SOKOUK HOLDING COMPANY K.S.C.P
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOKOUK HOLDING COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Report on the Consolidated Financial Statements (continued)

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
We draw attention to the following:

i) Note 9 to the consolidated financial statements, which states that Munshaat Real Estate Projects Company K.S.C.P. (an associate of the Company or 'Munshaat') has received a tax demand notice amounting to SAR 1,891 million (equivalent to KD 153 million) from the Department of Zakat and Income Tax ('DZIT), Kingdom of Saudi Arabia ("tax claim"). In response to the tax claim, Munshaat has filed an objection letter with DZIT. Based on the advice from the tax consultant, the management of Munshaat has estimated and recorded a potential liability against the tax claim representing Zakat, withholding tax and related penalties in the consolidated finanical statements. Notwithstanding the above facts, there is a significant material uncertainty as to the outcome of the tax claim. The provision recognised in the books as at 31 December 2015 represents the best estimate from the management of Munshaat.

ii) Note 9 to the consolidated financial statements which states that during the year, the contractor of one of the properties of Munshaat in Kingdom of Saudi Arabia has claimed an amount of SAR 501 million (equivalent to KD 41 million) from Munshaat and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in completing the project. The case is currently under arbitration with the Saudi Arbitration Committee. The management of Munshaat, based on the advice from an independent legal counsel, believes that the outcome of the arbitration ruling would most probably be in favour of Munshaat and hence no provision has been recognised for this claim in the consolidated financial statements as at 31 December 2015.

iii) Note 12 to the consolidated financial statements which describes the uncertainty related to the final outcome of an ongoing lawsuit in relation to a trading property owned by the Company.

Our opinion is not qualified in respect to the above matters.

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Board of Directors relating to these 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 financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, the executive regulation of Law No. 25 of 2012 and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and the executive regulation of Law No. 25 of 2012 or of the Company's Memorandum of Incorporation and Articles of Association, as amended have occurred during the year ended 31 December 2015, that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2015 that might have had a material effect on the business of the Company or on its financial position.

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

DR. ALI OWAID RUKHEYES
LICENCE NO. 72-A
MEMBER OF NEXIA INTERNATIONAL – (ENGLAND)
ALWAHA AUDITING OFFICE

7 April 2016
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
INCOME			
Hospitality income		**984,826**	-
Hospitality costs		**(1,275,342)**	-
Gross loss		**(290,516)**	-
Income from investment properties	4	**55,781**	403,177
Net investment income	5	**3,807**	205,534
Share of results of associates	9	**258,687**	4,454,299
Foreign exchange gain		**49,553**	78,470
Gain on sale of non-current assets held for sale		**-**	8,616
Management fees income		**105,792**	107,864
Other income		**67,712**	73,793
		250,816	5,331,753
EXPENSES			
Staff costs		**(1,311,122)**	(1,027,749)
Administrative expenses		**(1,026,783)**	(305,676)
Reversal of impairment loss on property and equipment	10	**2,366,145**	755,627
Net (provisions) / reversals	6	**(34,806)**	775,486
Finance costs		**(1,241,197)**	(424,673)
		(1,247,763)	(226,985)
(LOSS) PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), PROVISIONS FOR NLST, ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		**(996,947)**	5,104,768
KFAS		**-**	(8,797)
NLST		**-**	(1,848)
Zakat		**-**	(739)
Board of directors' remuneration	13	**-**	(80,000)
(LOSS) PROFIT FOR THE YEAR		**(996,947)**	5,013,384
Attributable to:			
Equity holders of the Company		**(764,320)**	5,012,348
Non-controlling interests		**(232,627)**	1,036
		(996,947)	5,013,384
Basic and diluted (loss) earnings per share attributable to equity holders of the Company	3	**(1.3) fils**	8.8 fils

