Islamic Holding Group (Q.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC HOLDING GROUP (Q.S.C.)

Report on the Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, 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 have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

We identified the following key audit matter:

Bank balances with customers' funds and due to customers

The Group's bank balances with customer funds and due to customers account for 58 % and 98.5% respectively of its consolidated total assets and consolidated total liabilities as at 31 December 2016. Bank balances with customer funds arises from deposit made by and collection on behalf of customers on share trade transactions and is included in the due to customers as a liability account. Due to the magnitude of the account balances, nature and high volume of transactions, we have determined the existence of the bank balances with customer's fund and the completeness of the due to customers as key audit matter in our audit.

We obtained confirmations of bank balances for all depository accounts. In addition, we examined the bank reconciliations for all the banks accounts at year end to verify the proper reconciliation between bank confirmation and general ledger accounts.

We also performed analytical procedures and examined the reconciliation between the bank account with customer funds and the due to customers' accounts.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC HOLDING GROUP (Q.S.C.) (CONTINUED)

Other information

Other information consists of the information included in the Group's 2016 Annual Report other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC HOLDING GROUP (Q.S.C.) (CONTINUED)

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Group and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 11 of 2015 and the Company's Articles of Association We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material effect on the business of the Group or on its financial position

Ziad Nader
Of Ernst & Young
Auditor's Registration No. 258

Date:
Doha

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	***2016 QR***	*2015 QR*
ASSETS			
Current assets			
Bank balances		**130,189,069**	51,134,088
Bank balances - customers' funds	5	**214,345,334**	157,877,026
Due from Qatar Central Securities Depository (QCSD)		**8,235,491**	24,582,819
Prepayments and other debit balances	6	**2,724,360**	2,991,448
Total current assets		**355,494,254**	236,585,381
Non-current assets			
Investment properties	7	**8,934,858**	8,412,907
Available for sale financial assets	8	**3,287,986**	3,287,986
Property and equipment	9	**980,259**	896,281
Total non-current assets		**13,203,103**	12,597,174
Total assets		**368,697,357**	249,182,555
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to customers		**222,585,205**	182,524,590
Accrued expenses and other credit balances	10	**2,031,368**	3,512,595
Total current liabilities		**224,616,573**	186,037,185
Non-current liability			
Employees' end of service benefits	11	**1,318,309**	1,164,229
Total liabilities		**225,934,882**	187,201,414
Shareholders' equity			
Share capital	12	**56,635,810**	40,000,000
Legal reserve	13	**78,780,322**	12,638,207
Retained earnings		**7,346,343**	9,342,934
Total shareholders' equity		**142,762,475**	61,981,141
Total liabilities and shareholders' equity		**368,697,357**	249,182,555

Dr. Yousuf Ahmad Hussain Al Nama
Chairman and Managing Director

Abdulrahman Abduljaleel Abdulghani
Deputy Chairman

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016

	Notes	***2016*** ***QR***	*2015* *QR*
Brokerage and commission income		**15,369,529**	18,866,952
Brokerage and commission expense		**(4,780,695)**	(5,175,093)
Brokerage and commission income, net		**10,588,834**	13,691,859
Income from saving accounts with Islamic banks		**1,766,081**	510,304
Net gain on sale of investment properties	15	**-**	1,185,870
Dividends income		**-**	98,280
Net loss from sale of available of sale financial assets	8	**-**	(402,326)
Gain/(Loss) on revaluation of investment properties	7	**466,206**	(8,288)
Net operating income		**12,821,121**	15,075,699
Other income		**-**	3,540
General and administrative expenses	14	**(8,715,061)**	(8,968,299)
Profit for the year		**4,106,060**	6,110,940
Basic and diluted earnings per share	16	**0.72**	1.53

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	***2016*** ***QR***	*2015* *QR*
Profit for the year		**4,106,060**	6,110,940
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available for sale financial assets	8	**-**	249,962
Total comprehensive income for the year		**4,106,060**	6,360,902

