be available in the independent members of the board of directors.)

Such rules were amended by decree No.48 of 2015 passed on 302015/6/, which have been re-enacted within Part Fifteen of the executive regulation of law No.7 of 2010 in connection with establishing the Capital Markets Authority and Regulation of Securities Activity. These rules have been applied on 302016/6/.

The corporate governance rules addressed a number of fundamental principles and requirements upon which the principles of corporate government are established, as well as the methodology of implementing such rules and principles. The methodology illustrates the guideline methods for the mechanism of proper activation of the governance principles, including the existence of a balanced structure of the board of directors which comprises non executive and independent members, outlining the responsibilities and terms of reference of the members of both the board of directors and executive management, method of selection of candidates to the membership of the board of directors and executive management, ensuring the integrity of the financial reports, the necessity of availability of proper systems for risks management and internal control, keenness to foster professional conduct and ethical values, the significance of the existence of mechanisms for disclosure and transparency mechanisms, protection of the shareholders' rights, recognizing the role of stakeholders and controlling the conflict of interests, promoting and enhancing performance, as well as stressing on the significance of the social responsibility shouldered by companies.

Keeping in line with the positive moves taken by the Capital Markets Authority through the rules, regulations and decrees through which it seeks to enhance the work environment, transparency and protection of shareholders, and as the Company is keen to implement all the laws, legislations, decrees and practices which are in line with its principles and professional foundations leading the Company's work for the interest of its valuable shareholders, the Company always aims at focusing its efforts through the integrated team to implement all the laws and decrees in the required professional manner in the specified time.

Building a Balanced Structure of the Board of Directors



# First Rule

## Building a Balanced Structure of the Board of Directors

• The board of directors' role represents the balance point which acts to achieve the objectives of the shareholders and follow up the executive management of the Company. The board of directors aims at achieving the Company's strategic objectives through the executive management's undertaking of the tasks entrusted to it in a perfect manner. Whereas the board of directors' decisions has a large effect on the Company's performance and the safety of its financial position, therefore the Company addressed concern that its board of directors consists of a sufficient number of members (five members) to permit it to form the required number of committees emanating from it under the framework of the corporate governance rules. The composition of the board of directors has taken into consideration the diversity in experiences and specialized skills to contribute in fostering competence in taking decisions. Further, all members of the board of directors are non executive members. The board comprises one independent member. The Company board of directors assigns the sufficient time to undertake its mandated tasks and responsibilities, including preparation for the meetings of the board and the board committees, keenness for attending these meetings, as well as organize meetings of the Company board of directors according to the provisions of the law and the corporate governance rules. Further, a special register has been created in which the minutes of the board meetings are written in serial numbers for the year in which the meeting was held, indicating the venue of the meeting, its date, starting and ending hour. The board has appointed the board secretary from among the Company personnel and determined his tasks according to the Corporate governance rules in line with the responsibilities mandated to him. Further, the tasks and responsibilities of each of the board of directors and executive management were clearly outlined in the policies and regulations approved by the board which reflect the balance in the powers and authorities between each of the board of directors and executive management, and so that none of the parties has absolute authority, in order to facilitate the Company's operations.

The board of directors consists of five members and one secretary as follows:

Name	Member classification	Capacity	Election date/ appointment of the secretary
Mr. Rasheed Yaccoub Al Nafisi	Non executive	Chairman	28/ 3 / 2016
Mr. Abdulrahman Mohamed Rashed Al Shared	Non executive	Deputy chairman	28/ 3 / 2016
Mr. Mohamed Deeb Mehrez	Non executive	Board member	28/ 3 / 2016
Mr. Mohamed Khaled Othman Al Othman	Non executive	Board member	28/ 3 / 2016
Mrs. Rasha Abdulla Muhlhal Al Qennai	Non executive	Board member	28/ 3 / 2016
Ibrahim Abdulrahman Al Soqabi	Secretary	CEO	28/ 3 / 2016



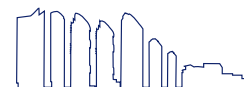


- The Company board of directors held 11 meetings in 2016, which were all held at the Company management headquarters, except meeting No.6 which was held in Dubai Emirate, in Mazaya Dubai Company, one of the subsidiary Companies.

Name	Board of directors Meeting											Attendance Percentage	Absence Percentage	No. of resignations
	1	2	3	4	5	6	7	8	9	10	11			
<b>Mr. Rasheed Yaccoub Al Nafisi</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100 %	0 %	34
<b>Mr. Abdulrahman Mohamed Rashed Al Shared</b>	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	91 %	9 %	
<b>Mr. Mohamed Deeb Mehrez</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100 %	0 %	
<b>Mr. Mohamed Khaled Othman Al Othman</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	82 %	18 %	
<b>Mr. AbdulAziz Abdullah Al Rasheed</b>	✓	✓	✓	Previous Board member whom his 2016/03/28 membership ended on										
<b>Mrs. Rasha Abdulla Muhlhal Al Qennai</b>	New Board member who has been elected on 2016/03/28			✗	✗	✓	✓	✓	✓	✓	✓	100 %	0 %	

- Implementation of the registration and coordination requirements and keeping the Company board of directors meeting minutes

The board of directors secretary assists the board of directors on continuous and constant basis to ensure that they receive all the required information. Further, he assists the chairman with all matters related to the preparation of the agendas of the board meetings, issuing invitations to the board members, forwarding all the documents and information relevant to the agenda through the Boardvantage program at least three working days in advance of the meeting date, registering all the decrees and discussions held between the members, registering the results of voting of the members on the decrees, and coordinate and keep all the documents discussed during the meetings.



## Second Rule

### Proper Identification of Tasks and Responsibilities

• The corporate governance framework approved by the board of directors reflects the tasks and responsibilities of the board of directors, in line with the corporate governance rules, which are summarized in the following;

- 1) Approval of the significant goals, strategies, plans and policies of the Company, including;
  - a) Laying down the comprehensive strategy for the Company for the years from 2015 - 2020, main action plans, their revision and direction.
  - b) Preparation of the Company capital structure and its financial objectives.
  - c) Laying down performance objectives, control of execution and comprehensive performance of the Company.
  - d) Update of the organizational and job structures in the Company and conduct periodical reviews on them.
- 2) Approval of the annual estimated budgets and approval of the interim and annual financial statements.
- 3) Participate in realizing the Company profits which amounted to 10,253,235.000 Million Kuwaiti Dinar for the year end 31 December 2016.
- 4) Review of the periodical reports received from the executive management in connection with the progress achieved in the Company activity in light of the Company's strategic plans and objectives, including feasibility studies, financial and technical reports of the Company current and new projects, including:
  1. Ritim Istanbul Project- Turkey
  2. Oman Residence Project- Sultanate of Oman
  3. Q-Line Project- UAE
  4. Multi Purpose Plots Project MUs- UAE
  5. Sharq Land Project- State of Kuwait
- 5) Supervising the major capital expenditures of the Company, acquisition and disposal of assets.
- 6) Verify the extent of the Company's compliance with the policies and procedures which ensure the Company's observance of the applicable internal systems and regulations, with support of the Board of Directors' Audit Committee and Risk Management Committee
- 7) Ensure the accuracy and soundness of the information and data which should be disclosed according to the applicable disclosure and transparency policies and rules.
- 8) Approval of the Company governance system in a manner which does not contradict with the corporate governance rules issued by the Capital Markets Authority, general supervision over it and controlling the extent of its efficiency and amending it if required.
- 9) Follow up the performance of each member of the board of directors and executive management according to the objective key performance indicators (KPIs), with the support of the Board's Nominations and Remunerations Committee.
- 10) Prepare the Company governance report to be read in the annual general assembly of the Company, which comprises the requirements and procedures for completing the corporate governance rules and extent of compliance with them.
- 11) Form specialized committees emanating from the Board according to a charter which indicates the committee duration, powers, responsibilities, method of the Board's control over it. Further, the composition decree includes the naming of the members, outlining their duties, rights and tasks, in addition to the evaluation and performance and works of such committees and their key members. The Audit Committee, Risk Management Committee, Nominations and Remunerations Committee and the Group Executive Committee have been formed according to the details set forth under this report
- 12) Update the financial and administrative authorities delegated to the executive management.



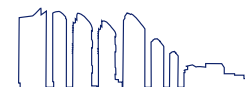


• **The Company governance framework, approved by the board of directors, reflects the tasks and responsibilities of the chairman in line with the corporate governance rules, summarized in the following:**

- 1) Ensure the board's discussion of all fundamental matters efficiently and in the proper time.
- 2) Support and assist the executive management and almost daily coordination with the CEO to follow up the operations of the holding company and subsidiary companies.
- 3) Represent the Company towards third parties, as stipulated under the Company articles of association.
- 4) Encourage all members of the board of directors to participate completely and efficiently in transacting the Board affairs to ensure the Board's undertaking of actions in favour of the Company.
- 5) Ensure actual communication with the shareholders and submit their opinions to the board of directors.
- 6) Encourage constructive relations and efficient participation between each of the board and the executive management.
- 7) Create a culture encouraging constructive criticism on the issues on which there is a disagreement in views between the board members.

• **The Company has a qualified team with a high standard of competence for the executive management members. The corporate governance framework reflects the tasks and responsibilities of the executive management, with which it complies, in light of the powers and authorities granted and approved by the board of directors. Summarized in the following:**

- 1) Execute all the Company internal policies, rules and regulations, as approved by the board of directors.
- 2) Execute the annual strategy and plan approved by the board of directors.
- 3) Prepare periodical reports (financial and non financial) in connection with the progress made in the Company's business in light of the Company's strategic plans and objectives and present such reports to the board of directors.
- 4) Lay down an integrated accounting system which keeps records, registers and accounts that reflect in details and accurately the financial statements and income accounts, which permit preserving the Company's assets and preparation of the financial statements according to the international accounting standards approved by the Capital Markets Authority.
- 5) Manage daily work and direction of the activity, in addition to the management of the Company resources in the optimum manner, gratify profits and reduce costs, in line with the Company goals and strategy.
- 6) Efficient participation in the building and development of ethical values culture in the Company.
- 7) Lay down internal control systems and risks management, and ensure the efficiency and sufficiency of such systems, and concern for compliance with the risks appetite approved by the board of directors.
- 8) Development of the infrastructure for information technology to provide the required data and information to take decisions in line with the Company expansion requirements and strategy.
- 9) Lay down a clear working mechanism in connection with following up the regulatory decrees and law relevant to the Company's nature of work in order to ensure strict compliance and implementation of the same.
- 10) Prepare the key performance indicators (KPIs) for all the Company personnel and evaluate their accomplished tasks in a periodical manner.
- 11) Form the Employees Relations Committee (ERC) which reviews the grievances submitted by personnel and submits recommendation in this respect to the Group CEO in the right time and in strict confidence.



## • Board of Directors Committee

### 1) Audit Committee:

The Audit Committee has been re-composed of three members according to the board of directors decree dated 25 April 2016 for a period of three years.

Committee members	Post	Member classification	Committee Meetings				Attendance Percentage	Absence Percentage
			1/2016	2/2016	3/2016	4/2016		
Mr. Abdulhameed Mohamed Mehrez	Committee chairman	Non executive	✓	✓	✓	✓	100%	0%
Mr. Mohamed Khaled Al Othman	Committee member	Independent	✓	✓	✓	✓	100%	0%
Mr. Abdulrahman Mohamed Al Shared	Committee member	Non executive	✓	✓	✓	✓	100%	0%
<b>Committee duties</b>	<p>- Review of the periodical financial statements before presenting them to the board of directors, express the opinion and recommendation in this respect to the board of directors for the purpose of ensuring the fairness and transparency of financial reports, ensure the soundness and integrity of the financial reports and the Company internal control systems. The Committee held its periodical (quarterly) meetings in which the financial reports issued by the Company financial sector and the external auditor's office were discussed. The Committee submitted a recommendation for their approval to the board of directors. The financial reports guarantee and integrity mechanism forms were signed for each quarter</p> <p>- Follow up of the external auditors' works and ensure that they only submit the services required by the auditing profession to the Company.</p> <p>- Study the external auditors' remarks on the Company financial statements and follow up the developments in this respect.</p> <p>- Study the applicable accounting policies and express the opinion and recommendation to the board of directors in this respect.</p> <p>- Review of the transactions and dealings with the relevant parties and submit suitable recommendations in this respect to the board of directors.</p> <p>- Evaluate the extent of adequacy of the internal control systems applied in the Company and prepare a report comprising the opinion and recommendation of the Committee in this respect.</p> <p>- Technical supervision over the Internal Audit Unit in the Company in order to verify the extent of its efficiency in executing the works and tasks outlined by the board of directors.</p> <p>- Recommend the appointment of the Internal Audit Unit manager.</p> <p>- Review and approve the audit plans proposed by the internal auditor and express remarks on them. The Committee reviewed during its periodical meetings the Company internal audit plan and reviewed the internal audit works progress for the Company sectors/departments, whereby it reviewed the internal audit reports for the following sectors/departments:</p> <ul style="list-style-type: none"> <li>• Legal</li> <li>• Marketing and sales</li> <li>• Projects</li> <li>• Business development</li> <li>• Human resources and administrative affairs.</li> <li>• Finance</li> <li>• Real estate</li> <li>• Information technology.</li> </ul> <p>Further, the Committee reviewed the replies of the concerned sectors/departments, and verified that the necessary corrective measures have been taken in connection with the remarks set forth under the reports.</p> <p>- In connection with the reports of the regulators, there were no remarks issued.</p> <p>- Review of the annual report of the Legal Department and Compliance and Control Department.</p> <p>- Recommend to the board of directors to appoint and re-appoint external auditors or change them and fix their fees. It has been recommended to approve reappointment of (Ernst &amp; Young) as an external auditor for the year 2017 and stopping the engagement with Baker Tilly firm, as per the regulations and laws.</p>							





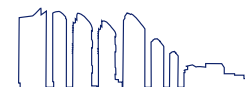
## 2. Risk Management Committee

The Risk Management Committee has been re-composed of three members according to the board of directors' decree issued on 25 April 2016 for a three years period.