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	***2015*** ***KD***	*2014* *KD*
(LOSS) PROFIT FOR THE YEAR		**(996,947)**	5,013,384
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income (loss) reclassifiable to consolidated statement of income in subsequent periods:			
Change in fair value of financial assets available for sale		**-**	(12,717)
Foreign currency translation adjustments		**140,965**	93,325
Share of other comprehensive income of associate		**173,252**	-
Net other comprehensive income for the year reclassifiable to consolidated statement of income in subsequent periods		**314,217**	80,608
Other comprehensive loss for the year reclassified to consolidated statement of income:			
Net gain recycled to consolidated statement of income on sale of financial assets available for sale	5	**-**	(82,283)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**314,217**	(1,675)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(682,730)**	5,011,709
Attributable to:			
Equity holders of the Company		**(450,103)**	5,010,673
Non-controlling interests		**(232,627)**	1,036
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(682,730)**	5,011,709

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
ASSETS			
Cash and cash equivalents		**2,261,711**	1,141,194
Accounts receivables and prepayments	7	**9,787,501**	9,191,168
Inventories		**64,966**	-
Sokouk utilization rights		**26,600**	35,353
Financial assets available for sale	8	**3,578,220**	3,831,533
Investment in associates	9	**54,184,834**	57,447,977
Property and equipment	10	**35,480,005**	31,560,882
Investment properties	11	**6,212,000**	6,482,000
Trading property	12	**1,500,022**	1,500,022
TOTAL ASSETS		**113,095,859**	111,190,129
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**59,314,500**	56,490,000
Statutory reserve	14	**2,895,475**	2,895,475
Voluntary reserve	14	**2,895,475**	2,895,475
Treasury shares	14	**(1,769,871)**	(1,769,871)
Effect of changes in other comprehensive income of associates		**157,512**	(15,740)
Foreign currency translation adjustments		**175,310**	34,345
Other reserves		**(258,172)**	-
Retained earnings		**14,851,468**	18,440,288
Equity attributable to equity holders of the Company		**78,261,697**	78,969,972
Non-controlling interests		**1,184,544**	1,158,999
Total equity		**79,446,241**	80,128,971
Liabilities			
Islamic finance payables	15	**31,255,741**	28,594,802
Accounts payable and accruals	16	**2,102,807**	2,233,031
Employees' end of service benefits		**291,070**	233,325
Total liabilities		**33,649,618**	31,061,158
TOTAL EQUITY AND LIABILITIES		**113,095,859**	111,190,129

Mr. Ghanem Yousef Abdullah Al-Ghanem
Chairman

Mr. Feras Fahad Al Bahar
Chief Executive Officer

The attached notes 1 to 22 form part of these consolidated financial statements.

Sokouk Holding Company K.S.C.P and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company											
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Effect of changes in other comprehensive income of associates KD*	*Foreign currency translation adjustments KD*	*Cumulative changes in fair value reserve KD*	*Other reserves KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
At 1 January 2015	56,490,000	2,895,475	2,895,475	(1,769,871)	(15,740)	34,345	-	-	18,440,288	78,969,972	1,158,999	80,128,971
Loss for the year	-	-	-	-	-	-	-	-	(764,320)	(764,320)	(232,627)	(996,947)
Other comprehensive income for the year	-	-	-	-	173,252	140,965	-	-	-	314,217	-	314,217
Total comprehensive income (loss) for the year	-	-	-	-	173,252	140,965	-	-	(764,320)	(450,103)	(232,627)	(682,730)
Ownership changes in subsidiaries without loss of control (Note 14)	-	-	-	-	-	-	-	(258,172)	-	(258,172)	258,172	-
Bonus shares (Note 14)	2,824,500	-	-	-	-	-	-	-	(2,824,500)	-	-	-
At 31 December 2015	**59,314,500**	**2,895,475**	**2,895,475**	**(1,769,871)**	**157,512**	**175,310**	**-**	**(258,172)**	**14,851,468**	**78,261,697**	**1,184,544**	**79,446,241**
At 1 January 2014	53,800,000	2,385,102	2,385,102	(1,769,871)	(15,740)	(58,980)	95,000	-	17,138,686	73,959,299	657,963	74,617,262
Profit for the year	-	-	-	-	-	-	-	-	5,012,348	5,012,348	1,036	5,013,384
Other comprehensive income (loss) for the year	-	-	-	-	-	93,325	(95,000)	-	-	(1,675)	-	(1,675)
Total comprehensive income (loss) for the year	-	-	-	-	-	93,325	(95,000)	-	5,012,348	5,010,673	1,036	5,011,709
Non-controlling interest arising on increase in share capital of a subsidiary	-	-	-	-	-	-	-	-	-	-	500,000	500,000
Bonus shares (Note 14)	2,690,000	-	-	-	-	-	-	-	(2,690,000)	-	-	-
Transfer to reserves	-	510,373	510,373	-	-	-	-	-	(1,020,746)	-	-	-
At 31 December 2014	56,490,000	2,895,475	2,895,475	(1,769,871)	(15,740)	34,345	-	-	18,440,288	78,969,972	1,158,999	80,128,971