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital QR	*Legal reserve QR*	*Retained earnings QR*	*Fair value reserve QR*	*Total QR*
As at 1 January 2015	40,000,000	11,909,409	16,113,566	(249,962)	67,773,013
Profit for the year	-	-	6,110,940	-	6,110,940
Other comprehensive income for the year	-	-	-	249,962	249,962
Total comprehensive income for the year	-	-	6,110,940	249,962	6,360,902
Dividends paid to shareholders (Note 17)	-	-	(12,000,000)	-	(12,000,000)
Transferred to legal reserve (Note 13)	-	728,798	(728,798)	-	-
Contribution to social and sports fund (Note 18)	-	-	(152,774)	-	(152,774)
As at 31 December 2015	40,000,000	12,638,207	9,342,934	-	61,981,141
Profit for the year and the comprehensive income for the year	-	-	4,106,060	-	4,106,060
Total comprehensive income for the year	-	-	4,106,060	-	4,106,060
Share capital increase (Note 12)	16,635,810	66,142,115	-	-	82,777,925
Dividends paid to shareholders (Note 17)	-	-	(6,000,000)	-	(6,000,000)
Contribution to social and sports fund (Note 18)	-	-	(102,651)	-	(102,651)
As at 31 December 2016	**56,635,810**	**78,780,322**	**7,346,343**	**-**	**142,762,475**

The attached notes 1 to 24 form part of consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	***2016*** ***QR***	*2015* *QR*
Operating activities			
Profit for the year		**4,106,060**	6,110,940
Adjustments for:			
Depreciation expense	9	**313,461**	230,543
Bank charges	14	**226,849**	221,503
Provision for employees' end of service benefits	11	**154,080**	176,245
Net gain from sale of investment properties	15	**-**	(1,185,870)
Net loss from sale of available for sale financial assets		**-**	402,326
Dividends income		**-**	(98,280)
(Gain)/Loss on revaluation of investment properties	7	**(466,206)**	8,288
Income from saving accounts with Islamic banks		**(1,766,081)**	(510,304)
		2,568,163	5,355,391
Working capital changes:			
Bank balances – customers' funds		**(56,468,308)**	306,089,802
Due from Qatar Central Securities Depository (QCSD)		**16,347,328**	2,298,449
Prepayments and other debit balances		**267,087**	(3,627,076)
Due to customers		**40,060,615**	(308,692,316)
Accrued expenses and other credit balances		**(1,481,291)**	(200,404)
Cash from operations		**1,293,594**	1,223,846
Bank charges paid	14	**(226,849)**	(221,503)
Employees end of service benefits paid	11	**-**	(99,821)
Net cash flows from operating activities		**1,066,745**	902,522
Investing activities			
Purchases of property and equipment	9	**(397,439)**	(904,149)
Additions of investment properties	7	**(55,745)**	-
Proceeds from sale of available for financial assets	8	**-**	2,122,267
Dividends income		**-**	98,280
Proceeds from sales of investment properties	15	**-**	6,800,000
Income from saving accounts with Islamic banks received		**1,766,081**	510,304
Cash flows from investing activities		**1,312,897**	8,626,702
Financing activities			
Proceeds from increase in share capital		**82,675,339**	-
Dividends paid to shareholders	17	**(6,000,000)**	(12,000,000)
Cash flows from (used in) financing activities		**76,675,339**	(12,000,000)
Net increase (decrease) in Bank balances		**79,051,981**	(2,470,776)
Bank balances at 1 January		**51,134,088**	53,604,864
Bank balances at 31 December		**130,189,069**	51,134,088

The attached notes 1 to 24 form part of these consolidated financial statements.

1 GENERAL INFORMATION

Islamic Holding Group (Q.S.C) is a Qatari Public shareholding Company and registered under the Commercial Registration under No. 26337. The principal activities of the Company are investing in shares, bonds and brokerage services in Qatar Exchange according to the Islamic Sharea'a. The Company is governed by the provisions of Qatar Commercial Companies' Law No.11 of 2015 and the regulations of Qatar Financial Market Authority and Qatar Stock Exchange.

These consolidated financial statements include the financial statements of the Company and its subsidiaries "Islamic Financial Securities Company (W.L.L.) and Ajyad Real Estate Company (W.L.L.) (hereinafter referred to as the "Group").

Islamic Financial Securities Company (W.L.L.) was registered in the State of Qatar under Commercial Registration No. 46645 as a Single Owner Company on 19 July 2010. It is fully owned by the Islamic Holding Group (Q.S.C.) ("the Company" or "the Parent"). The principal activities of the Company are brokerage services.