Committee members	Post	Member classification	Committee Meetings				Attendance Percentage	Absence Percentage
			1/2016	2/2016	3/2016	4/2016		
Mr. Abdulrahman Mohamed Al Shared	Committee chairman	Non executive	✓	✓	✓	✓	100%	0%
Mr. Mohamed Khaled Al Othman	Committee member	Independent	✓	✓	✓	✓	100%	0%
Mrs. Rasha Abdulla Al Qannai	Committee member	Non executive	✓	✓	✓	✓	100%	0%
<b>Committee duties</b>	<p>Prepare and review the Risk Management Unit's strategies and work methodology and submit them to the board of directors, ensure the execution of such strategies and policies and that they are suitable with the nature and size of the Company's activities.</p> <ul style="list-style-type: none"> <li>- Ensure the availability of the sufficient resources and systems for risk management.</li> <li>- Evaluate the systems and mechanisms for determining, measuring and following up the various types of risks to which the Company may be exposed, in order to determine their shortcomings.</li> <li>- Assist the board of directors to identify and evaluate the acceptable level of risks in the Company, ensure that the Company does not exceed this level of risks following its approval by the board of directors.</li> <li>- Review the organizational structure of the Risk Management Unit and lay down the recommendations in this respect and submit them to the board of directors. It has been recommended to mandate the tasks of the Risks management to an external entity qualified to prepare periodical (quarterly) reports concerned with the management and assessment of the Company risks.</li> <li>- To ensure that the entity in charge of management has full understanding of the risks surrounding the Company.</li> <li>- Prepare reports on the nature of risks to which the Company is exposed and submit such reports to the Company board of directors including: <ul style="list-style-type: none"> <li>- Ritim Istanbul Project.</li> <li>- Oman Project.</li> <li>- MUs Project – Dubai Land – U.A.E</li> <li>- Sharq Land Project.</li> <li>- Morina Land Project – Abu Dhabi</li> </ul> </li> </ul>							

## 3. Nominations and Remunerations Committee:

The Nominations and Remunerations Committee was re-composed of three members according to the board of directors' decree issued on 25 April 2016 for a three years period.



Committee members	Post	Member classification	Committee Meetings			Attendance Percentage	Absence Percentage
			1/2016	2/2016	3/2016		
Mr. Rasheed Yaccoub Al Nafisi	Committee chairman	Non executive	✓	✓	✓	100%	0%
Mr. Mohamed Khaled Othman Al Othman	Committee member	Independent	✓	✓	✓	100%	0%
Mr. Abdulhameed Mohamed Deeb Mehrez	Committee member	Non executive	✓	✓	✓	100%	0%
<b>Committee duties</b>	1) Recommend the acceptance of the nomination and re-nomination of members of the board of directors and executive management. 2) Review the remunerations policy of the board of directors and executive management members, determine the various segments of remunerations to be granted to employees such as the fixed remunerations segment, performance related segment, remunerations in the form of shares segment, end of service indemnities, benefits, advantages and other allowances segment, and review of the employees annual evaluation reports. 3) Lay down the job description for the executive members, non executive members and independent members. 4) Ensure that the independence capacity of the independent member of the board is not eliminated. 5) Prepare a detailed annual report on all the remunerations offered to the board of directors and executive management members, whether they are in the form of amounts of money, advantages or privileges, regardless of their type and name, and ensure the presentation of this report to the Company general assembly for approval and that it is read by the chairman. 6) Update a number of the Company policies and procedures, including the following: - The Company updated performance measurement criteria matrix - Personnel educational assistance policy						

#### 4) Executive Committee:

The Executive Committee was re-composed of three members according to the board of directors' decree issued on 25 April 2016 for a three years period.

Committee members	Post	Member classification	Committee Meetings	Attendance Percentage	Absence Percentage
			1 /2016		
Mr. Rasheed Yaccoub Al Nafisi	Committee chairman	Non executive	✓	100%	0%
Mr. Abdulhameed Mohamed Deeb Mehrez	Committee member	Non executive	✓	100%	0%
Mrs. Rasha Abdulla Al Qannai	Committee member	Non executive	✓	100%	0%
<b>Committee duties</b>	1) Ensure that the policies and regulations approved by the Company are characterized by transparency and clarity to permit the decision making process, and segregation of the powers and authorities between the board of directors and executive management. In this field, it carried out the following: - Recommending the approval of the internal rules and regulations concerned with the Company's business and its development, with the consequent identification of the tasks, specializations, duties and responsibilities between the various organizational levels. - Recommending approval of the authorization policy and execution of works entrusted to the executive management. 2) Control and supervise the performance of the executive management members and ensure their performance of all the duties mandated to them, as follows: - Ensure that the executive management is working according to the policies and regulations approved by the board of directors. - Organize periodical meetings with the executive management to discuss the progress of work, its hurdles and problems, as well as review and discuss significant information relevant to the Company's activity.				



# Third Rule

## Selection of Competent Persons for the Membership of the Board of Directors and Executive Management

- **Nominations and Remunerations Committee**

The nomination mechanism to the membership of the board of directors and executive management ensures the continuation of attracting and selecting competent staff to join the membership of the board and executive management. Further, the Company's mechanism of offering remunerations was laid down by Hay Group Company, and approved by the board of directors and the Company general assembly, in order to keep competent staff and attract new competencies and to assist in fulfilling the Company's objectives and its progress. The Company board of directors has re-composed the Nominations and Remunerations Committee to consist of three non executive members of the Board, with one of its members as independent member. The board has specified the Committee membership tenure and its working method, as well as indicated the powers and responsibilities of the Committee in its charter, approved by the board. Further, the Company articles of associations stipulates a clear policy for offering remunerations to the chairman and members of the board of directors. Further, the Company remunerations policy is based on the following principles:

- Compliance with the provisions of the Companies Law and the relevant laws.
- Taking into consideration attracting and maintaining the best competent personnel.
- Ensure equality within the Company and competitiveness outside the Company.
- Transparency in offering remunerations

### **Board Members' Remunerations:**

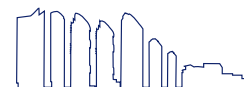
- The applicable remunerations and incentives system in the Company, particularly those related to the board members, has the highest transparency criteria, as stipulated by the governance rules, whereby the following are adhered to:
- The Board remunerations system complies with the provision of article 198 of the Companies Law No.1 of 2016 that it is inadmissible to estimate the total remunerations of the board of directors members by more than ten percent of the net profit after deducting depreciation, reserves and distribution of a profit not less than five percent of the capital to shareholders or any higher percentage stipulated by the Company memorandum
- The board members' remunerations shall be approved by the general assembly, pursuant to the recommendation of the Nominations and Remunerations Committee
- The independent board of directors member may be exempted from the aforesaid remunerations maximum limit pursuant to the approval of the ordinary general assembly.
- All the remunerations offered to the board members during the past years did not amount to 30% or 40% of the maximum limit of the permitted remunerations system.

### **Executive management remunerations and incentives:**

The remunerations system of the executive management is associated with the key performance indicators (KPIs) for the executive management and the results realized by the Company, and includes the following:

Fixed remunerations:

- The level of the responsibilities entrusted to the employee, his occupational progress, experiences and competences and taken into consideration.
- Fixed remunerations are determined, including the amounts, allowances, benefits and privileges, according to the job grades approved by the board of directors.


**Performance related remunerations:**

- Performance related remunerations are associated with achieving predetermined goals for each of the executive management and the Company.
- Performance related remunerations were laid down to motivate the executive management to double up the efforts and achieve the required goals.
- Performance related remunerations are reviewed and determined annually

**Remunerations in the form of shares:**

- As per the remunerations and incentives system approved by the general assembly, remunerations related to performance are offered to the executive management in the form of shares for specific job grades.

Remunerations given to the Board of Directors and executive management:

**- BOD Remunerations:**

BOD members	BOD Remuneration KD	Committee Remuneration KD	Total Remuneration KD
	185,000	0	185,000

- Remunerations of the executive management by tranches:

Executive management	Fixed Remuneration 2016	Performance based Remuneration 2016	Remunerations in the form of shares 2016
	655,308 KD	272,932 KD	269,148 KD

\* Remunerations in the form of shares are distributed to the eligible employees as per the company's approved policy over the next three years so as to distribute the first trimester on 01 /01/ 2018. and second trimester on 01/ 012019/ and third trimester on 01 /01/ 2020.



# Fourth Rule

## Ensuring the Integrity of Financial Reports

### • **Board of directors and executive management undertakings for the soundness and integrity of the financial reports**

The soundness and integrity of the Company financial statements are among the most significant indicators of the integrity and credibility of the Company in presenting its financial position, which increases the confidence of shareholders and investors in the statements and information provided and disclosed by the Company to its shareholders. The Company executive management undertakes to the Company board of directors in writing that the Company financial reports are presented fairly and properly, and that they reviewed all financial aspects of the Company for the operational data and results, as well as being prepared according to the approved international accounting standards by the Authority. Further, the annual report submitted to shareholders by the Company board of directors comprises the undertaking of the soundness and integrity of all the financial statement as well as the reports relevant to the Company's activity. The said undertakings contribute in fostering accountability, whether the executive management's accountability by the board of directors or the board of directors' accountability by the shareholders.

### • **Audit Committee Composition**

The Company has re-composed the Internal Audit Committee of three non executive members of the board of directors, including the independent member, who enjoy specialized experiences which are consistent with the nature of the Company's activity and enjoys full independence. Further, the Committee members include a member holding academic qualifications and practical experience in the accounting and financial field. The board has determined the Committee membership tenure and method of its work, as well as outlined the powers and responsibilities of the Audit Committee in its charter approved by the Board. The Committee met four times in 2016 on quarterly basis. Further, it met with the Company external auditors and internal auditor. During the Committee's work, there was no contradiction between the Audit Committee's recommendations and the board resolutions.

### • **Independence and neutrality of the Company external auditor**

- The Company ordinary general assembly appoints/re-appoints the Company auditor pursuant to the board of directors' resolution. The nomination of the auditor is pursuant to the recommendation of the Audit Committee. The Audit Committee takes into consideration that the auditor is registered in the Authority's special register, whereby he satisfies all the requirements of the Authority decree in connection with the auditors registration system, as well as ensure that the external auditor is independent of the Company and its board of directors, and does not undertake additional works for the Company which are not included within the auditing works, which may affect impartiality or independence. The Audit Committee holds discussion with the external auditor before submitting the annual accounts to the board of directors to take the decision in this respect.

- The external auditor prepares the annual ordinary general assembly meetings of the Company and reads the report prepared by it to the Company shareholders.



# Fifth Rule

## Laying Down Proper Systems for Risk Management and Internal Control

### • Risk Management Unit

The Company contracted with RSM Albazie Consulting, which is an independent external office for risk management in order to identify and measure the risks to which the Company is exposed. The Company organizational structure (approved by the board of directors) comprises the independent unit for risk management, which operates basically for measuring, following up and controlling all types of risks facing the Company and is accountable to the board of directors directly. The external office laid down the effective systems and procedures for risk management by preparing the working methodology of the Risks Department and the job description of the risk officers in order for the Company to be capable of performing its main tasks represented in measuring and following all types of risks to which the Company is exposed. Further, the external office worked to develop the periodical reports system, as it is considered as one of the significant tools in the process of following up risks and controlling their occurrence. The personnel in charge of the external office enjoy independence as they are accountable directly to the board of directors. Furthermore, they enjoy a great extent of authorities in order to carry out their tasks in a perfect manner, and have no financial powers or authorities. The external office has available the qualified staff possessing the professional competencies and technical capacities. In the event of the existence of transactions or dealings carried out by the Company with related parties, the external office reviews the transactions and dealings and presents the suitable recommendations in this respect to the board of directors.

### • Risk Management Committee

The Risk Management Committee consisting of three non executive members of the board of directors, including the independent member, have been re-composed. The board has outlined the membership tenure of the Committee membership and its working method. Further, it has stipulated the powers and duties of the Risk Management Committee within its charter, approved by the board. The Committee met four times in 2016 and discussed several topics related to its powers and duties, including the review and study of risks related to a number of the Company projects and submission of reports in this respect.

### • Control systems and internal control:

- The Company has control systems and internal control covering all the Company's activities, which operate to preserve the financial integrity of the Company, accuracy of its data and efficiency of its operations from the various aspects. Further, the Company organizational structure considered the internal control principles for the double control process (Four Eyes Principles), represented in the sound identification of responsibilities and powers, complete segregation in duties and non conflict of interests, inspection and double control, and dual signature, by providing the financial and administrative authorities structure, policies and procedures for the Company's operations, in addition to the information technology systems prepared and designed pursuant to the principle of segregation in duties across the various departments and concerned functions.

- The Company contracted with an independent office (Russell Bedford) to evaluate and review the internal control systems and prepare a report in this respect (Internal Control Report), whereby the office will prepare the annual report on the operations of year 2016, which will be submitted to the Capital Markets Authority within 90 days after the end of the fiscal year.

- Further, the board of directors has decided to contract with another auditing office to review and evaluate the performance of the Internal Audit Unit on periodical basis every three years. This report shall be submitted to the Audit Committee and the board of directors.

### • Internal Audit Unit:

- The Company contracted with an independent external office for the management of internal audit operations (PwC Al Shatti & Co.), which is an office enjoying full independence with extensive technical experience in the internal auditing field. The Company organizational structure (approved by the board of directors) comprises an internal audit unit of the Audit Committee, and therefore the board of directors. The Audit Office mandated with preparing the internal audit reports on all the operations of the Company's sectors and departments, including the remarks, resulting effects, recommendations, in addition to the replies of the departments and specified action plans in order to take the required measures according to the submitted recommendations and submit these reports to the Audit Committee.



# Sixth Rule

## Promoting Professional Conduct and Ethical Values

### • Professional conduct and ethical values criteria and determinants:

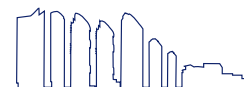
Establishing the professional conduct and ethical values culture within the Company reinforces the investor's confidence in the integrity of the Company and soundness of its financial statements. The board of directors and executive management, as well as all the Company personnel, complied with the internal policies, regulations, legal and regulatory requirements, leading to the fulfilment of the interests of all parties related to the Company, particularly shareholders, without conflict of interests, and with high level of transparency. The Company governance framework approved by the board of directors comprises a number of determinants and criteria addressing the establishment of the principle of the compliance of each of the board of directors and executive management's members with all the laws and instructions, represent all shareholders and compliance with achieving the interest of the Company, the interest of shareholders and interest of other stakeholders and not only the interest of a specific group. Further, it comprises the board of directors or executive management member's non use of the job influence of the position in order to fulfil a personal interest or any personal goals for him or others, as well as avoiding the use of the Company resources and assets to achieve personal interests, use such assets and resources in the optimum manner to fulfil the objectives of the Company. Further, the Company has laid down a tight system and a clear mechanism preventing the board members and personnel from exploiting the information they accessed by virtue of their position for their personal benefit, in addition to prohibiting the disclosure of information and data of the Company except in the cases permitted by the law, as well as confirming the laying down of procedures regulating operations with the related parties and that there should be a clear segregation between the Company's interest and those associated with the board of directors member through the board's laying down of mechanisms for having the Company interests dominate over the interests of its members. Further, the board member shall comply with disclosure to the board if he has any common interests with the Company, whether directly or indirectly. The board member is also prohibited from participating in the discussion or expressing the opinion or vote on any topics presented to the board in which he has a direct or indirect common interest with the Company. Furthermore, the Company personnel may internally report their doubts on any improper practices or matters raising suspicions in the financial reports, internal control systems or any other matters. The Company permits undertaking an independent and fair investigation of any matter presented to it, and guarantee to offer the informer in good faith the confidentiality which ensures his protection against any negative reaction or damage which he may sustain as a result of his reporting of such practices.