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
(Loss) profit for the year before contribution to KFAS, NLST, Zakat and Board of Director's remuneration		**(996,947)**	5,104,768
Non-cash adjustments to reconcile (loss) profit for the year to net cash flows:			
Change in fair value of investment properties	4	**270,000**	(262,000)
Net investment income	5	**(3,807)**	(205,534)
Share of results from associates	9	**(258,687)**	(4,454,299)
Reversal of impairment loss on property and equipment	10	**(2,366,145)**	(755,627)
Net provisions / (reversals)	6	**34,806**	(775,486)
Finance costs		**1,241,197**	424,673
Gain on sale of non-current assets held for sale		**-**	(8,616)
Provision for employees' end of service benefits		**78,785**	82,414
Depreciation		**603,099**	1,466
		(1,397,699)	(848,241)
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		**2,791,776**	3,758,077
Inventories		**(64,966)**	-
Sokouk utilisation rights		**187,910**	102,965
Investment properties		**-**	(4,059,000)
Accounts payable and accruals		**(130,224)**	(642,593)
Cash flows from (used in) operating activities		**1,386,797**	(1,688,792)
Employees end of service benefits paid		**(21,040)**	-
Net cash flows from (used in) operating activities		**1,365,757**	(1,688,792)
INVESTING ACTIVITIES			
Proceeds from sale of financial assets available for sale		**45,677**	1,243,504
Proceeds from sale of non-current assets held for sale		**-**	220,327
Dividend received from associates		**445,418**	445,471
Additions to property and equipment	10	**(2,156,077)**	(3,413,974)
Dividends income received		**-**	10,000
Net cash flows used in investing activities		**(1,664,982)**	(1,494,672)
FINANCING ACTIVITIES			
Net movement in islamic finance payables		**2,660,939**	3,648,892
Finance costs paid		**(1,241,197)**	(424,673)
Net cash flows from financing activities		**1,419,742**	3,224,219
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,120,517**	40,755
Cash and cash equivalents at 1 January		**1,141,194**	1,100,439
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**2,261,711**	1,141,194

The attached notes 1 to 22 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the board of directors on 2 April 2016.

The Company is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice - Real Estate Registration and Authentication Department on 23 August 1998 and registered in commercial register on 29 August 1998, and subsequent amendments there to. The Company's registered address is at P.O. Box 29110 Safat- Postal code 13152- State of Kuwait.

The Company is a subsidiary of Aref Investment Group S.A.K. ("Aref") ("the Parent Company"), a Kuwaiti share holding Company incorporated in the State of Kuwait. Aref is a subsidiary of Kuwait Finance House K.S.C.P. ("the Ultimate Parent Company"), a registered Islamic Bank with Central Bank of Kuwait and its shares are listed on the Kuwait Stock Exchange.

The main activities of the Company are as follows:

- Ownership of shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% in such entities.
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
- Ownership of movable assets or real estates required to pursue the Company's activities within the limits acceptable by law.
- Utilizing available surplus funds by investing these funds in portfolios managed by specialized parties.

All activities are conducted in accordance with Islamic shareea'a.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of certain financial assets available for sale and investment properties.