Ajyad Real Estate Company (W.L.L.) was incorporated in the state of Qatar as Single Owner Company under Commercial Registration No. 56091 dated 4 June 2014. The Company is fully owned by the Parent Company, Islamic Holding Group (Q.S.C). The principal activities of the Company are real estate trading and brokerage activities.

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 25 January 2017.

2 BASIS OF PREPARATION AND CONSOLIDATION

2.1 Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards IFRS as issued by the International Standards Accounting Board (IASB) and applicable requirements of Qatar Commercial Companies' Law No. 11 of 2015.

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

The consolidated financial statements are presented in Qatari Riyals, which is the Group's functional and presentational currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to consolidated financial statements are disclosed in note 24.

2 BASIS OF PREPARATION AND CONSOLIDATION (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group 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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

The Group's subsidiaries included in these consolidated financial statements are:

Company's name	*Country of incorporation*	*Company's activities*	*Percentage of ownership 31 December 2016*	*Percentage of ownership 31 December 2015*
Islamic Financial Securities Company (W.L.L.)	Qatar	Brokerage services	**100%**	100%
Ajyad Real Estate Company (W.L.L.)	Qatar	Real Estate	**100%**	100%

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective for annual periods beginning on or after 1 January 2016, which did not have any impact to the Group:

Topic	***Effective date***
Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 1: Disclosure Initiative	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 investment Entities: Applying the Consolidation Exception	1 January 2016
Annual Improvements 2012 - 2014 Cycle	1 January 2016

These amendments do not have any impact on the Group.

Standards issued but not yet effective

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

Topic	***Effective date***
IAS 7 Disclosure Initiative – Amendments to IAS 7	1 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (an entity that early adopts the amendments must apply them prospectively)	Deferred indefinitely

4 SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or impairment losses, if any. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in the statement of income as incurred.

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

· Furniture and fixtures	5 years
· Computers, software and office equipment	3 to 5 years
· Leasehold improvements	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, being the higher of their fair value less costs to sell and their value in use.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)
An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer.

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

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 CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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

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

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost, less impairment.. The amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss.

This category generally applies to accounts receivable, related party receivables, other receivables, and interest receivable. Trade and other receivables and non-current deposits.

Available-for-sale financial assets

Available-for-sale financial assets are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale financial assets are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity through other comprehensive income. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as “fair value reserve” within equity is included in the statement of income for the year.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired

Or

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

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

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

Impairment of financial assets

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

Bank balances

For the purposes of the statement of cash flows, Bank balances consist of balances with banks and short term deposits with original maturity of less than three months.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, 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 profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The Group also provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff cost in the statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Foreign currencies

The Group's consolidated financial statements are presented in Qatar Riyals, which is also the parent company's functional currency. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the statement of income.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as due to customers, accrued expenses or other credit balances, as appropriate.

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

The Group's financial liabilities include due to customers, accrued expenses or other credit balances.

Recognition financial liabilities

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 statement of income.

Current versus non-current classification

The Group presents assets and liabilities based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in 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

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current versus non-current classification (continued)
The Group classifies all other assets as non-current

A liability is current when:

- It is expected to be settled in 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 periodThe Group classifies all other liabilities as non-current.

Fair value measurement
The Group measures financial instruments at fair value at each balance sheet 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 by the Group.

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

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

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

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

For assets and liabilities that are recognised in the financial statements at fair value 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.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

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

Commission and brokerage income is recognised on completion of selling or purchasing transaction and the right to receive income is retained.

Dividend income is recognised when the right to receive the dividend is established.

Profit from Islamic deposits recognised upon the profit maturity.

5 BANK BALANCES – CUSTOMERS' FUND

Represent bank balances for the customers, which the Group holds in trust until the customers commit those funds to the purchase of shares, following which the Group transfers the committed funds to the Group's bank accounts and settles with the settlement authority. These bank balances are in correspondence with the due to customers account as a liability.

6 PREPAYMENTS AND OTHER DEBIT BALANCES

	2016 ***QR***	*2015* *QR*
Refundable deposits	**2,000,250**	2,000,250
Prepaid expenses	**665,660**	911,603
Other assets	**58,450**	79,595
Total	**2,724,360**	2,991,448

7 INVESTMENT PROPERTIES

	2016 ***QR***	*2015* *QR*
At 1 January	**8,412,907**	-
Additions during the year	**55,745**	14,035,325
Disposal of properties during the year (Note 15)	**-**	(5,614,130)
Gain(Loss) on revaluation of investment properties	**466,206**	(8,288)
At 31 December	**8,934,858**	8,412,907

(i) Investment properties are located in the State of Qatar.