### • Policies and mechanisms for controlling cases of conflict of interests

The Company board has laid down the mechanisms and policies in connection with controlling the cases of conflict of interests, methods of addressing and handling them, as part of the corporate governance framework, taking into consideration the content of the Companies Law.

The policies have indicated that member of the board may notify the board of his personal interest in the businesses and contracts concluded for the Company's account, and that such reporting is confirmed in the minutes of the meeting. The member holding the interest may not participate in voting on the decision passed in this respect.

Furthermore, the chairman shall notify the general assembly upon convening of the businesses and contracts in which one of the board members has a personal interest. This notification shall be enclosed with a report from the auditor.



# Seventh Rule

## Accurate Disclosure and Transparency in the Right Time

### • Mechanisms of accurate and transparent presentation and disclosure which outline the aspects, fields and features of disclosure

Accurate disclosure is one of the fundamental features and methods for follow up of the Company activities and evaluate its performance, as it contributes in informing the shareholders and investors of the Company structures and activities, as well as the applicable policies by the Company, in addition to evaluating the Company's performance in connection with the ethical criteria. Through the corporate governance framework, the Company board laid down the mechanisms for accurate and transparent presentation and disclosure which outline the aspects, fields and features of disclosure, whether in connection with the topics or elements which should be disclosed. The disclosure method comprise the financial and non financial information and data related to the Company financial position, performance and equity, through disclosure to Boursa Kuwait, the Capital Markets Authority, Dubai Financial Market and the Securities and Commodities Authority (Dubai), in a manner assisting stakeholders to view the Company status in an integrated manner. Further, the Company discloses with complete transparency and accuracy all the information and data in the right time for all the parties and stakeholders without discrimination, as per the disclosure forms approved by the Capital Markets Authority.

The board is keen to review all the Company applicable disclosure and transparency systems and mechanisms periodically, and ensure that they are in line with the best leadership practices applicable in this respect, in addition to being consisting with those applicable by the Capital Markets Authority. Further, the Company has prepared the compliance checklist which comprises the identification of the information which should be disclosed, their classification mechanism in terms of their nature or in terms of the periodicity of disclosing them, as per the disclosure and transparency mechanisms and systems of the Company.

### • Board of directors and executive management members' disclosures:

The Company has a register for the disclosures of the board of directors and executive management members, whereby it includes the disclosures of the percentages of equities and trading on the Company's shares in addition to the declarations and undertakings submitted in their capacities as informed persons, which are updated according to the provisions of the executive regulation of the Capital Markets Authority Law. This register is accessible by all the Company shareholders. All the Company shareholders are entitled to access the same without any fee or consideration. Further, the Company updates the details of this register periodically which reflects the reality of the positions of the related parties.

### • Investors Affairs Regulation Unit

The Company has an Investors Affairs Regulation Unit, which is responsible for providing and making available the required financial data and information and reports to the potential investors. The Investors Affairs Unit enjoys the appropriate independence in a manner permitting it to provide the reports, data and information in the right time and accurately, by directly contacting the Unit through the Company website and the website of Boursa Kuwait.

### • Development of the information technology infrastructure and reliance on it extensively for disclosure processes

The Company development the infrastructure of the information technology it uses and relies upon for all its operations, whereby it uses several programs in its various departments, including for example Microsoft Ax Dynamics in the Finance Department, Menaitech in the Human Resources and Administrative Affairs Department, Teamwork program in all the Company departments, Sharepoint program in the Documents Control Department, CRM program in the Real Estate Department, Primavera in the Projects Department, Boardvantage program in connection with the board of directors meetings, Office 365 program, in addition to other programs for the use by the Information Technology Department.

Further, the Company has a dynamic and effective website which comprises all the information, data and disclosures in connection with the Company's businesses and the latest developments, in addition to a special section on corporate governance as the Company maintains and updates the website periodically.

# Eighth Rule

## Observing Shareholders' Rights

### • **Protection of the general rights of shareholders to ensure justice and equality among all shareholders**

The implementation of the governance rules achieves balance between the Company's objectives and the objectives of its shareholders, protects the rights of shareholders and establishes justice and equality among them. The Company treats all shareholders equally without any discrimination. Under no condition the Company conceals any information or any of the shareholders' rights. In this respect, the Company complies with all the provisions of the law and executive regulation, as well as the instructions and regulatory conditions. Further, the Company's articles of association and the corporate governance framework approved by the board of directors, its internal regulations, procedures and controls required to ensure that all the shareholders exercise their rights to achieve justice and equality, in a manner which does not contradict with the applicable laws and regulations, decrees and instructions issued in this respect. Among the general rights of shareholders guaranteed by the Company are the following:

- Register the value of the shareholders' equity in the Company's records.
- The shareholders' right to transact with the shares including the registration of ownership, its transfer and/ or assignment.
- The right of shareholders to obtain the determined share in the profits distributions.
- The right of shareholders to obtain a share of the Company assets in the event of liquidation.
- The right of shareholders to obtain the data and information concerned with the Company activity, operational and investment strategy in a regular and convenient manner.
- The right of shareholders to access the shareholders' register.
- The right of shareholders to participate in the meetings of the general assembly of shareholders and voting on its decrees.
- The right of shareholders to elect members of the board of directors.
- The right of shareholders to control the Company's performance generally and the board of directors' operations in particular.
- The right of shareholders to call into account members of the Company board of directors or executive management, in the event they fail to perform the tasks entrusted to them.

### • **Taking into consideration precision and continuous follow up of the shareholders' data**

- For the purpose of continuous follow up of all matters related to the shareholders' details, the Company keeps a register kept with the clearing agency, in which the names of shareholders, their nationalities, domicile and the number of shares owned by each one of them are recorded. The shareholders' register is marked with any changes on the details recorded therein according to the details received by the Company or clearing agency. Every concerned party may request the Company or clearing agency to furnish it with details from this register.

- The details set forth in the Company shareholders' register are dealt with the maximum degrees of protection and confidentiality, in a manner which does not contradict with the law and executive regulation and the instructions and regulatory controls issued by the Authority.

### • **Encourage shareholders to participate and vote in the Company general assembly meetings.**

The Company regulates a mechanism of participation in the shareholders general assembly meetings,





whereby it takes the following into consideration upon organizing the general meetings of shareholders:

- Address the invitation to shareholders to attend the general assembly meeting, comprising the agenda, time, and venue of organizing the meeting, through announcement according to the mechanism outlined in the executive regulation of the Companies Law.

- The Company illustrates and indicates to shareholders that the shareholder is entitled to authorize another person to attend the general assembly meeting according to a particular power of attorney or authorization prepared by the clearing agency for this purpose.

- The Company permits shareholders before convening the general assembly meeting by a sufficient time to obtain all the information and details relevant to the agenda items to enable shareholders to take their decisions properly.

- The Company permits the shareholders to effectively participate in the general assembly meetings and discuss the topics listed on the agenda with the associated inquiries related to the aspects of the various activities and address questions in connection with them to members of the board of directors and external auditor. The board of directors or external auditor shall answer the questions by the extent which does not expose the Company interests to damage.

- To enable shareholders holding five percent of the Company capital to add items on the agenda of the general assembly meetings.

- The Company provides the opportunity to all shareholders to exercise the right of voting without placing any hurdles leading to the prohibition of voting, as voting is a genuine right of the shareholder and may not be canceled by any means. The Company guarantees the exercise by all shareholders of this right through the following:

- Shareholders enjoy the rights of voting granted to them, and with the same treatment by the Company.
- The shareholders are able to vote personally or by proxy, and giving the same rights and duties to shareholders whether personally or by proxy.
- Inform the shareholders of all the rules controlling the voting procedures.
- Provide all the information concerned with voting rights to each of the current shareholders and potential investors.
- All shareholders are permitted the right of voting on any changes relevant to the shareholders' rights by violation to the meeting of the general assembly of shareholders.
- Voting to select members of the board of directors takes place in the general assembly through the mechanisms stipulated by the Company memorandum and articles of association under the framework stipulated under the Companies Law and its executive regulation, in addition to the Company's provision of a profile on the candidates to members of the board of directors before voting, which provides to shareholders a clear idea on the professional and technical skills of the candidates, their experiences and other qualifications.
- All categories of shareholders are provided with the opportunity to call into account the board of directors for the tasks entrusted to them.
- Not impose any fees for the attendance of any category of shareholders of the general assembly meeting or offer any preferential advantage to any category over the other categories of shareholders.

# Ninth Rule

## Recognizing the Role of Stakeholders

### • **Systems and policies guaranteeing the protection of stakeholders' rights**

The Company observes and protects the rights of stakeholders in all its dealings, internal and external transactions. Thus, the Company laid down under the framework of the corporate governance framework policies which include the rules and procedures guaranteeing protection and recognition of the stakeholders' rights, and permit them to obtain compensations if any of their rights are abused, as established by the laws passed in this respect. The policy approved by the Company in this respect includes the following:

- Dealing with members of the board of directors and stakeholders is carried out according to the same conditions applied by the Company with the various parties of stakeholders without discrimination or preferential conditions.
- The unity and ease of the procedures followed in the event of any default on any parties of its obligations. There is no discrimination between one contract and the other between the stakeholders and the Company.
- Compensate stakeholders if their rights determined by the regulations and protected by the contracts are abused.
- Maintain good relations with the clients and suppliers and preserve the confidentiality of information.
- The mechanism of settlement of any complaints or disagreements which may arise between the Company and stakeholders.

### • **Encourage stakeholders to participate in following up the Company's various activities**

For avoiding the conflict of the transactions of stakeholders, whether contracts or transactions with the Company, with the interest of shareholders, it should be taken into consideration that none of the stakeholders receive any advantage through dealing in contracts and transactions which fall within the Company's normal activities. Further, the Company lays down internal policies and regulations which comprise a clear mechanism for awarding contracts and transactions of various types, through the various tenders or purchase orders.

The Company has also laid mechanisms and frameworks to ensure maximum benefit from the contributions of stakeholders in the Company and urge them to participate in following up its activity, in line with fulfilling its interests in a perfect manner. The Company permits stakeholders the ability to obtain all the information and data relevant to their activities, whereby they may be relied upon in the right time and on regular basis. The Company has also facilitated to stakeholders informing the Company board of directors of any improper practices to which they may be exposed by the Company, and provide the suitable protection to the reporting parties.

# Tenth Rule

## Promoting and Enhancing Performance

### • **Training courses and programs of members of the board of directors and executive management**

Continuous training and qualification of members of the board of directors and the executive management is among the cornerstones of the rules of corporate governance, as it largely contributes in promoting the Company's performance, through the board of directors and executive management's exercise of the duties and responsibilities entrusted to them in a perfect manner.

• The Company laid down a clear policy under the framework of corporate governance to permit members of the board of directors and the executive management to obtain internal and external training programs and course on continuous basis. For promoting and enhancing performance, it presented an orientation report to the newly appointed members in order to guarantee that they have a suitable understanding of the Company's progress of work and operations. This statement included the Company's strategy and objectives, in addition to the financial and operational aspects of all the Company's activities. Further, the Company has submitted an orientation report on the legal and regulatory obligations shouldered to the members of the board of directors and the Company, a statement of the responsibilities and tasks entrusted to them, in addition to the authorities and rights available to them and a clarification of the role of the committees emanating from the board of directors.



The Company has also provided to members of the board of directors and the executive management training programs related to the Company's operations and the role of members of the board of directors and the executive management in order to develop their skills and experiences and keep in line with the developments in a manner which assists them to perform the tasks entrusted to them. Such training courses included the following for example:

- Finance for Non-Finance Executives.
- Managing for Success
- Master Class in KPIs
- HR Strategy
- Shift your Leadership Brilliance
- Decision Making Strategies Under Risk and Uncertainty

• **Performance evaluation of members of the board of directors and executive management:**

The Company laid down systems and mechanism for performance evaluation of members of the board of directors and the executive management on periodical basis, through a number of key performance indicators (KPIs), connected with the extent of achieving the strategic objectives of the Company, the quality of risk management, and sufficiency of the internal control systems. Such procedures are written clearly and characterized by transparency and disclosed to all personnel., whereby it laid down the key performance indicators (KPIs) for the evaluation of the board of directors as a whole, the contribution of each member of the board of directors and each of its committees, as well as the key performance indicators (KPIs) to evaluate the executive management and all the Company personnel, on periodical (semi annual and annual) basis, in order to indicate and determine the weaknesses and strengths and propose addressing them in a manner conforming with the interest of the Company.

• **Institutional value creation among the Company personnel**

The board of directors creates values in the Company on the short, medium and long term, by laying down and providing the mechanisms and procedures to achieve the Company strategic objectives, as well as enhance the performance rates to efficiently contribute in creating the institutional values among personnel and motivate them to work continuously in order to preserve the financial integrity of the Company.

## Eleventh Rule

### Focusing on the significance of social responsibility

• **Establish equilibrium between the objectives of the Company, objectives of the community, and the programs and mechanisms used in the social work field**

The corporate governance framework stipulates the continuous obligation of the Company to act ethically according to the requirements of the laws and general customs, and sustainable contribution by the Company to achieve social and economic development by attracting national manpower and enhance the quality of living conditions for the workers and their families in the local community and the society as a whole. The Company was keen to increase the percentage of employment of national staff. The Company has also contributed in the conservation of the environment against environmental damages and pollution by adopting the recycling of wastes in the Company premises and towers by collecting wastes of the same type in preparation for recycling them. Further, the Company participates periodically in raising cultural and economic awareness in the society by issuing a periodical economic report. The board of directors has adopted the execution of the social responsibility initiative and laid down a full plan for the social responsibility activities. The executive management launched a social responsibility initiative to encourage youth to put forth their ideas and develop their skills. The Company board of directors has recommended to obtain the approval of the general assembly to allocate a percentage of the realized profits for the purpose of directing it for the social services and projects. The Company is keen to raise the awareness of its personnel of the social responsibility objectives carried out by the Company, which contributes in raising the Company performance standard and observing all the applicable laws and regulations, as well as comply with them.