The consolidated financial statements have been presented in Kuwaiti Dinar (KD), which is also the Company's functional currency.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries (investees which are controlled by the Company) as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION(continued)

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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The subsidiaries of the Company are as follows:	Country of incorporation	Equity Interest as at 31 December	
		2015	2014
Gulf Real Estate Development House Co. K.S.C. (Closed)	Kuwait	**87.39%**	75%
Sokouk Investment Advisory Co.	Cayman Island	**100%**	100%
Sokouk Real Estate Co.- K.S.C. (Closed)	Kuwait	**96.52%**	96.52%
Gulf Money House for Money Collection- W.L.L.	Kuwait	**99%**	99%
Sokouk AI Aqlemiya Trading Co.-W.L.L.**	Kuwait	**-%**	99%
Sokouk AI Arabia Trading Co.-W.L.L. **	Kuwait	**-%**	99%
Sokouk AI Oula Trading Co.-W.L.L.*	Kuwait	**99%**	99%
Sokouk AI Kuwaitia Trading Co.-W.L.L.*	Kuwait	**99%**	99%
Sokouk AI Is!amia Trading Co.-W.L.L. **	Kuwait	**-%**	99%

*The Company's effective holding in these subsidiaries is 100%

** These subsidiaries has been disposed during the year.

2.3 CHANGE IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2014, except for the new accounting policy on trading property, adoption of the amendments, the new accounting policies of which are stated below and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 July 2014. The adoption of these amendments and annual improvements to IFRS has no significant impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue 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 do not expect any significant impact on adoption of this standard.

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

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of 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 profit or loss.

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

The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Gain or loss on sale of investment properties and investment securities
Gain or loss on sale of investment properties and investment securities is recognised when the sale transaction is consummated.

Sale of sokouk
Sales of sokouk represent the total contracts' value of sokouk sold during the year. Revenue from sale of sokouk is recognized when significant risks and rewards of ownership of sokouk are transferred to the buyer.

Dividend income
Dividend income is recognized when the right to receive the payment is established.

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, for example, under an insurance 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.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of income in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% of the profit of the Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration in accordance with Law No. 19/2000 and Ministerial resolution No. 24/2006 and their executive regulations.

Zakat

Zakat is calculated at 1% of the profit of the Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration in accordance with Law No. 46/2006 and Ministry of Finance resolution No. 58/2007 and their executive regulations.

Financial instruments

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.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, loans and receivables, financial assets available for sale, 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.

Subsequent measurement

The Group's financial assets include cash and cash equivalents, accounts receivable, amounts due from related parties and financial assets available for sale.

Cash and cash equivalents

For purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances, short term deposits and mudaraba deposits. Mudaraba deposits represents an agreement whereby the Group gives certain amount of cash to another party to be invested according to specific conditions in return for certain fee. Mudaraba deposits are stated at amortized cost using the effective yield method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)
Accounts receivable
Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

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

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- 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 the Group's 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

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

The Group's financial liabilities include account's payable, due to financial institutions, murabaha payables and amounts due to related parties.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification, as described below:

Due to financial institutions and murabaha payables
Due to financial institution and murabaha payables represents financing agreements whereby the Company takes certain amount of cash from other parties, and invests it according to specific conditions in return for certain fee (percentage of the amount invested). Finance charges are accounted on a time proportion basis.

Accounts payable
Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Subcontractors payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non- current liabilities.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

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 of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on soukouk utilisation rights, are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

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 consolidation statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Sokouk utilisation rights
Sokouk utilisation rights represent sokouks that are held by the Company either for trading purposes or as long term investment, and are stated at cost less impairment (if any).

Investment in associates
The Group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Group's share of profit of an associate is shown on the face of the consolidated statement of income and represents profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets to their residual values as follows:

Building	50 years
Computer hardware	3 to 4 years
Furniture fixtures and Equipment	3 to 5 years
Motor vehicles	3 to 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.

Inventories
Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each item to its present location and condition. Cost represents purchase cost on a specific identification basis. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Investment properties
Investment properties are 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. 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 the consolidated statement of income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuers.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Transfers are made to investment properties 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 properties 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. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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, even if that right is not explicitly specified in an arrangement

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

Operating lease payments are recognised as expense on straight line basis over the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Increase in fair valuation should be recorded to a revaluation surplus within the consolidated statement of comprehensive income. If a revaluation increase reverses a revaluation decrease that was previously recognised as an expense, it may be credited to the consolidated statement of income. Decreases in valuation should be charged to consolidated statement of income, except to the extent that they reverse an existing revaluation surplus.