(ii) The fair value of investment properties at 31 December 2016 has been arrived based on a valuation carried out at that date by an independent valuer not related to the Group. The valuations were prepared by certified valuer specialized in the valuation of real estate and similar activities. The fair value was determined based on the market comparable approach for the value of the land and recent transaction prices for similar properties for the value of the building. In estimating the fair value of the properties, the lowest and best use of the properties is their current use. The investment properties were within level 2 fair value measurements hierarchy.

During the year ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

8 AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets include the following:

	2016 ***QR***	*2015* *QR*
Unquoted equity securities		
Equity securities – Qatar	**3,287,986**	3,287,986
Total	**3,287,986**	3,287,986

8 AVAILABLE FOR SALE FINANCIAL ASSETS (CONTINUED)

The movement in available for sale financial assets balance during the year is illustrated as follows:

	2016 ***QR***	*2015* *QR*
At 1 January	**3,287,986**	5,562,617
Disposal during the year	**-**	(2,122,267)
Net movement in fair value reserve	**-**	249,962
Loss on sale of available for sale financial assets	**-**	(402,326)
At 31 December	**3,287,986**	3,287,986

Equity securities represents investment made in a privately held Company in the State of Qatar. This investment is carried at cost since the fair value cannot be reliably measured. Management believes that the balance is not impaired based on the latest available information.

9 PROPERTY AND EQUIPMENT

	Computers, software and office equipment *QR*	*Furniture and fixtures* *QR*	*Leasehold improvements* *QR*	*Motor vehicles* *QR*	*Total* *QR*
Cost:					
As at 1 January 2016	8,345,310	672,972	2,013,671	72,777	11,104,730
Additions	384,409	-	13,030	-	397,439
As at 31 December 2016	8,729,719	672,972	2,026,701	72,777	11,502,169
Depreciation:					
As at 1 January 2016	8,069,621	660,724	1,414,311	63,793	10,208,449
Charge for the year	188,965	4,495	111,019	8,982	313,461
As at 31 December 2016	8,258,586	665,219	1,525,330	72,775	10,521,910
Net book value:					
As at 31 December 2016	**471,133**	**7,753**	**501,371**	**2**	**980,259**

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Computers, software and office equipment QR	*Furniture and fixtures QR*	*Leasehold improvements QR*	*Motor vehicles QR*	*Total QR*
Cost:					
As at 1 January 2015	8,174,416	672,062	1,298,326	72,777	10,217,581
Additions	187,894	910	715,345	-	904,149
Disposals	(17,000)	-	-	-	(17,000)
As at 31 December 2015	8,345,310	672,972	2,013,671	72,777	11,104,730
Depreciation:					
As at 1 January 2015	7,994,299	656,144	1,290,470	53,993	9,994,906
Charge for the year	92,322	4,580	123,841	9,800	230,543
Disposals	(17,000)	-	-	-	(17,000)
As at 31 December 2015	8,069,621	660,724	1,414,311	63,793	10,208,449
Net book value:					
As at 31 December 2015	275,689	12,248	599,360	8,984	896,281

10 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2016* *QR	*2015* *QR*
Payable to shareholders from sale of shares (Note 19)	**1,247,794**	1,165,873
Dividend payable	**258,993**	370,725
Accrued expenses	**185,512**	291,105
Notes payable	**107,039**	214,078
Provision for sport and social activities contribution	**102,651**	152,774
Due to shareholders from subscription surplus	**40,311**	-
Al Tashelat Islamic Company W.L.L (Note 19)	**-**	840,000
Directors remunerations	**-**	304,500
Other payables	**89,068**	173,540
Total	**2,031,368**	3,512,595

11 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision recognised in the consolidated statement of financial position are as follows:

	2016* *QR	*2015* *QR*
Provision as at 1 January	**1,164,229**	1,087,805
Provided during the year	**154,080**	176,245
Paid during the year	**-**	(99,821)
Provision as at 31 December	**1,318,309**	1,164,229

12 SHARE CAPITAL

	31 December 2016 QR	*31 December 2015 QR*
Authorised and paid up 5,663,581 shares with a value of QR 10 per share (31 December 2015: 4,000,000 shares)	**56,635,810**	40,000,000

During the year, the group has increased the authorised capital from 4,000,000 shares to 5,663,581 shares after completing subscription in the right issue process and amending the commercial register.