# AUDIT





## Audit Committee's Report

- The establishment of the Audit Committee
- The members of the Audit Committee
- The purpose of the establishment of the Audit Committee
- Audit Committee characteristics
- Meetings
- Authorities and responsibilities of the Commission and the tasks completed

### **1. The establishment of the Audit Committee:**

The Audit Committee has been reformed on 25th April, 2016 based on Al Mazaya holding Board resolution, meeting No. (2-5/2016) where the membership of the audit committee members has been determined for a period up to 3 years, extendable by the Board. The Chairman of the committee has been elected in the first committee meeting and the committee charter has been approved.

### **2. Members of the Audit Committee:**

The committee consists of three members: two non-executives and one independent member.

- Mr. / Abdul Hamid Mihrez - Chairman - Non-Executive member
- Mr. / Mohammad K. Al-Othman – Independent member
- Mr. / Abdulrahman Alshared - Non-Executive member

#### **Secretary of the Committee:**

Mr. / Ibrahim Abdulrahman Al Soqabi, is handling the position of the Audit Committee secretary in addition of his role as a BOD secretary. He was appointed during the board meeting No. 1/2016 held on March 28, 2016, Mr. Al Soqabi is responsible for maintaining and coordinating the Committee meetings.

### **3. Purpose of establishing the Audit Committee**

The primary purpose of the establishment of the Audit Committee of the Board of Directors is to support and backup the Board of Directors in the performance of its supervisory responsibilities related to the safety and integrity of the financial reporting, the internal control systems of the company, and the independence of the internal audit. Moreover, the purpose is to also evaluate the performance of the external auditor and the internal auditor's work.

### **4. Audit Committee characteristics**

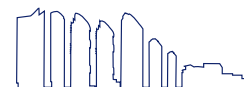
- 1- All members of the Committee have the qualifications required in addition to the practical experience in the field of accounting and finance.
- 2- The Audit Committee may consult any independent advisory body on the company's expense.
- 3- With regard to the Audit Committee recommendations raised to the board during the year 2016, there was no conflict between the committee's recommendations and the Board resolutions.

### **5. Meetings**

The Audit Committee must meet on a regular basis, at least four times during the year on quarterly basis. The Audit Committee held four meetings during 2016 including meetings with the external and internal auditors. All members of the Committee shall be notified of the agenda at least three working days before the meeting to have enough time to review and research the agenda and tasks of the meeting. The Committee has documented the minutes of its meetings as follows:

Meeting No.	Meeting Date	Attendance	Venue
(1/2016)	28 January 2016	100 %	Corporate Headquarters
(2/2016)	25 April 2016	100 %	Corporate Headquarters
(3/2016)	24 July 2016	100 %	Conference Call
(4/2016)	2 November 2016	100 %	Corporate Headquarters





## 6. Authorities and responsibilities of the Committee and tasks completed:

The Committee has reviewed and approved its Charter, adopted the clauses contained therein, assessed the performance of the Committee, assessed the tasks performed by them during the year of 2016. Some of the most important achievements of the Committee during the year 2016 are as follows:

1- Review, express opinions and recommendations over the periodic financial statements before presenting the same to the BOD. This is to ensure the fairness and transparency of the financial reports and internal control systems of the company. The Committee held its regular meetings (quarterly) to review the audit reports that have been issued by the Finance Division within the company and the external auditor. The Committee has also submitted a recommendation to the Board of Directors that was signed in order to ensure the integrity of the mechanism models and the financial reports of every quarter.

2 - To monitor the work of the external auditors and to ensure that they do not provide other services to the company except for the services required by the auditing profession.

3 - To study and analyze the notes and feedback of external auditors on the financial statements of the company and follow up on that.

4 - To study the accounting policies, to express an opinion, and to make recommendations to the board of directors in that regards.

5 - To review transactions and dealing with related parties and to make appropriate recommendations thereon to the Board of Directors.

6 - To assess the adequacy of the internal control systems in place within the company and to prepare a report containing the opinion of the Committee's recommendations in this regard.

7 - To provide technical supervision of the Internal Audit Unit in the company in order to ensure its effectiveness in the implementation of actions and tasks set by the Board of Directors.

8 - To recommend the appointment of an Internal Audit Unit Manager.

9 - To review and approve the audit plans proposed by the internal auditor, and provide feedback on it. The Committee has reviewed the internal audit plan for the company and the progress of work of the internal audit process for divisions/departments of the company during its periodic meetings; as it has reviewed and discussed the internal audit reports of the following divisions/departments:

- Legal
- Human Resources and Administration
- Sales and Marketing
- Finance
- Projects
- Property Management
- Business Development
- Information Technology

The Committee has also reviewed the responses of divisions/departments concerned. This is to make sure that the necessary corrective actions has been taken according to the observations contained in the reports.

10 - In regards to the reports of the regulators, no notes were issued.

11 - To review annual report of the Legal & Compliance Departments.

12 - To bring forth recommendations to the Board of Directors in regards to appointing and/or re-appointing of external auditors or changing them and determining their fees. It has been recommended to reappoint (Ernst & Young) as an external auditor for the year 2017 and stopping the engagement with Baker Tilly firm, as per the regulations and laws.

Based on the above mentioned and presented with regard to the work of the Audit Committee for 2016, the members of the Audit Committee affirm their full keenness to implement the tasks entrusted to them by the Board of Directors in line with leading practices in this area and in accordance with the instructions and regulations of concerned supervisory authorities, in particular, the Capital Markets Authority.



ANNUAL REPORT 2016

# Financial Report 2016

- AL MAZAYA HOLDING COMPANY K.S.C.P  
( Holding) AND ITS SUBSIDIARIES.
- CONSOLIDATED FINANCIAL STATEMENT **31** DECEMBER  
**2016.**







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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C.P.

### Report on the Audit of Consolidated Financial Statements

#### Opinion

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

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

#### Basis for Opinion

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

#### Key Audit Matters

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

We identified the following key audit matters:

##### *a) Valuation and impairment of investment securities*

Investment securities primarily consist of available for sale investments. These instruments are measured at fair value with the corresponding fair value change recognised in other comprehensive income. The valuation of investment securities is inherently subjective, most predominantly for the instruments classified under level 3 as these are valued using inputs other than quoted prices in an active market. Key inputs used in the valuation of individual level 3 investments are expected cash flows, risk free rates and credit spreads. In addition, the Group determines whether objective evidence of impairment exists for individual investments, whether it represents a significant or prolonged decline. In these cases, the difference between carrying value and fair value is transferred from other comprehensive income to the consolidated statement of income. Given the inherent subjectivity in the valuation of the investment securities classified under level 3, we determined this to be a key audit matter.





Our audit procedures comprised, amongst others, assessment of the methodology and the appropriateness of the valuation models and inputs used for valuation of investment securities. As part of these audit procedures we assessed the accuracy of key inputs used in the valuation such as the expected cash flows, risk free rates and credit spreads by benchmarking them with external data. We also evaluated the Group's assessment whether objective evidence of impairment exists for individual investments, whether it represents significant or prolonged decline. Finally, we assessed the appropriateness of disclosures relating to investment securities, as shown in Note 12 of the consolidated financial statements.

*b) Valuation of investment properties*

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

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

We have evaluated the assumptions and estimates made by the management and the external appraisers in the valuation to assess the appropriateness of the data supporting the fair value. Our real estate specialists were part of our audit team for evaluating the external valuation, including the assumptions and estimates used. Amongst others, we have considered the objectivity, independence and expertise of the external appraisers. Furthermore, we assessed the appropriateness of the disclosures relating to the sensitivity of the assumptions as shown in Note 9 of the consolidated financial statements.

*c) Properties held for trading*

Properties held for trading represent a significant part of total assets and is carried at the lower of cost or net realisable value, which requires management's judgement in determining the appropriate costing basis and provision for write down of properties held for trading since they are based on forecast of estimated selling price less costs to sell and assessing whether the provision is adequate. Given the size and complexity of the valuation of properties held for trading, we addressed this as a key audit matter.

We have tested a sample of properties held for trading to assess the cost basis and challenged the estimates made by management by assessing whether the estimates regarding sales forecasts and sales prices are based on the existing contracts and whether these are in line with historical revenues to date. Further, we have assessed the determination of the net realisable value by verifying recent sales transactions and the related costs necessary to make the sale. Further, we compared the properties held for trading provision to the Group's policy and evaluated management's judgement on the adequacy of this by performing a review of the overall level of provisions on an aggregate as well as understanding the levels of demand for properties. Finally, we assessed the appropriateness of disclosures relating to properties held for trading, as shown in Note 13 of the consolidated financial statements.





#### *d) Acquisition of a subsidiary*

During the year ended 31 December 2016, The Parent Company has acquired an additional 50% equity interest in its existing joint venture i.e. Ritim Istanbul ("Ritim") – an entity incorporated in Turkey.

The Group completed the purchase price allocation (in which identifiable assets and liabilities assumed were recognised at fair value) including the Group's previously held equity interest. The fair value of the identifiable assets acquired and liabilities assumed in a business combination is different from their carrying amounts in the acquired statement of financial position, which gave rise to fair value adjustments. Management, assisted by its external valuation specialists, determined the fair value of Ritim's identifiable assets and liabilities. Since the majority of the identifiable assets acquired comprises of real estate properties, thus the fair value of assets acquired is mainly dependent on the valuations of these properties. Furthermore, the acquisition involve certain pre-existing relationships between the Parent Company and Ritim. As, the determination of fair value of assets acquired and liabilities assumed requires significant judgement and due to the complexity involved in accounting for business combination, we have considered this as a key audit matter.

As part of our audit procedures, amongst other procedures, we analysed of the fair value of the identifiable assets acquired and liabilities assumed supporting the purchase price allocation. We considered the objectivity, independence and expertise of the external appraisers. Our internal valuation specialists were part of our audit team to assist us in assessing the external valuation, including the assumptions and estimates used. Furthermore, we assessed the impact of the accounting for acquisition of a subsidiary on the consolidated financial statements of the Group for the year ended 31 December 2016.

The disclosures relating to the acquisition of Ritim are detailed in Note 6 of the consolidated financial statements.

#### **Other information included in the Group's 2016 Annual report**

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

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

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



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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, and its executive regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, 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.

WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

9 February 2017  
Kuwait

DR. SAUD HAMAD AL-HUMAI  
LICENSE NO. 51 A OF DR. SAU  
HAMAD AL-HUMAI & PARTNERS  
MEMBER OF BAKER TILLY  
INTERNATIONAL





# Consolidated Statement of Financial Position

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

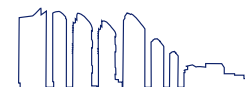
As At 31 December 2016

	Notes	2016 KD	2015 KD
<b>ASSETS</b>			
<b>Non - current assets</b>			
Goodwill	8	2,266,732	2,266,732
Property and equipment		595,221	665,393
Investment properties	9	129,286,975	115,006,585
Investment in joint venture and associate	10,11	9,352,843	12,174,873
Financial assets available for sale	12	9,126,960	11,121,542
Advances for purchase of properties		7,495,086	16,157,047
		158,123,817	157,392,172
<b>Current assets</b>			
Properties held for trading	13	69,036,258	71,653,133
Accounts receivable and other debit balances	14	17,438,418	10,023,184
Cash and cash balances	15	10,185,452	11,973,198
		96,660,128	93,649,515
<b>Total assets</b>		<b>254,783,945</b>	<b>251,041,687</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	68,827,896	68,827,896
Share premium	16	21,655,393	21,655,393
Statutory reserve	17	13,195,539	12,123,874
Voluntary reserve	17	10,260,619	9,188,954
Fair value reserve		549,283	465,563
Treasury shares	18	(21,310,897)	(21,788,181)
Employee stock option plan	24	360,360	268,693
Other reserves		845,160	845,160
Foreign currency translation reserve		364,977	636,832
Retained earnings		15,388,358	11,922,391
		110,136,688	104,146,575
Equity attributable to equity holders of the Parent Company		9,471,589	7,307,768
Non-controlling interests			
<b>Total equity</b>		<b>119,608,277</b>	<b>111,454,343</b>
<b>Liabilities</b>			
<b>Non- current liabilities</b>			
Employees' end of service benefits		873,797	734,210
Tawarruq and ijara payables	19	66,522,971	71,986,902
Term loans	20	7,471,129	-
		74,867,897	72,721,112
<b>Current liabilities</b>			
Tawarruq and ijara payables	19	10,319,641	8,379,544
Term loans	20	2,322,458	-
Advances from customers		27,789,257	42,586,452
Accounts payable and other credit balances	21	19,876,415	15,900,236
		60,307,771	66,866,232
<b>Total Liabilities</b>		<b>135,175,668</b>	<b>139,587,344</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>254,783,945</b>	<b>251,041,687</b>

Rasheed Y. Al-Nafisi – Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

Ibrahim A. AlSoqabi – Group CEO



## Consolidated Statement of Income

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Revenue from sale of properties held for trading		47,814,320	53,265,302
Rental income		7,112,362	6,174,227
Net management fees and commission income	22	245,543	378,830
<b>REVENUE</b>		<b>55,172,225</b>	<b>59,818,359</b>
Cost of sale of properties held for trading		(39,741,345)	(42,375,649)
Cost of rental		(1,444,129)	(1,300,616)
<b>COST OF REVENUE</b>		<b>(41,185,474)</b>	<b>(43,676,265)</b>
<b>GROSS PROFIT</b>		<b>13,986,751</b>	<b>16,142,094</b>
Net change in fair value of investment properties	9	(965,641)	817,386
Loss on disposal of investment properties		(303,633)	(12,293)
Net gain from business combination	6	2,425,221	-
Share of results from joint venture and associate	10,11	1,055,072	128,125
Net gain on sale of a subsidiary	32	1,184,979	-
Gain on disposal of joint venture and an associate		-	883,165
(Provision for) write back of impairment loss on properties held for trading	13	(296,282)	1,411,010
General and administrative expenses		(4,634,002)	(4,274,123)
Net investment income	23	741,826	11,413
Other income (expenses)	25	2,422,863	(1,641,567)
Finance costs		(4,062,517)	(3,450,440)
Foreign exchange gain		230,680	6,540
<b>Profit for the year before contribution for Board of Directors' remuneration, Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat</b>		<b>11,785,317</b>	<b>10,021,310</b>
Board of Directors' remuneration	16	(185,000)	(160,000)
KFAS		(70,713)	(88,583)
Zakat		(48,192)	(63,326)
NLST		(159,507)	(241,518)
<b>PROFIT FOR THE YEAR</b>		<b>11,321,905</b>	<b>9,467,883</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		10,253,235	9,319,104
Non- controlling interests		1,068,670	148,779
		<b>11,321,905</b>	<b>9,467,883</b>
<b>BASIC EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>7</b>	<b>16.51 fils</b>	<b>15.04 fils</b>
<b>DILUTED EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>7</b>	<b>16.39 fils</b>	<b>15.04 fils</b>

The attached notes 1 to 32 form part of these consolidated financial statements.