Leases where the Group is a lessor
Leases where the Group doesn't transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. 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. Contingent rents are recognised as revenue in the period in which they have earned.

Trading property
Trading property is held for short term purposes and is carried at the lower of cost and net realizable value determined on an individual basis. Cost comprises the purchase cost of real estate and other expenses incurred in order to complete the transaction. Net realizable value is based on estimated selling price less any further costs to be incurred on disposal of real estate.

Treasury shares
Treasury shares consist of the 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 to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to the statutory and voluntary reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
The Group's consolidated financial statements are presented in Kuwait Dinars, which is also the Company's 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 arising on settlement or translation of monetary items are taken to the respective entity's income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive 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.

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 income statements are translated at exchange rates prevailing at the date of the transactions. 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.

Fair values measurement
The Group measures financial instruments and non-financial assets such as investment properties at fair value at each reporting 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 by the Group.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values measurement (continued)

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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.

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

Employees' end of service benefits

The Group provides end of service benefits to its employees under the Kuwait labour law. The entitlement to these benefits is usually based upon the employees' length of service. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the government scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

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

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

The management classifies real estate as property under development if it is acquired with the intention of development.

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

Provision for doubtful debts
The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

Classification of investments
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

Impairment of investments
The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of unquoted equity investments
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provision for doubtful debts and sokouk utilisation rights
The extent of provision for doubtful debts and soukouk utilisation rights involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of sokouk utilisation rights is written down to their net realizable value when the sokouk utilisation rights are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and sokouk utilisation rights are subject to management approval.

Useful lives of property and equipment
Management of the Company assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Valuation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. For the investment property the valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share are calculated by dividing the (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

The Company did not have any diluted shares as at 31 December 2015 and 31 December 2014.

The information necessary to calculate basic and diluted (loss) earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2015 *KD*	*2014* *KD*
(Loss) profit for the year attributable to equity holders of the Company Company	**(764,320)**	5,012,348
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year	**571,645,336**	571,645,336
Basic and diluted (loss) earnings per share	**(1.3) fils**	8.8 fils

Basic and diluted earnings per share for the year ended 31 December 2014 was 9 fils, before retrospective adjustment to the number of shares following the bonus issue (Note 14).

4 INCOME FROM INVESTMENT PROPERTIES

	2015 *KD*	*2014* *KD*
Rental income	**347,044**	159,923
Cost of rental income	**(21,263)**	(18,746)
Change in fair value of investment properties	**(270,000)**	262,000
	55,781	403,177

5 NET INVESTMENT INCOME

	2015 *KD*	*2014* *KD*
Realised gain on sale of financial assets available for sale – quoted	**-**	82,283
Realised gain on sale of financial assets available for sale – unquoted	**3,807**	113,251
Dividend income	**-**	10,000
	3,807	205,534

6 NET (PROVISIONS) / REVERSALS

	2015 *KD*	*2014* *KD*
Write-back of provision on settlement of amounts due from related parties	**-**	1,773,115
Write-back of provision on receivables relating to sale of sokouk utilisation rights (Note 7)	**181,203**	66,580
Impairment loss on financial assets available for sale (Note 8)	**(211,443)**	(672,358)
Provision on amounts due from related parties	**-**	-
Provision on other accounts receivables	**(2,520)**	(389,327)
Provision on sokouk utilisation rights	**(2,046)**	(2,524)
	(34,806)	775,486

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2015 *KD*	*2014* *KD*
Accounts receivable	**1,037,823**	1,041,006
Receivable on sale of sokouk utilisation rights	**543,233**	581,541
Other receivables	**254,840**	158,944
Amounts due from related parties (Note 13)	**4,071,350**	1,106,328
Advance paid towards purchase of sokouk utilisation rights*	**7,284,200**	7,284,200
Advance paid to contractors for development of property and equipment	**187,302**	2,789,079
Less: provisions	**(3,591,247)**	(3,769,930)
	9,787,501	9,191,168

* Advance paid towards purchase of sokouk utilisation rights represent amount paid by the Group for the purchase of real estate sokouks in a property located in the Kingdom of Saudi Arabia which is under development as at reporting date.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

The movement of provisions is as follows:

	2015 *KD*	*2014* *KD*
Balance at the beginning of the year	**3,769,930**	5,452,192
Charge for the year	**2,520**	389,327
Less: write back during the year (Note 6)	**(181,203)**	(1,839,695)
Less: Write-offs during the year	-	(231,894)
Balance at the end of the year	**3,591,247**	3,769,930

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 *KD*	*2014* *KD*
Unquoted equity securities	**3,578,220**	3,831,533

Unquoted equity securities with a carrying value of KD 3,578,220 (2014: KD 3,831,533) are carried at cost because the fair value cannot be reliably determined. At the reporting date, the management has carried out a detail review of these investments, based on the guidance of investments classified in Level 3 of the fair value hierarchy, to assess whether there is objective evidence that these investments are impaired, and as a result, recorded an impairment loss amounting to KD 211,443 (2014: KD 672,358) (Note 6).

9 INVESTMENTS IN ASSOCIATES

Details of the Group's associates are as follow:

		Equity interest		*Carrying value*	
Name of company	***Country of Incorporation***	***2015 %***	*2014 %*	***2015 KD***	*2014 KD*
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")*	Kuwait	**27.67**	27.67	**20,085,965**	20,181,040
Joint Venture – Qitaf ("Qitaf JV")	Kuwait	**36.43**	36.43	**3,691,551**	3,887,240
The Zamzam 2013 JV ("Zamzam JV" or "Zamzam")	Kuwait	**23.61**	23.61	**30,407,318**	33,379,697
				54,184,834	57,447,977

The following table illustrates summarised financial information of the Group's investment in its associates:

	Munshaat ***KD***	**Qitaf JV** ***KD***	**ZamZam JV** ***KD***	***2015*** ***KD***	*2014* *KD*
Non-current assets	**149,134,385**	**10,681,082**	**120,218,840**	**280,034,307**	244,566,194
Current assets	**16,750,623**	**347,122**	**30,048,135**	**47,145,880**	50,633,578
Non-current liabilities	**(22,431,127)**	**-**	**-**	**(22,431,127)**	(4,350,591)
Current liabilities	**(59,824,708)**	**(674,189)**	**(25,642,198)**	**(86,141,095)**	(49,727,156)
Non-controlling interests	**(3,135,059)**	**-**	**-**	**(3,135,059)**	(5,713,713)
Net assets attributable to the share holders of the associates	**80,494,114**	**10,354,015**	**124,624,777**	**215,472,906**	235,408,312
Proportion of the Group's ownership	**27.67%**	**36.43%**	**23.61%**		
Group's share in the equity	**22,272,721**	**3,771,968**	**29,423,910**	**55,468,599**	61,864,776
Associates' results for the year					
Revenue	**4,985,089**	**1,372,204**	**23,675,042**	**30,032,335**	32,903,424
Results for the year	**960,731**	**(537,164)**	**798,567**	**1,222,134**	16,291,684
Group's share of results for the year	**265,834**	**(195,689)**	**188,542**	**258,687**	4,454,299
Group's share of associates' other comprehensive income for the year	**84,508**	**-**	**73,003**	**157,511**	(15,740)

9 INVESTMENTS IN ASSOCIATES (continued)

* The market value of investment in Munshaat Real Estate Projects Company- K.S.C.P. as at 31 December 2015 is KD 7,840,571 (2014: KD 10,157,104).

- Subsequent to the reporting date on 5 January 2016, Munshaat received a demand notice for SAR 1,891 million (equivalent to KD 153 million) from the Department of Zakat and Income Tax ("DZIT"), Kingdom of Saudi Arabia, including the assessment on Munshaat for the years 2003 to 2013 and claimed Capital gains tax, corporate income tax, withholding tax and penalties ("tax claim"). In addition, DZIT has also claimed penalties for failure to register, non-submission of declarations and the consequential delay penalties at the rate of 1% for every thirty days delay on the settlement of income tax and withholding tax calculated as of the due date and till the payment date. The tax claim covers the transactions of properties owned and / or managed by Munshaat that includes Zamzam, Bakkah, Mehrab and Dar Al Qiblah towers in the Kingdom of Saudi Arabia. The Company is also subject to this taxation in relation to certain capital gains recognised in prior years.