On shareholders meeting dated 15 March 2015, the Board of Directors proposed to increase the current share capital by 50% with a total number of shares to become 6,000,000 shares. During its meeting dated 4 May 2015, the share price was determined by the Board of Directors, upon a fair value study prepared by an independent evaluator, to be QR 10 per unit in addition to QR 40 as share premium. As a result of the subscription in the right issue process during 2016, the capital has increased by QR 16,635,810 equivalent to 1,663,581 shares to be 5,663,581 shares and the share premium was QR 66,142,115 which is included in the legal reserve in accordance with company law No. 11 of 2015.

13 LEGAL RESERVE

As required by Qatar Commercial Companies' Law No. 11 of 2015, and the Company's articles of association, a minimum of 10% of the net profit for the year should be transferred to legal reserve each year until this reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above-mentioned law.

As the reserve exceeded more than 50% of the share capital, it was decided that no transfer to legal reserve for the year ended 31 December 2016 (2015: QR 728,798).

An amount of QR 455,100 has been transferred to the retained earnings from the legal reserve related to the subsidiaries as the consolidated legal reserve has exceeded 50% of the share capital.

14 GENERAL AND ADMINSTRATIVE EXPENSES

	2016 QR	*2015 QR*
Staff costs	**3,699,129**	3,970,233
Rent	**1,725,942**	1,310,270
Telephone and postage	**588,899**	575,325
Repair and maintenance	**554,165**	614,200
Brokerage fees	**367,200**	442,200
Professional fees	**327,500**	287,500
Depreciation (Note 9)	**313,461**	230,543
Bank charges	**226,849**	221,503
Annual leave	**175,295**	220,826
Provision for employees' end of service benefits (Note 11)	**154,080**	176,245
Advertising and marketing expense	**113,456**	131,364
Air tickets	**100,695**	148,803
Government fees	**44,597**	82,874
Stationery and printings	**24,505**	38,844
Vehicles expenses	**7,983**	8,789
Board of Directors remuneration (Note 19)	**-**	304,500
Subscriptions	**-**	23,210
Miscellaneous expenses	**291,305**	181,070
	8,715,061	8,968,299

15 NET GAIN ON SALE OF INVESTMENT PROPERTIES

During the year ended 31 December 2015, the Group sold an investment property to Al Tashelat Islamic Company W.L.L , a related party, while there are no investments properties sold for the year ended 31 December 2016. The details of this transaction are summarised as follow:

	2016	*2015*
	QR	*QR*
Proceed from sale of investment properties	**-**	6,800,000
Cost of purchase of investment properties	**-**	(5,614,130)
Net gain on sale of investment properties	**-**	1,185,870

16 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	2016	*2015*
	QR	*QR*
Profit for the year (QR)	**4,106,060**	6,110,940
Weighted average number of shares	**5,663,581**	4,000,000
Basic earnings per share (QR)	**0.72**	1.53

There were no potentially diluted shares outstanding at any time during the year and therefore the diluted earnings per share is equal to the basic earnings per share.

17 DIVIDENDS

During the annual General Assembly Meeting of the Company held on 16 February 2016, the shareholders approved cash dividends of QR 1.5 per share totaling to QR 6,000,000 relating to 2015. The dividends was paid during the year.

During the annual General Assembly Meeting of the Company held on 11 February 2015, the shareholders approved cash dividends QR 3 per share totalling to QR 12,000,000 relating to 2014. The dividends was paid during the year.

18 CONTRIBUTION TO SOCIAL AND SPORTS FUND

According to Qatari Law No. 13 of 2008 and the related clarifications issued in January 2010, the Group is required to contribute 2.5% of its consolidated annual net profits to the state social and sports fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income. Hence, this is recognised in the consolidated statement of changes in equity.

During the year, the Group appropriated an amount of QR 102,651 (2015: QR 152,774) representing 2.5% of the consolidated net profit for the year.

19 RELATED PARTIES TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management. The transactions with related parties are made in terms equivalent to those that prevail in an arm's length transactions.

Outstanding balances as at the year-end are unsecured, no fixed terms of repayment have been arranged and bear no interest. However, in the opinion of the management, the balances are due on demand and have been classified as current.