# Consolidated Statement Of Comprehensive Income

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
<b>Profit for the year</b>		<b>11,321,905</b>	9,467,883
<b>Other comprehensive income (loss):</b>			
<i>Item that are (or) will be reclassified subsequently to consolidated statement of income:</i>			
<i>Foreign currency translation adjustments:</i>			
Net exchange difference on translation of foreign operations		<b>827,063</b>	(1,459,275)
<i>Financial assets available-for-sale:</i>			
Transferred to consolidated statement of income on impairment	23	<b>224,672</b>	54,947
Transferred to consolidated statement of income on sale	23	<b>(628,888)</b>	(324)
Net changes in fair value of financial assets available-for-sale		<b>484,169</b>	(915,958)
		<b>79,953</b>	(861,335)
<b>Total other comprehensive income (loss) for the year</b>		<b>907,016</b>	(2,320,610)
<b>Total comprehensive income for the year</b>		<b>12,228,921</b>	7,147,273
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>10,065,100</b>	6,984,660
Non-controlling interests		<b>2,163,821</b>	162,613
		<b>12,228,921</b>	7,147,273

The attached notes 1 to 32 form part of these consolidated financial statements.



# Consolidated Statement Of Changes In Equity

AL MAZAYA HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES

for the year ended 31 December 2016

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Treasury shares KD	Employees' share option plan KD	Other reserves KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
As at 1 January 2016	68,827,896	21,655,393	12,123,874	9,188,954	465,563	(21,788,181)	268,693	845,160	636,832	11,922,391	104,146,575	7,307,768	111,454,343
Profit for the year	-	-	-	-	-	-	-	-	-	10,253,235	10,253,235	1,068,670	11,321,905
Other comprehensive income (loss) for the year	-	-	-	-	83,720	-	-	-	(271,855)	-	(188,135)	1,095,151	907,016
Total comprehensive income (loss) for the year	-	-	-	-	83,720	-	-	-	(271,855)	10,253,235	10,065,100	2,163,821	12,228,921
Employees' share based payment (Note 24)	-	-	-	-	-	-	272,682	-	-	-	272,682	-	272,682
Employee share options exercised (Note 24)	-	-	-	-	-	477,284	(181,015)	-	-	(296,269)	-	-	-
Transfer to reserves	-	-	1,071,665	1,071,665	-	-	-	-	-	(2,143,330)	-	-	-
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	(4,347,669)	(4,347,669)	-	(4,347,669)
<b>As at 31 December 2016</b>	<b>68,827,896</b>	<b>21,655,393</b>	<b>13,195,539</b>	<b>10,260,619</b>	<b>549,283</b>	<b>(21,310,897)</b>	<b>360,360</b>	<b>845,160</b>	<b>364,977</b>	<b>15,388,358</b>	<b>110,136,688</b>	<b>9,471,589</b>	<b>119,608,277</b>
As at 1 January 2015	68,827,896	21,655,393	11,136,621	8,201,701	1,340,732	(21,788,181)	-	845,160	2,096,107	8,294,866	100,610,295	7,145,155	107,755,450
Profit for the year	-	-	-	-	-	-	-	-	-	9,319,104	9,319,104	148,779	9,467,883
Other comprehensive income for the year	-	-	-	-	(875,169)	-	-	-	(1,459,275)	-	(2,334,444)	13,834	(2,320,610)
Total comprehensive income (loss) for the year	-	-	-	-	(875,169)	-	-	-	(1,459,275)	9,319,104	6,984,660	162,613	7,147,273
Employees' share based payment (Note 24)	-	-	-	-	-	-	268,693	-	-	-	268,693	-	268,693
Transfer to reserves	-	-	987,253	987,253	-	-	-	-	-	(1,974,506)	-	-	-
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	(3,717,073)	(3,717,073)	-	(3,717,073)
<b>As at 31 December 2015</b>	<b>68,827,896</b>	<b>21,655,393</b>	<b>12,123,874</b>	<b>9,188,954</b>	<b>465,563</b>	<b>(21,788,181)</b>	<b>268,693</b>	<b>845,160</b>	<b>636,832</b>	<b>11,922,391</b>	<b>104,146,575</b>	<b>7,307,768</b>	<b>111,454,343</b>

The attached notes 1 to 32 form part of these consolidated financial statements.



# Consolidated Statement of Cash Flow

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

	Notes	2016 KD	2015 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year before contribution for Board of Directors' remuneration, KFAS, NLST and Zakat		11,785,317	10,021,310
Adjustments to reconcile profit to net cash flows:			
Net change in fair value of investment properties	9	965,641	(817,386)
Loss on disposal of investment properties		303,633	12,293
Net gain on business combination	6	(2,425,221)	-
Share of results from joint venture and associate	10,11	(1,055,072)	(128,125)
Gain on disposal of joint venture and associate		-	(883,165)
(Provision for) write back of impairment loss on properties held for trading	13	296,282	(1,411,010)
Depreciation of property and equipment		192,848	139,083
Net investment income	23	(741,826)	(11,413)
Finance costs		4,062,517	3,450,440
Foreign exchange gain		(230,680)	(6,540)
Provision for employees' end of service benefits		139,587	148,202
Provision for employees' stock option plan	24	272,682	268,693
		13,565,708	10,782,382
Working capital adjustments:			
Properties held for trading		14,630,250	28,509,100
Accounts receivable and other debit balances		3,262,994	(174,785)
Accounts payable and other credit balances		(14,313,460)	6,603,779
Advances from customers		(17,159,053)	(37,070,525)
Net cash flows (used in) from operating activities		(13,561)	8,649,951
<b>INVESTING ACTIVITIES</b>			
Decrease in restricted cash balances		5,880,653	104,481
Purchase of property and equipment		(122,676)	(186,296)
Addition to investment properties	9	(2,410,200)	(20,234,071)
Investment in joint venture		-	(912,000)
Proceeds from disposal of investment properties		1,165,619	217,183
Proceeds from sale of financial assets available-for-sale		2,478,751	2,779
Advances for purchase of properties		8,661,961	659,975
Proceeds from disposal of a joint venture		-	385,063
Acquisition of a subsidiary, net of cash acquired	6	(1,084,120)	-
Dividend income received	23	382,613	127,075
Net cash flows from (used in) investing activities		14,952,601	(19,835,811)

The attached notes 1 to 32 form part of these consolidated financial statements.



## Consolidated Statement of Income

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
<b>FINANCING ACTIVITIES</b>			
Net movement in term loans		-	(12,500,000)
Net movement in tawarruq and ijara payable		(3,523,834)	28,107,932
Dividend paid		(4,347,669)	(3,717,073)
Finance costs paid		(4,062,517)	(3,450,440)
Net cash flows (used in) from financing activities		(11,934,020)	8,440,419
<b>NET INCREASE (DECREASE) IN CASH AND BANK BALANCES</b>		<b>3,005,020</b>	(2,745,441)
Foreign currency translation adjustments		1,087,887	(1,494,560)
Cash and bank balances at the beginning of the year		1,930,983	6,170,984
<b>CASH AND BANK BALANCES AT THE END OF THE YEAR</b>	<b>15</b>	<b>6,023,890</b>	1,930,983

The attached notes 1 to 32 form part of these consolidated financial statements.



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 1. CORPORATE INFORMATION

Al Mazaya Holding Company - K.S.C.P. (the "Parent Company") was incorporated on 7 November 1998. These consolidated financial statements presents the results of the Parent Company and its subsidiaries (collectively referred to as the "Group"). The registered head office of the Parent Company is at Mazaya Tower 01, Al Murqab, P.O. Box 3546, Safat 13036, State of Kuwait.

The principal activities of the Parent Company as per the memorandum of incorporation are as follows: Ownership of Kuwaiti and foreign shareholding companies, ownership of shares and portions of limited liability Kuwaiti and foreign companies or participating in the formation of those companies, as well as managing and guaranteeing those companies, granting loans to the companies in which it owns shares in and guaranteeing them towards others, provided that the percentage of participation of the holding company in the capital of the borrowing company is not less than 20%, ownership of industrial property rights including intellectual rights, trade marks, industrial marks, industrial fees or any other rights relating to such assets and leasing them to other companies to utilize them whether inside or outside the state of Kuwait, ownership of the movable assets and real properties needed to operate within the applicable laws, utilization of its available financial surpluses by investing them in financial real estate portfolios managed by specialized companies.

The Parent Company has the right to practice its aforementioned objectives inside the State of Kuwait and abroad for itself or as agent or representative to other, the Parent Company has the right as well to have interest or to participate with entities that practice similar operations or assist the Parent Company in achieving its objectives inside and outside Kuwait, and such it has the right to establish, form partnership, purchase or merge with those entities.

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 5 February 2017, and are issued subject to the approval of the Ordinary General Assembly of the shareholders of the Parent Company. The shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

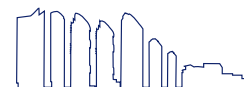
The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012. The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

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for financial assets available-for-sale, and investment properties that have been measured at fair value.

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 3. CHANGES IN ACCOUNTING POLICIES

#### New and amended standards and interpretations

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of the amendments to the existing standards relevant to the Group, 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.

#### *IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim consolidated financial statements or incorporated by cross-reference between the interim consolidated financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim consolidated financial statements and at the same time. This amendment is applied retrospectively. These amendments do not have any impact on the Group.

#### *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.

#### *Annual Improvements 2012-2014 Cycle*

#### *IAS 19 Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively. This amendment did not have any impact on the consolidated financial statements of the Group.

# Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

## *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 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 consolidated statement(s) of income and other comprehensive income and the consolidated statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to consolidated financial statements;
- That the share of other comprehensive income 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 consolidated statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement(s) of income and other comprehensive income. These amendments do not have any impact on the consolidated financial statements of the Group.

### **Standard issued but not yet effective**

Standards and amendments to standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective.

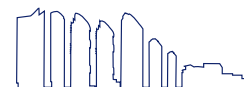
### *IFRS 9 Financial Instruments*

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

### *IFRS 15 Revenue from contracts with customers*

IFRS 15 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and does not expect any significant impact on adoption of this standard.





## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

### *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 Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

### *Amendments to IAS 7 Statement of Cash Flows*

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Group is currently evaluating the impact.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its consolidated financial position or performance.

# Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2016. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

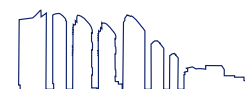
The financial statements of the subsidiary are prepared at the same reporting year as the Parent Company using consistent accounting policies. Subsidiaries are consolidated from the date on which the Group obtains control and continues to be consolidated until the date that such control ceases.

All material intra-group balances and transactions, including material unrealised gains and losses arising on intra-group transactions are eliminated on consolidation.

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.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

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



## Notes To The Consolidated Financial Statements

### AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries, where the Parent Company has direct investment:

Entity	Country of incorporation	Principal activities	ownership interest %	
			2016	2015
Al Mazaya Real Estate Development Company K.S.C. (Closed)	Kuwait	Real estate development	99.7%	99.7%
Seven Zones Real Estate Company K.S.C. (Closed)	Kuwait	Real estate development	96%	96%
Gulf Turkey for General Trading and Contracting Company W.L.L.	Kuwait	Real estate development	98%	98%
First Dubai Real Estate Development Company - K.S.C.P.	Kuwait	Real estate development	90.42%	90.42%
Mezzan Combined For General Trading Company - W.L.L.	Kuwait	Real estate development	99%	99%
First Kuwait for Projects Management Company W.L.L.	Kuwait	Real estate development	98%	98%
Al Mazaya Real Estate FZ – LLC	UAE	Real estate development	100%	100%
Ritim Istanbul Insaat Anonim Sirketi (Ritim)*	Turkey	Real estate development	90%	40%
Al Yammar Kuwaiti Agriculture Co. OPC	Kuwait	Real estate development	100%	100%
Al Mazaya Emirates Real Estate Development Company O.P.C.	UAE	Real estate development	100%	100%
Mazaya Real Estate Turkey Gayrimenkul Yatirimlari Anonim Sirketi	Turkey	Real estate development	100%	100%
Advantage General Trading Co. O.P.C.	UAE	Real estate development	99%	99%
Al Mazaya Lebanon Company - S.A.L. (Holding)	Lebanon	Real estate development	99.85%	99.85%
Grand Mazaya Real Estate Company W.L.L.	KSA	Real estate development	99%	99%
Al Mazaya Real Estate Development Company L.L.C.	Oman	Real estate development	100%	100%

\* During the year ended 31 December 2016, the Parent's acquired additional equity interest in Ritim, accordingly its effective ownership increased from 40% to 90% and is consolidated from the date of acquisition (Note 6).

#### Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Under this method, the Group recognises, separately from goodwill, identifiable assets acquired, liabilities assumed and any non-controlling interests in the acquiree at the acquisition date. For each business combination, the Group elects to measure the non-controlling interests 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 other 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 profit or loss.





## Notes To The Consolidated Financial Statements

### AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 Group's 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 profit or loss.

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 (group of cash generating units) and part of the operations 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.

#### Financial instruments – initial recognition and subsequent measurement

##### (i) Financial assets

###### Initial recognition and measurement

Financial assets within scope of IAS 39 are classified as loans and receivables, financial assets available-for-sale. The Group determines the appropriate classification of each instrument at initial recognition.

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

Purchase or sale 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 bank balances and cash, accounts receivable and other debit balances and financial assets available-for-sale.

###### Subsequent measurement

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

###### *Cash and bank balances*

For the purpose of the consolidated statement of cash flows, cash and bank balances consist of cash in hand and bank balances, net of restricted cash balances.

###### *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 using the effective interest rate method, less impairment losses, if any. Amortised cost is calculated by taking into account any discount or premium arising on acquisition and fees or costs that are an integral part of the interest rate method.



## Notes To The Consolidated Financial Statements

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### *Loans and receivables (continued)*

The effective interest rate method amortisation is included in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income.

Bank deposit and accounts receivable are classified as "Loan and receivables".

### *Financial assets available-for-sale*

Financial assets available-for-sale are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables. After initial recognition at cost including transaction costs associated with the acquisition, financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

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

### **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;
- 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.

### **(ii) 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 borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and 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.

# Notes To The Consolidated Financial Statements

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## *Financial assets available-for-sale*

For financial assets available-for-sale, the Group assess at each reporting date whether there is objective evidence that a financial asset available-for-sale or a group of financial assets available-for-sale is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of investment and 'prolonged' against the period in which fair value has been below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available-for-sale previously recognised in the consolidated statement of income is removed from other comprehensive income and recognised in the consolidated statement of income.

Impairment losses in equity investments are not reversed through consolidated statement of income; subsequent increase in their fair value after impairment is recognized directly in other comprehensive income.

## *Impairment of receivable*

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

## **iii) Financial liabilities**

### ***Initial recognition and measurement***

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

*Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, including directly attributable transaction costs.*

*The Group's financial liabilities include tawarruq and ijara payable and accounts payable and other credit balances.*

### ***Subsequent measurement***

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

#### *Term loans and bank borrowings*

After initial recognition, interest bearing term loans and bank overdraft are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognized as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income.

Term loans are carried on the consolidated statement of financial position at their principal amounts less any repayment. Installments due within one year from the reporting date are shown as current liabilities.

#### *Tawarruq payables*

Tawarruq payable represent amounts due to financial institutions arising from an Islamic financing arrangement where the liability is settled on a deferred settlement basis for assets purchased. Tawarruq payable are stated at the gross amount of the payables, net of deferred profit payable. Tawarruq cost is expensed on a time apportionment basis by taking account of the profit rate attributable and the balance outstanding.





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### *Ijara payables*

Ijara payable represents the amount payable on a deferred settlement basis for assets purchased under ijara and leasing arrangements. Ijara payable is stated at the aggregate of the minimum lease payment due, net of any deferred costs.

### *Accounts payable and other credit balances*

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

### **Derecognition**

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

### **(iv) Offsetting of financial instruments**

Financial assets and liabilities are offset and net amount is reported in the consolidated statement of financial position when the Group has currently legal enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

### **Fair value measurement**

The Group measures financial instruments, such as, financial asset available-for-sale and non-financial assets, at fair value at each consolidated statement of financial position date. 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 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.

### *Fair value measurement of financial instruments*

Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including financial instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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The fair value of financial instruments carried at amortised cost, other than short-term in nature is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

### *Fair value measurement of non-financial instruments*

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

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

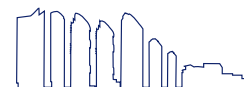
### **Interest in joint venture**

The Group has investment in joint venture, which is a jointly controlled entity, whereby the venturer have a contractual arrangement that establishes joint control over the economic activities of the entities. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the equity method. Under the equity method, investment in a joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. Any goodwill arising on the acquisition of the Group's interest in a jointly control entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of joint venture.

The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the joint venture from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from a joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity that have not been recognised in the joint venture's statement of income. The Group's share of those changes is recognised directly in equity. Unrealised gains on transactions with a joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

### **Investment in an associate**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.



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The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. 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 Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity that have been recognised in the associate's statement of comprehensive income.

The Group's share of those changes is recognised directly in equity. Unrealised gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 36, indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value.

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

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

### Investment properties

Investment properties comprises developed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment properties when the definition of an investment property is met.

Investment properties is measured initially at cost including transaction costs. 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 property is stated at fair value. Gains or losses arising from changes in the fair values 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 retirement or 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. 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 sale.



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### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

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

- |                                  |         |
|----------------------------------|---------|
| • Computer hardware and software | 3 years |
| • Furniture and fixtures         | 5 years |
| • Motor vehicles                 | 5 years |

The carrying values of property 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.

### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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 groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which goodwill allocated. These budgets and forecast cash flow calculations generally cover a period of two to five years.

### Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

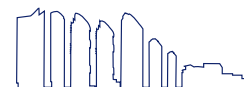
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non - current.



## Notes To The Consolidated Financial Statements

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### Properties held for trading

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital operation, is held as properties held for trading and is measured at lower of cost and net realisable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money of material, less costs of completion and estimated cost of sale.

The cost of properties held for trading recognised in consolidated statement of income on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

### Employees' end of service benefits

The Group provides end of service benefits to its employees. Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. The expected costs of these benefits are accrued over the period of employment.

Also, with respect to its national employees, the Parent Company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries, which are expensed when due.

### Share based payment transactions

The Group operates an equity-based payment plan to its employees. Under the terms of the plan, shares are granted to permanent employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the shares is measured based on market prices available taking into account the terms and conditions upon which those shares were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). 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 consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

### Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

### Other reserves

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

## Notes To The Consolidated Financial Statements

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### Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects some or all of a provision to be reimbursed, for example, under an issuance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

### Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

#### *Sale of property held for trading*

A property is regarded as sold when the significant risks and rewards of ownership of real estate property have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

#### *Sales of property under development*

Where property is under development and agreement has been reached to sell such property when construction is complete, the Group consider whether the contract comprises:

- i) A contract to construct a property or,
- ii) A contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses. Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer; and
- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Group.





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In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

### *Gain on sale of investments financial assets available-for-sale*

Gain on sale of investment is measured by the difference between the sale proceeds and the carrying amount of investment at the date of disposal, and is recognised at the time of the sale.

### *Rental income*

Rental income receivable from operating leases except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

### *Dividends income*

Dividend income is recognized when the right to receive payment is established, which is generally when shareholders approve the dividend.

### *Management fees*

Management fees earned for the provision of services over a period of time are accrued over that period.

### *Finance income*

Finance income is recognised as accrued using the effective yield method.

## **Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the 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.

### *Group as a lessor*

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

### *Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

A property interest that is held by the Group under an operating lease may be classified and accounted for as an investment property when the property otherwise meets the definition of an investment property, evaluated

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property by property, and based on management's intention. The initial cost of a property interest held under a lease and classified as an investment property is determined at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

### **Borrowing costs**

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to a project, as part of projects under construction, over the period of the construction until the project concerned is completed and becomes ready for its intended use on the basis of actual borrowings and actual expenditure incurred on the project. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the project for its intended use are complete. Borrowing costs capitalised is calculated using the Group's weighted average cost of borrowings.

### **Contingencies**

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

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

### **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 which are subjected to KFAS, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

*National Labour Support Tax (NLST)*

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

*Zakat*

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry



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of Finance resolution No. 582007/.

### Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance and the reporting is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

### Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

#### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in 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 is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

#### *Group companies*

The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their statement of incomes are translated at average exchange rates during the period where such averages are reasonable approximation of actual rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

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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 is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

### *Group companies*

The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their statement of incomes are translated at average exchange rates during the period where such averages are reasonable approximation of actual rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

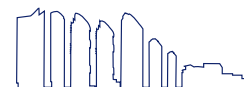
### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

### *Classification of property*

The Group determines whether a property is classified as investment properties or properties held for trading:

- Investment properties comprise land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation.
- Properties held for trading comprise properties that are held for sale in the ordinary course of business.



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

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### Estimates and assumptions

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

The group had based its assumptions and estimation on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however may change due to market changes or circumstances arising beyond the content of the Group. Such changes are reflected in the assumptions when they occur.

#### *Estimation of net realisable value for property held for trading*

Property held for trading is stated at the lower of cost and net realisable value (NRV). NRV for completed property held for trading is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

NRV in respect of property held for trading under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

#### *Valuation of investment properties*

Fair value of investment properties have been assessed by an independent real estate appraiser. Three main methods were used to determine the fair value of property interests in investment properties; (a) formula based discounted cash flow analysis (b) Income approach and (c) comparative analysis as follows:

- (a) Formula based discounted cash flow, is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- (b) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
- (c) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

The significant methods and assumptions used by valuers in estimating fair value of investment properties are stated in Note 9 and 29.

## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### *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.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. Where this estimation cannot be reliably determined these investments are carried at cost less impairment.

### *Impairment of trade receivable*

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

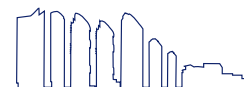
### *Impairment of goodwill*

The Group tests whether 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 the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

### *Fair values of assets and liabilities including intangibles*

Considerable judgement by management is required in the estimation of the fair value of the assets including intangibles with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.





## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 6. BUSINESS COMBINATION

The Parent Company owned 40% equity interest in Ritim Istanbul Insaat Anonim Sirketi ("Ritim") which was classified as a joint venture with carrying value of KD 3,904,559. During the current year, the Parent Company acquired additional 50% equity interest in Ritim from the other shareholders of the company. As a result, the Parent's Company effective equity interest in Ritim increased from 40% to 90%. As this transaction meets the criteria of IFRS 3 – Business Combination for the business combination achieved in stages, the Group reclassified its investment in Ritim from investment in joint venture to investment in subsidiary and consolidated Ritim from the effective date of control.

The acquisitions have been accounted based on the fair values assigned to the identifiable assets and liabilities assumed of the acquiree Company as on the reporting date.

The consideration paid and the values of assets acquired and liabilities assumed, as well as the non-controlling interests at the proportionate share of the acquiree's identifiable net assets, are summarized as follows:

	<i>KD</i>
<b>ASSETS</b>	
Investment properties (Note 9)	13,825,998
Properties held for trading (Note 13)	12,309,657
Deferred tax assets (included in accounts receivables and other debit balances)	7,095,308
Accounts receivable and other debit balances	3,582,920
Cash and bank balances	418,183
	<b>37,232,066</b>
<b>LIABILITIES</b>	
Term loans	10,023,718
Advances from customers	1,041,594
Accounts payable and other credit balances	13,570,939
	<b>24,636,251</b>
<b>Total identifiable net assets at provisional fair value</b>	<b>12,595,815</b>
Cash consideration for the acquisition	(1,502,303)
Non-controlling interests share in the acquiree's identifiable net assets	(1,547,333)
Fair value of acquirer's previously held equity interests	(6,189,334)
Settlement of pre-existing relationship *	(3,000,000)
	<b>356,845</b>
<b>Gain on bargain purchase on acquisition</b>	<b>2,068,376</b>
<b>Gain on remeasurement of previously held equity interest **</b>	<b>2,425,221</b>
<b>Net gain arising on business combination</b>	<b>2,425,221</b>
Consideration paid	(1,502,303)
Cash and cash equivalents in subsidiary acquired	418,183
	<b>(1,084,120)</b>
Cash outflow on acquisition	

\* Settlement of pre-existing relationship represents certain properties owned by the seller before the business combination and considered part of the consideration.



# Notes To The Consolidated Financial Statements

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\*\* The gain on remeasurement of previously held equity interest is the net of the fair value of acquirer's previously held equity interest of KD 6,189,334, carrying value of KD 3,904,559, foreign currency translation reserve of KD 625,595 and effect of the upstream/downstream transaction of KD 409,196.

Had the business combinations taken place at the beginning of the year, revenue of the Group and profit attributable to equity holders of the Parent Company, would have been higher by KD 29 million and KD 1.4 million, respectively.

## 7. BASIC AND DILUTED EARNING PER SHARE

### Basic:

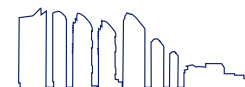
Basic earnings per share is computed by dividing the profit for the period attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year less weighted average numbers of treasury shares.

	2016 KD	2015 KD
Profit for the year attributable to equity holders of the Parent Company	10,253,235	9,319,104
	Shares	Shares
Weighted average number of ordinary shares	688,278,956	688,278,956
Less: weighted average number of treasury shares	(67,272,742)	(68,690,479)
Weighted average number of shares outstanding adjusted for treasury shares	621,006,214	619,588,477
Basic earnings per share attributable to the equity holders of the Parent Company (fils)	16.51	15.04

### Diluted:

Diluted earnings per share is calculated by dividing the profit for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding plus the weighted average number of ordinary shares that would be issued on the conversion of all employees stock options. The Parent Company has outstanding share options, issued under the share based payment transaction, which have a dilutive effect on earnings.

	2016 KD	2015 KD
Profit for the year attributable to equity holders of the Parent Company	10,253,235	9,319,104
	Shares	Shares
Weighted average number of shares outstanding	621,006,214	619,588,477
Add: effect of share options on issue	4,429,914	-
Weighted average number of shares outstanding adjusted for the effect of dilution	625,436,128	619,588,477
Diluted earnings per share attributable to the equity holders of the Parent Company (fils)	16.39	15.04



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 8. GOODWILL

Goodwill represents excess of consideration paid for acquisition of First Dubai Real Estate Development Company K.S.C.P. shares over and above the fair value of the identifiable assets and liabilities. During the year, the management has tested the carrying value of goodwill for impairment and has noted no impairment.

The carrying value of goodwill is tested for impairment on an annual basis (or more frequently if evidence exists that goodwill might be impaired) by estimating the recoverable amount of the cash-generating unit («CGU») based on active market price which is higher than the carrying value of the CGU.

### 9. INVESTMENT PROPERTIES

	2016 KD	2015 KD
Balance at the beginning of the year	115,006,585	92,312,256
Additions	2,410,200	20,234,071
Arising on business combination (Note 6)	13,825,998	-
Disposals	(1,469,252)	(229,476)
Net (loss) gain from fair value adjustments	(965,641)	817,386
Foreign currency translation adjustments	479,085	1,872,348
Balance at the end of the year	129,286,975	115,006,585

Investment properties mainly comprise of the following:

	2016 KD	2015 KD
Land	10,948,252	12,140,291
Properties under development	8,959,695	6,746,295
Developed properties held for earning rental income	109,379,028	96,119,999
	129,286,975	115,006,585

Certain investment properties with a carrying value of KD 45,790,665 (31 December 2015: KD 42,408,670) are collateralised against tawarruq payable amounting to KD 37,388,397 (31 December 2015: KD 45,097,173) (Note 19). Certain investment properties with a carrying value of KD 33,060,275 (2015: KD 32,443,880) are collateralised against ijara payable amounting to KD 18,753,945 (2015: KD 19,594,655) (Note 19).

Valuations of investment properties were conducted by two independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of investment properties being valued.

For valuation purpose, the Group has selected the lower of these two valuations (2015: the lower of two valuations) as required by the Capital Market Authority (CMA). Based on these valuations, the Group has recorded a revaluation loss of KD 965,641 (2015: revaluation gain of KD 817,386) in the consolidated statement of income.





# Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

## 10. INVESTMENT IN JOINT VENTURE

	Country of Incorporation	Principal activities	Ownership % percentage		Carrying value	
			2016	2015	2016 KD	2015 KD
Ritim Istanbul Insaat Anonim Sirketi (Ritim) (formerly known as Mazaya Turkey Gayimenuk Yatirimlarianonim Sirketi)*	Turkey	Real estate Development	-	40	-	2,881,861

\* During the year ended 31 December 2016, the Parent Company acquired additional equity interest in Ritim, accordingly it was reclassified from investment in joint venture to investment in subsidiaries pursuant to business combination (Note 6).