19 RELATED PARTIES TRANSACTIONS (CONTINUED)

Transactions with related parties included in the consolidated statement of income are as follows:

	2016	*2015*
	QR	*QR*
Income from saving accounts with Islamic banks	**1,766,080**	510,304
Brokerage and commission income, net	**5,849,448**	3,260,219
Returned commissions	**2,920,158**	1,517,596
Gain on sale of investment properties	**-**	1,185,870

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

Due to related parties:

	2016	*2015*
	QR	*QR*
Al Tashelat Islamic Company W.L.L (Note 10)	**-**	840,000
Payable to shareholders from sale of share (Note 10)	**1,247,794**	1,165,873
Bank balances- Group Funds	**56,547,833**	39,103,796
Bank balances- Customer Funds	**214,345,334**	157,876,687

Key management remuneration

The remuneration of directors and other members of key management during the year were as follows:

	2016	*2015*
	QR	*QR*
Short term benefits and Board of Directors Remuneration	**1,371,600**	1,652,100

20 FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk, credit risk and liquidity risk. The Group's management oversees the management of these risks. All activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The Group's principal financial liabilities comprise term loans, retention payable, customer deposits and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, noncurrent deposits and cash and fixed deposits that derive directly from its operations.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Group's income or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return The Group is not exposed to foreign currencies risk as the Group has no foreign currency balances. Also, the Group is not exposed to interest rate risk, as the Group conducts its activity in accordance to Islamic Sharea'a.

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 is exposed to credit risk` on its bank balances – customer funds, due from Qatar Exchange and certain other assets as reflected in the statement of financial position.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits and monitoring outstanding receivables. The Group provides brokerage services to a large number of customers and no single customer accounts for more than 10% of the outstanding receivables.

With respect to credit risk arising from the financial assets of the Group, including receivables and bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the statement of financial position.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross.

	2016 ***QR***	*2015* *QR*
Bank balances	**130,189,069**	51,134,088
Bank balances - customer funds (Note 5)	**214,345,334**	157,877,026
Due from Qatar Central Securities Depository (QCSD)	**8,235,491**	24,582,819
Other assets (Note 6)	**58,450**	79,595
	352,828,344	233,673,528

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the its reputation.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2016	***On demand QR***	***Less than 1 year QR***	***Total QR***
Due to customers	**222,585,205**	**-**	**222,585,205**
Accrued expenses and other credit balances	**-**	**2,031,368**	**2,031,368**
Total	**222,585,205**	**2,031,368**	**224,616,573**

At 31 December 2015	*On demand QR*	*Less than 1 year QR*	*Total QR*
Due to customers	182,524,590	-	182,524,590
Accrued expenses and other credit balances	-	3,512,595	3,512,595
Total	182,524,590	3,512,595	186,037,185

Capital management

The Group manages its capital structure and no adjustments were made, in light of changes in economic and business conditions and shareholders' expectation. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises share capital, legal reserve and retained earnings, and is measured at QR 142,762,475 at 31 December 2016 (2015: QR 61,981,141).

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and bank balances and bank balances – customers' funds, held by the Group as at 31 December 2016:

31 December 2016	***Carrying value QR***	***Fair value QR***
Financial assets:		
Due from Qatar Central Securities Depository (QCSD)	**8,235,491**	**8,235,491**
Other assets (Note 6)	**58,450**	**58,450**
Total	**8,293,941**	**8,293,941**
Financial liabilities:		
Due to customers	**222,585,205**	**222,585,205**
Accrued expenses and other credit balances (Note 10)	**2,031,368**	**2,031,368**
Total	**224,616,573**	**224,616,573**

31 December 2015	*Carrying value QR*	*Fair value QR*
Financial assets:		
Due from Qatar Central Securities Depository (QCSD)	24,582,819	24,582,819
Other assets (Note 6)	79,595	79,595
Total	24,662,414	24,662,414
Financial liabilities:		
Due to customers	182,524,590	182,524,590
Accrued expenses and other credit balances (Note 10)	3,512,595	3,512,595
Total	186,037,185	186,037,185

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable and willing parties transacting at "arm's length". The accounting convention under which the consolidated financial statements have been prepared is disclosed in Note 4 (i.e. historical cost convention). The carrying value of the Group's financial instruments as recorded could therefore be different from the fair value. However, in management's opinion the fair values of the Group's financial assets and liabilities approximate to their carrying amounts.

Fair value hierarchy

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

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

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

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

21 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

For financial instruments that are recognised at fair value of 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.

The group does not have any financial instrument carried at fair value. Unquoted available for sale equity investments amounting to QR 3,287,986 (31 December 2015: QR 3,287,986) are recorded at cost since the fair value cannot be reliably measured. As at 31 December 2016, the management has assessed that there is no indication of impairment for the unquoted available for sale financial assets.

22 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their nature of activities and has three reportable segments and other activities. The three reportable segments are as follows:

- Brokerage – this segment includes financial brokerage services provided to customers;
- Real Estate – this segment includes providing property management, marketing and sales services for real estate
- Others – represents the Holding Company, which provides corporate services to the subsidiaries in the Group.

Management monitors the operating results of the operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Transfer pricing between operating segments are on arm’s length basis in a manner similar to transactions with third parties.

22 SEGMENT INFORMATION (CONTINUED)

Based on the nature of core activities of the business, the Group is segmented into three major operating segments. The major operating segments are given below with their respective revenue, results and analysis of assets and liabilities

31 December 2016	***Brokerage service***	***Real estate***	***Other***	***Total***	***Adjustments and eliminations***	***Consolidated***
Net brokerage and commission income	**10,588,834**	**-**	**-**	**10,588,834**	**-**	**10,588,834**
Others	**450,615**	**1,187,583**	**5,195,660**	**6,833,858**	**(4,601,572)**	**2,232,286**
Segment revenue	**11,039,449**	**1,187,583**	**5,195,660**	**17,422,692**	**(4,601,572)**	**12,821,120**
Segment profit	**3,611,363**	**939,641**	**3,650,958**	**8,201,962**	**(4,095,905)**	**4,106,060**
Depreciation	**275,469**	**-**	**37,992**	**313,461**	**-**	**313,461**

31 December 2015	*Brokerage service*	*Real estate*	*Other*	*Total*	*Adjustments and eliminations*	*Consolidated*
Net brokerage and commission income	13,691,859	-	-	13,691,859	-	13,691,859
Gain on sale of investment properties	-	1,185,870	-	1,185,870	-	1,185,870
Others	379,876	10,616	7,454,743	7,845,235	(7,331,391)	513,844
Segment revenue	14,071,735	1,196,486	7,454,743	22,722,964	(7,331,391)	15,391,573
Segment profit	6,336,152	951,830	5,246,292	12,534,274	(6,521,614)	6,110,940
Depreciation	195,713	-	34,830	230,543	-	230,543

22 SEGMENT INFORMATION (CONTINUED)

The following table presents the segments assets and liabilities:

At 31 December 2016	***Brokerage Service***	***Real estate***	***Other***	***Total***	***Adjustments and eliminations***	***Consolidated***
Segment assets	**282,528,393**	**51,302,835**	**139,467,701**	**473,298,929**	**(104,601,572)**	**368,697,357**
Segment liabilities	**224,413,308**	**119,405**	**1,908,319**	**226,441,032**	**(505,668)**	**225,934,882**

At 31 December 2015	*Brokerage Service*	*Real estate*	*Other*	*Total*	*Adjustments and eliminations*	*Consolidated*
Segment assets	225,006,290	9,010,876	52,975,163	286,992,329	(37,809,776)	249,182,555
Segment liabilities	184,800,031	2,948,009	2,263,152	190,011,192	(2,809,776)	187,201,414

23 CONTINGENT LIABILITIES

	2016	*2015*
	QR	*QR*
Letters of guarantee	**125,000,000**	125,000,000

24 SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and certain disclosures at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

Useful lives of property and equipment
The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Classification of investment securities
On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making and cash generation. All other investments are classified as "available-for-sale". The Group accounts for investments in equity securities as investment in associate only when significant influence over the investee's operations can be proved to exercise, else and regardless of the ownership share, the investment is classified as available-for-sale

Impairment of available for sale financial assets
For available for sale financial assets, the Group assess at each reporting date whether there is objective evidence that an investment or Group of investments 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 investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Valuation of property
Investment properties are stated at fair value. The Group used external, independent evaluators to determine the fair value of the investment properties. The independent evaluator uses the market situations, estimated yield and expected future cash flows and the recent real estate transactions with similar characteristics and location of properties for the valuation of investment properties.