	2016 KD	2015 KD
The movement in investment in joint venture during the year was as follows:		
Balance at the beginning of the year	2,881,861	3,702,816
Additions	-	912,000
Share of results	1,052,805	(23,033)
Foreign currency translation adjustments	(30,107)	(1,709,922)
Reclassified to investment in subsidiary (Note 6)	(3,904,559)	-
Balance at the end of the year	-	2,881,861

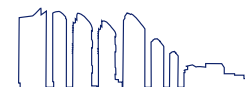
## 11. INVESTMENT IN AN ASSOCIATES

	Country of Incorporation	Ownership %	Principal activities
First Qatar Real Estate Development K.S.C.(Closed)	Kuwait	17.54	Real estate Development Services

Movement in the carrying amount of investment in associate during the year is as follows:

	2016 KD	2015 KD
Balance at the beginning of the year	9,293,012	9,181,630
Share of results	2,267	151,158
Share of associate's other reserve	57,564	-
Share of associate's foreign currency translation reserve	-	(39,776)
Balance at the end of the year	9,352,843	9,293,012

Although the Group holds less than 20% of the ownership interest and voting control of the associate, the Group has the ability to exercise significant influence through its nominated director's participation in the associate's board. Investment in associate with carrying value of KD 8,630,379 (2015: 9,293,012) is collateralised against certain tawarruq payable (Note 19).



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

	2016 KD	2015 KD
Movement in the carrying amount of investment in an associate is as follows:		
Assets	69,813,134	54,719,143
Liabilities	(16,490,198)	(1,737,319)
Equity	53,322,936	52,981,824
Proportion of the Group's ownership	17.54%	17.54%
Carrying value of the investment	9,352,843	9,293,012
Share of associates' results for the year:		
Revenues	75,045	1,475,604
Profit for the year	12,925	861,790
Group's share of profit for the year	2,267	151,158

### 12. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2016 KD	2015 KD
<b>Quoted:</b>		
Equity securities	60,013	2,022,930
<b>Unquoted:</b>		
Equity securities	2,236,178	1,952,600
Funds and managed portfolios	6,830,769	7,146,012
	9,126,960	11,121,542

Financial assets available-for-sale investments with a fair value of KD 6,081,296 (2015: KD 6,377,658) are collateralised against certain tawarruq payable (Note 19).

Certain unquoted equity shares amounting to KD 1,863,879 (2015: 1,952,600) are carried at cost, less impairment, if any, due to the non-availability of reliable measures of their fair values. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD 76,000 (2015: KD 38,349) in the consolidated statement of income. Based on the latest available financial information, management is of the view that no further impairment loss is required as at 31 December 2016 in respect of these investments. Impairment loss of KD 148,672 (2015: KD 16,598) is recorded in consolidated statement of income on funds and managed portfolios.



# Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

## 13. PROPERTIES HELD FOR TRADING

	2016 KD	2015 KD
Balance at the beginning of the year	71,653,133	98,751,223
Additions	16,977,740	11,347,712
Arising on business combination (Note 6)	12,309,657	-
Disposals	(31,627,409)	(42,375,649)
(Provision for) write back of impairment loss during the year	(296,282)	1,411,010
Foreign currency translation adjustments	19,419	2,518,837
Balance at the end of the year	69,036,258	71,653,133

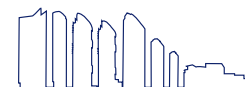
Valuation of properties held for trading were conducted by two independent appraisers with recognised and relevant professional qualifications and experience of the location and category of properties being valued. The reversal of impairment provision was calculated based on the lower of the two valuations. Net realisable value of the properties held for trading is arrived at by reference to industry acknowledged methods of valuations that depend on market data including recent sales value of comparable properties, annual rental income and capitalization rate.

Properties held for trading mainly comprise the following:

2016			
	Unsold KD	Sold KD	Total KD
Land	8,863,578	-	8,863,578
Properties under development	35,084,090	23,201,640	58,285,730
Developed properties	1,212,201	674,749	1,886,950
	45,159,869	23,876,389	69,036,258

2015			
	Unsold KD	Sold KD	Total KD
Land	9,202,901	-	9,202,901
Properties under development	22,170,278	38,345,875	60,516,153
Developed properties	1,264,816	669,263	1,934,079
	32,637,995	39,015,138	71,653,133





## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 14. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2016 KD	2015 KD
Trade receivables	13,155,345	4,926,471
Advance payments	4,119,062	4,193,573
Amounts due from related parties (Note 24)	16,356	1,539,780
Other receivables	1,490,488	1,164,030
	18,781,251	11,823,854
Provision for doubtful debts	(1,342,833)	(1,800,670)
	17,438,418	10,023,184

Gross amount due amounting to KD 13,155,345 (2015: KD 4,926,471) were impaired with a provision of KD 1,342,833 (2015: KD 1,800,670). The movement in provision allowance during the year is as follows:

	2016 KD	2015 KD
<i>Allowance for impairment of receivables movement:</i>		
Balance at the beginning of the year	1,800,670	972,494
Charged during the year	154,490	828,176
Reversal during the year	(612,327)	-
Balance at the end of the year	1,342,833	1,800,670

### 15. CASH AND BANK BALANCES

	2016 KD	2015 KD
Cash in hand and at banks	9,796,605	11,964,716
Cash in portfolios	388,847	8,482
	10,185,452	11,973,198
Restricted bank balances	(4,161,562)	(10,042,215)
	6,023,890	1,930,983

Restricted bank balances represent escrow accounts restricted for receiving and making payments for specific construction activity and these may not be available for use within 90 days.

# Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

## 16. SHARE CAPITAL, SHARE PREMIUM, ANNUAL GENERAL ASSEMBLY AND CASH DIVIDEND

### a) Share capital:

	<i>Authorised, issued and fully paid</i>	
	<b>2016</b>	<b>2015</b>
	<b>KD</b>	<b>KD</b>
688,278,956 Shares of KD 0.100 each	68,827,896	68,827,896

### b) Share premium:

Share premium represents the cash received in excess of the par value of the share issued. This is not available for distribution.

### c) Dividend and annual general meeting:

The board of directors have proposed a cash dividend of 8% (2015: 7%) for the year ended 31 December 2016 which is subject to approval at the annual general meeting.

The annual general meeting of the shareholders held on 28 March 2016, has approved the cash dividend of 7% for the fiscal year ended 31 December 2015.

### d) Board of directors remuneration:

The board of directors' have proposed directors' remuneration for the year ended 31 December 2016 amounting to KD 185,000 which is subject to approval by annual general assembly.

The proposed board of director's remuneration amounting to KD 160,000 for the year ended 31 December 2015 was approved by the annual general assembly held on 28 March 2016.

## 17. RESERVES

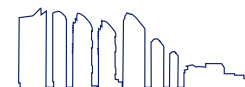
### i) Statutory reserve

In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation, 10% of the profit for the year attributable to shareholders of the Parent Company (before contributions to KFAS, NLST, board of directors' remuneration and Zakat) has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for such dividend payment.

### ii) Voluntary reserve

The Parent Company's Memorandum of Incorporation require that 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, board of directors' remuneration and Zakat) has to be transferred to a voluntary reserve. There are no restrictions on distribution of voluntary reserve. An amount equivalent to the cost of purchase of treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of treasury shares.



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 18. TREASURY SHARES

	2016	2015
Number of shares	67,185,771	68,690,479
Percentage of issued shares (%)	9.76	9.98
Market value (KD)	7,256,063	7,006,429

One of the Group's subsidiaries had pledged shares of the Parent Company, included in treasury shares above against tawarruq payable amounting to KD 2,466,870 (2015: KD 1,914,408) (Note 19) as detailed below:

	2016	2015
Number of shares (numbers)	24,185,000	34,185,000
Cost (KD)	7,671,327	11,493,899
Market value (KD)	2,611,980	3,486,870

Reserves (share premium and a part of voluntary reserve) of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

### 19. TAWARRUQ AND IJARA PAYABLE

	2016 KD	2015 KD
Tawarruq payable	58,088,667	60,771,791
Ijara payable	18,753,945	19,594,655
	76,842,612	80,366,446
	2016 KD	2015 KD
a) Tawarruq payable:		
Gross amount	66,731,206	70,999,066
Less: deferred profit payable	(8,642,539)	(10,227,275)
	58,088,667	60,771,791
Non- current	48,896,174	53,426,809
Current	9,192,493	7,344,982
	58,088,667	60,771,791
b) Ijara payable		
Gross amount	22,250,721	24,159,762
Less: deferred profit payable	(3,496,776)	(4,565,107)
	18,753,945	19,594,655
Non-current	17,626,797	18,560,093
Current	1,127,148	1,034,562
	18,753,945	19,594,655





## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

The average cost rate attributable to tawarruq payable is 4.70% (2015: 4.83%). The cost rate attributable to ijara payable is 3.75% (2015: 3.75%).

Certain assets with carrying value of KD 60,502,340 (2015: KD 58,079,340) are collateralised against Tawarruq payable (Note 9, 11 and 12).

Certain shares in a subsidiary with a fair value of KD 41,819,968 (2015: KD 32,564,728) are pledged against tawarruq payable maturing on 31 December 2018. Also, certain treasury shares are pledged as collateral against tawarruq payable (Note 18).

Certain investment properties with carrying value of KD 33,060,275 (2015: KD 32,443,880) are collateralised against ijara payable (Note 9).

### 20. TERM LOAN

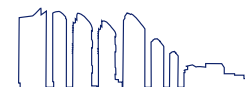
Term loans are denominated in Euro and USD and carries effective interest rate of 5.68%.

### 21. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2016 KD	2015 KD
Trade payables	12,237,065	8,837,008
Retentions payable	2,136,448	1,267,692
Accrued development costs	59,973	59,974
Dividends payable	246,961	211,192
Due to related parties (Note 24)	761,101	1,645,413
Deferred tax liability	1,004,131	-
Other payables and accrued expenses	3,430,736	3,878,957
	<b>19,876,415</b>	<b>15,900,236</b>

### 22. NET MANAGEMENT FEES AND COMMISSION INCOME

	2016 KD	2015 KD
Management fees and commission income	304,639	477,064
Cost of management fees and commission income	(59,096)	(98,234)
	<b>245,543</b>	<b>378,830</b>



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

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### 23. NET INVESTMENT INCOME

	2016 KD	2015 KD
Realized gain on disposal of financial assets available-for-sale	628,888	324
Dividend income	382,613	127,075
Portfolio management fees	(45,003)	(61,039)
Impairment loss on financial assets available-for-sale (Note 12)	(224,672)	(54,947)
	741,826	11,413

### 24. RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. subsidiaries, shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	Major shareholders KD	Joint venture and associate KD	2016 KD	2015 KD
Consolidated statement of financial position:				
Accounts receivable and other debit balances (Note 14) (Note i)	16,356	-	16,356	1,539,780
Accounts payable and other credit balances (Note 21) (Note i and ii)	761,101	-	761,101	1,645,413
Advances for purchase of properties	-	-	-	11,933,090
Consolidated statement of income:				
Gain on sale of a subsidiary (Note 32)	1,184,979	-	1,184,979	-

i) Amounts due from/to related parties are interest free and are receivable/ payable on demand.

ii) Amounts due to related parties comprise an amount of KD 116,461 (31 December 2015: KD 1,575,937) which represents an advance received for partial disposal of a subsidiary.

Compensation for board members and other key management members for the year are as follows:

	2016 KD	2015 KD
Salaries and other short term benefits	977,461	1,181,362
Terminal benefits	59,830	71,274
Share based payment	272,682	268,693
	1,309,973	1,521,329

The Group granted share based payment to its senior executives with more than 6 months' service over a vesting period of 3 years from the grant date.

During the year ended 31 December 2016, the Parent Company recognised an expense of KD 272,682 (December 2015: KD 268,693) relating to equity-settled share-based payment transactions to its employees. Certain employees exercised 1,504,708 shares that were issued from treasury shares held by the Group.



# Notes To The Consolidated Financial Statements

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As At 31 December 2016

## 25. OTHER INCOME (EXPENSES)

Included in other income (expenses), KD 3,870,000 (2015: KD 90,000) relating to reversal of provision no longer required, reversal of provision for doubtful debts of KD 457,837 (2015: provision for doubtful debts of KD 828,176), provision for legal cases of KD 1,010,000 (2015: KD 1,276,035).

## 26. SIGNIFICANT NON-CONTROLLING INTEREST

Financial information of the subsidiaries that have material non-controlling interest is provided below:

**Proportion of equity interest held by non-controlling interests:**

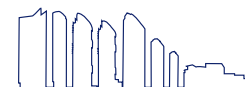
<i>Country of incorporation</i>		<i>Percentage</i>	
		<b>2016</b>	<b>2015</b>
First Dubai Real Estate Development Company - K.S.C.P.	Kuwait	<b>9.58%</b>	9.58%
Ritim Istanbul Insaat Anonim Sirketi (Ritim)	Turkey	<b>10%</b>	-

	<i>First Dubai KD</i>	<i>Ritim KD</i>	<b>2016 KD</b>	<b>2015 KD</b>
<i>Summarised statement of income:</i>				
Revenue	<b>10,976,071</b>	<b>9,566,732</b>	<b>20,542,803</b>	8,785,553
Expenses	<b>(9,201,797)</b>	<b>(8,812,173)</b>	<b>(18,089,425)</b>	(6,787,749)
Profit for the year	<b>1,774,274</b>	<b>754,559</b>	<b>2,453,378</b>	1,997,804
Attributable to non-controlling interests	<b>169,975</b>	<b>75,456</b>	<b>245,431</b>	191,390

	<i>First Dubai KD</i>	<i>Ritim KD</i>	<b>2016 KD</b>	<b>2015 KD</b>
<i>Summarised statement of financial position as at 31 December:</i>				
Current assets	<b>16,258,006</b>	<b>13,825,998</b>	<b>30,084,004</b>	50,931,607
Non-current assets	<b>78,077,506</b>	<b>23,406,068</b>	<b>101,483,574</b>	48,340,518
Current liabilities	<b>5,627,238</b>	<b>16,112,679</b>	<b>21,739,917</b>	11,161,415
Non-current liabilities	<b>17,585,738</b>	<b>8,523,572</b>	<b>26,109,310</b>	19,640,883
Total equity	<b>71,122,536</b>	<b>12,595,815</b>	<b>83,718,351</b>	68,469,827
<b>Attributable to:</b>				
Non-controlling interests	<b>6,813,539</b>	<b>1,259,582</b>	<b>8,073,120</b>	6,559,409

<i>Summarised cash flow statement for the year ended 31 December:</i>				
Operating	<b>4,438,415</b>	<b>(8,709,844)</b>	<b>(4,271,429)</b>	2,708,449
Investing	<b>(1,485,771)</b>	-	<b>(1,485,771)</b>	(1,321,388)
Financing	<b>(2,597,677)</b>	<b>8,659,964</b>	<b>6,062,287</b>	(1,885,127)
<b>Net increase (decrease) in cash and cash balances</b>	<b>354,967</b>	<b>(49,880)</b>	<b>305,087</b>	(498,066)





## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 27. SEGMENT INFORMATION

#### i) Primary segment information:

For management purposes, the Group is divided into five main geographical segments that are: State of Kuwait, United Arab Emirates (UAE), Kingdom of Saudi Arabia (KSA), Turkey and others, where the Group performs its main activities in the real estate segment. There is no income generating transactions between the Group's segments.

<b>2016</b>	<b>Kuwait KD</b>	<b>UAE KD</b>	<b>KSA KD</b>	<b>Turkey KD</b>	<b>Others KD</b>	<b>Total KD</b>
Segment revenue	3,363,364	40,706,002	1,178,239	9,566,732	357,888	55,172,225
Segment results *	2,358,938	4,978,237	506,878	3,943,314	(465,462)	11,321,905

<b>2015</b>	<b>Kuwait KD</b>	<b>UAE KD</b>	<b>KSA KD</b>	<b>Turkey KD</b>	<b>Others KD</b>	<b>Total KD</b>
Segment revenue	3,185,432	55,795,208	522,140	-	315,579	59,818,359
Segment results *	(421,775)	8,789,585	539,145	(23,033)	583,961	9,467,883

\*Segment results are computed after allocating common costs to the geographical segments based on asset base of the segment.

<b>2016</b>	<b>Kuwait KD</b>	<b>UAE KD</b>	<b>KSA KD</b>	<b>Turkey KD</b>	<b>Others KD</b>	<b>Total KD</b>
Total segment assets	78,810,934	113,559,934	16,325,350	35,245,806	10,841,921	254,783,945
Total segment liabilities	58,531,395	49,315,364	176,822	26,687,634	464,453	135,175,668

<b>2015</b>	<b>Kuwait KD</b>	<b>UAE KD</b>	<b>KSA KD</b>	<b>Turkey KD</b>	<b>Others KD</b>	<b>Total KD</b>
Total segment assets	76,690,952	132,525,087	16,443,599	14,967,240	10,414,809	251,041,687
Total segment liabilities	71,909,025	67,483,056	103,017	73,236	19,010	139,587,344



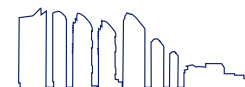
## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

2016	Kuwait KD	UAE KD	KSA KD	Turkey KD	Others KD	Total KD
<i>Other segmental information:</i>						
Net change in fair value of investment properties	(59,354)	307,933	(490,830)	-	(723,390)	(965,641)
Net gain arising on business combination	-	-	-	2,425,221	-	2,425,221
Share of results from joint venture and associate	2,267	-	-	1,052,805	-	1,055,072
Net gain on sale of a subsidiary	-	-	-	1,184,979	-	1,184,979
(Provision for) write back of impairment loss on properties held for trading	-	(296,282)	-	-	-	(296,282)

2015	Kuwait KD	UAE KD	KSA KD	Turkey KD	Others KD	Total KD
<i>Other segmental information:</i>						
Net change in fair value of investment properties	393,850	(11,035)	91,530	-	343,041	817,386
Net gain arising on business combination	-	-	-	-	-	-
Share of results from joint venture and associate	151,158	-	-	(23,033)	-	128,125
Net gain on sale of a subsidiary	-	-	-	-	-	-
(Provision for) write back of impairment loss on properties held for trading	-	1,411,010	-	-	-	1,411,010



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

ii) Secondary segment information:

<b>2016</b>	<b>Residential KD</b>	<b>Commercial KD</b>	<b>Others KD</b>	<b>Total KD</b>
Total segment revenue	49,708,896	5,463,329	-	55,172,225
Total segment assets	106,262,865	92,060,368	56,460,712	254,783,945

<b>2015</b>	<b>Residential KD</b>	<b>Commercial KD</b>	<b>Others KD</b>	<b>Total KD</b>
Total segment revenue	55,308,046	4,510,313	-	59,818,359
Total segment assets	121,397,261	62,262,456	67,381,970	251,041,687

### 28. CAPITAL COMMITMENTS

The Group has concluded construction contracts with third parties and is consequently committed to future capital expenditure in respect of properties under construction amounting to KD 13,191,774 (2015: KD 13,234,883).

The Group has commitments amounting to KD 5,218,925 (2015: KD 7,250,671) to purchase land from a third party.

### 29. FAIR VALUES MEASUREMENT

Financial instruments comprise financial assets and financial liabilities

The fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Note 4: Significant Accounting Policies.

#### *Financial instruments*

The Group held the following financial instruments available-for-sale that are fair valued at the reporting date in the consolidated statement of financial position:

<b>2016</b>	<b>Level 1 KD</b>	<b>Level 3 KD</b>	<b>Total KD</b>
Financial assets available-for-sale	60,013	7,203,068	7,263,081

<b>2015</b>	<b>Level 1 KD</b>	<b>Level 2 KD</b>	<b>Total KD</b>
Financial assets available-for-sale	2,022,930	7,146,012	9,168,942

Certain unquoted investments with carrying value of KD 1,863,879 (31 December 2015: KD 1,952,600) are carried at cost less impairment losses.





# Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

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

	At 1 January 2016	Reclassification from level 1 to level 3	Loss recorded in the consolidated statement of income	Gain recorded in other comprehensive income	Net purchases, sales and settlements	At 31 December 2016
	KD	KD	KD	KD	KD	KD
Financial assets available for sale:						
Funds and managed portfolio	7,146,012	1,961,956	(148,672)	92,046	(1,848,274)	7,203,068

	At 1 January 2015	Loss recorded in the consolidated statement of income	Loss recorded in other comprehensive income	Net purchases, sales and settlements	At 31 December 2015
	KD	KD	KD	KD	KD
Financial assets available for sale:					
Funds and managed portfolio	7,413,632	(16,708)	(250,912)	-	7,146,012

Description of significant unobservable inputs to valuation of financial assets:

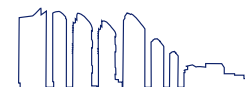
Managed portfolio and funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund. The information relating to valuation techniques and significant unobservable inputs to valuation to compute the sensitivity of the fair value measurement to changes in unobservable inputs is not available.

## Non-financial assets

Investment properties were classified under level 2 and level 3 fair value hierarchy as follows:

	Level 2 KD	Level 3 KD	Total KD
2016			
Investment properties	20,973,946	108,313,029	129,286,975

	Level 2 KD	Level 3 KD	Total KD
2015			
Investment properties	50,553,670	64,452,915	115,006,585



## Notes To The Consolidated Financial Statements

### AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

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

	<i>At 1 January 2016</i>	<i>Reclassification from level 2 to level 3</i>	<i>Loss recorded in the consolidated statement of income</i>	<i>Gain recorded in other comprehensive income</i>	<i>Net purchases, sales and settlements</i>	<i>At 31 December 2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Investment properties</i>	<b>64,452,915</b>	<b>31,463,371</b>	<b>(603,427)</b>	<b>472,064</b>	<b>12,528,106</b>	<b>108,313,029</b>

	<i>At 1 January 2015</i>	<i>Gain recorded in the consolidated statement of income</i>	<i>Gain recorded in other comprehensive income</i>	<i>Net purchases, sales and settlements</i>	<i>At 31 December 2015</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Investment properties</i>	50,498,006	423,536	1,872,348	11,659,025	64,452,915

Fair value of investment properties were determined using sales comparison approach and income capitalisation approach. The fair valuation conducted by valuers considering transaction prices of the property and similar properties in case of sales comparison approach and the significant unobservable valuation input used is the market price per square foot and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

Capitalisation of rental income method assumes capitalisation of annual rental income and the significant unobservable valuation input used is the capitalisation rate in the range of 5.8% to 9.5% (2015: 5.8% to 7%). A 5% increase in this input would result in an equivalent decrease in fair value.

Certain investment properties owned by the Group on Build Operate and Transfer (BOT) basis are valued using discounted cash flow method.

## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 30. RISK MANAGEMENT

#### *Introduction*

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

#### *Risk management structure*

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

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

#### *Excessive risk concentration*

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 geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

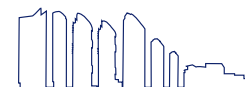
#### **30.1 Credit risk**

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 manages credit risk by setting limits for individual counter-parties, monitors credit exposures, and continually assesses the creditworthiness of counterparties, with the result that the Group's exposure to bad debts is not significant.

The Group trades only with recognised creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Group management.

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances, short term deposits the Group manages that risk by dealing only with reputable banks. The Group's exposure to credit risk arising from default of the counterparty has a maximum exposure equal to the carrying amount these instruments.

Due to the nature of the Group's business, the Group does not take collaterals against receivables.



## Notes To The Consolidated Financial Statements

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As At 31 December 2016

### 30.1.1 Gross maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk across the Group's financial assets.

*Financial assets of the Group subject to credit risk are distributed over the following geographical regions:*

	2016 KD	2015 KD
Kuwait	4,739,049	7,511,877
UAE	11,646,745	13,025,378
Turkey	9,101,695	-
Other	1,336,057	7,645
	<b>26,823,546</b>	<b>20,544,900</b>

The Group's exposure relates predominately to real estate and construction sectors.

There is no concentration of credit risk with respect to real estate receivables, as the Group has a large number of tenants.

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

The Group neither uses internal credit grading system nor external credit grades. The Group manages credit quality by ensuring that credit is granted only to known creditworthy parties.

### 30.1.3 Past due and impaired

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

### 30.2 Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and facilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future finance cost payments over the life of these financial liabilities.

31 December 2016	Within 1 year KD	12- years KD	Over 2 years KD	Total KD
Term Loans	2,912,234	1,870,280	6,779,524	11,562,038
Tawarruq and ijara payable	13,641,941	15,912,055	59,427,931	88,981,927
Accounts payable and other credit balances	13,585,304	3,217,127	3,073,984	19,876,415
Total undiscounted liabilities	30,139,479	20,999,462	69,281,439	120,420,380
Capital commitments	3,682,140	4,602,675	10,125,884	18,410,699





## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 30.2 Liquidity risk (continued)

<i>31 December 2015</i>	<i>Within 1 year KD</i>	<i>12- years KD</i>	<i>Over 2 years KD</i>	<i>Total KD</i>
Tawarruq and ijara payable	11,172,259	12,346,328	70,738,144	94,256,731
Accounts payable and other credit balances	11,467,525	3,035,569	1,397,142	15,900,236
Total undiscounted liabilities	22,639,784	15,381,897	72,135,286	110,156,967
Capital commitments	2,646,977	3,308,721	14,529,856	20,485,554

### 30.3 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 interest 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.

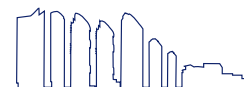
#### 30.3.1 Interest/profit rate risk

Interest/profit rate risk arises from the possibility that changes in interest/profit rates will affect future profitability or the fair values of financial instruments. Interest rate risk is managed by the finance department of the Parent Company. The Group is exposed to interest/profit rate risk on its interest bearing assets and liabilities (bank deposits and facilities) as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest/profit cost using a mix of fixed and variable rate debts. The Group's policy is to keep a substantial portion of its borrowings at variable rates of interest.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest/profit rates on the Group's profit before directors' remuneration and taxation, based on floating rate financial assets and financial liabilities held at 31 December 2016. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated statement of income to a reasonable charge in interest /profit rates of 50 basis points, with all other variables held constant.

	<i>50 basis points increase Effect in profit for the year</i>	
	<b>2016 KD</b>	2015 KD
Kuwait Dinars	<b>433,181</b>	401,832



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 30.3.2 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. All of the Group's quoted investments are quoted on the regional Stock Exchanges.

The effect on other comprehensive income (OCI) as a result of a change in the fair value of equity instruments held as available-for-sale financial assets at 31 December 2016 due to 5% increase in the following market indices with all other variables held constant is as follows:

Market indices	Effect on OCI	
	2016 KD	2015 KD
KSE ( $\pm 5\%$ )	-	1,962
Others	3,901	5,298

### 30.3.3 Foreign currency risk

Currency risk is the risk that the value of the financial instrument on monetary items will fluctuate due to changes in the foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the Kuwaiti Dinar. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

If the Kuwaiti Dinar had strengthened or weakened against the foreign currencies assuming a change of 5%, this would have the following impact on the consolidated statement of income:

	Effect on profit for the year	
	2016 KD	2015 KD
UAE Dirhams ( $\pm 5\%$ )	(101,293)	218,684



## Notes To The Consolidated Financial Statements

AL MAZAYA HOLDING K.S.C.P. AND ITS SUBSIDIARIES

As At 31 December 2016

### 31. 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 to maximise shareholder value and remain within the quantitative covenants of bank facilities.

The Group manages and adjusts its capital structure 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, issue new shares and obtain or settle bank facilities. No changes were made in the objectives, policies or processes during the year ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio as per the debt covenant for their bank facilities, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio below 60%. The Group includes within net debt, ijara payable, tawarruq payable less cash and bank balances. The Group considers equity as shown in the consolidated statement of financial position.

	2016 KD	2015 KD
Debts	86,636,199	80,366,446
Less: cash and bank balances	(6,023,890)	(1,930,983)
Net debt	80,612,309	78,435,463
Equity	119,608,277	111,454,343
Equity and net debt	200,220,586	189,889,806
Gearing Ratio	40.26%	41.31%

### 32. SALE OF SUBSIDIARY

On 11 February 2016, one of the Group's subsidiaries sold its 100% equity interest in Gulf Turkey Gayimenkul Yatirimlari Anonim Sirketi ("GTGYS") for a total consideration of KD 16,364,294 to Ritim. The sale of GTGYS resulted in a gain of KD 1,184,979 net of downstream elimination recognised in the consolidated statement of income.

The details of the consideration paid and the fair values of the assets and liabilities sold, equivalent to their carrying values, are summarised as follows:

	2016 KD
<b>Assets</b>	
Advances for purchase of properties	12,119,942
Other receivables	501
Cash and bank balances	1,102
Total assets transferred	12,121,545
<b>Liabilities</b>	
Other payables	(312)
Amount due to related parties	(445,671)
Total liabilities transferred	(445,983)
Net assets transferred	11,675,562
Consideration received	16,364,294
Foreign currency translation reserve	(3,094,556)
Gain on sale of a subsidiary	1,594,176
Less: adjustment for upstream/down-stream transaction	(409,197)
Net gain on sale of a subsidiary	1,184,979