  The management of Munshaat believes that the tax claim do not reflect the correct application of tax laws in the Kingdom of Saudi Arabia, the correct nature of the operations of Munshaat and also the underlying numbers used in the computation of tax claim are significantly different from the actual results of operations.

  Further, the management of Munshaat has appointed a tax consultant in the Kingdom of Saudi Arabia to review the tax claim and file an objection letter with DZIT. Accordingly, the tax consultant has filed an objection letter dated 2 March 2016 with DZIT primarily covering the Capital gains tax on the transfer of leasing rights, tax on the lease contracts of Bakkah and Mehrab towers, deemed revenue from the operations of Zamzam tower and the penalties on delays, non-filing, non-registration and evasion of tax.

  The management of Munshaat, based on the advice from the tax consultant, has estimated and recorded a liability of KD 12 million representing Zakat, withholding tax and applicable penalties in the consolidated statement of financial position with a charge of KD 5.2 million in the consolidated statement of income for the year ended 31 December 2015 and the balance as receivable from affiliate entities that were also subjected in the tax claim. Further Zamzam JV, based on the advice given to Munshaat from the tax consultant, has also recognised an amount of KD 3.1 million representing Zakat, withholding tax and applicable penalties during the year in respect to this tax claim. However, as on the date of these consolidated financial statements there is a significant uncertainty as to the outcome of the tax claim. The provision recorded in the consolidated financial statements for the year ended 31 December 2015 represents the best estimate of the tax liability that may arise from the tax claim.

- During the year, the contractor of one of the properties of Munshaat in Kingdom of Saudi Arabia has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from Munshaat and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in handing over the project. The dispute has been referred to Saudi Arbitration Committee and as on the date of these consolidated financial statements, the trial is in progress and the management of Munshaat, based on the advice from the legal counsel representing Munshaat in the aforesaid arbitration, believes that the outcome of the arbitration ruling will be in favor of Munshaat and also the counter claim filed by Munshaat on the developer is higher than the amount claimed by the developer. Accordingly, as at 31 December 2015, Munshaat has not made any provision against this claim in the consolidated financial statements. Further, during the year ended 31 December 2015, Munshaat reversed the estimated cost provision of KD 4.9 million made in prior years on this property as the project has substantially completed as at the reporting date and no significant additional costs were expected to be incurred until the start of the commercial operations in February 2016.

  During the year ended 31 December 2015, Munshaat has received a final ruling from a Kuwaiti court (Court of Appeal) ("court ruling") against itself for a case filed by a third party investor in Al Qiblah Joint Venture over the ongoing Dar Al Qiblah project. Munshaat is the manager for Al Qiblah Joint Venture. The court ruling has over ruled the previous arbitration ruling, on a similar matter, that was in favor of munshaat. As per the court ruling, Munshaat shall refund an amount of USD 22.5 million (equivalent to KD 6.7 million) to the third party investor representing the original investment amount paid by the investor.

9 INVESTMENTS IN ASSOCIATES (continued)

Based on discussion with the legal counsel, the management of Munshaat believes that, the previous arbitration ruling and other facts and circumstances relating to this case are favorable to Musnhaat which entails them to appeal for a higher court and expects to receive the ruling in Munshaat's favor. As on the date of consolidated financial statements, the Associate is pursuing the appeal to a higher court and therefore, as at 31 December 2015, the Group did not record any amounts, relating to the court ruling in the consolidated financial statements.

10 PROPERTY AND EQUIPMENT

	Land *KD*	*Building* *KD*	*Furniture, fixtures and equipment* *KD*	*Vehicles* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:						
At 1 January 2015	10,297,000	-	5,911	-	21,259,437	31,562,348
Additions	-	-	327	84,812	2,070,938	2,156,077
Transfer to / (from)	-	21,476,722	1,842,938	-	(23,319,660)	-
Reversal of impairment loss	-	2,366,145	-	-	-	2,366,145
At 31 December 2015	**10,297,000**	**23,842,867**	**1,849,176**	**84,812**	**10,715**	**36,084,570**
Depreciation:						
At 1 January 2015	-	-	1,466	-	-	1,466
Charge for the year	-	285,209	306,582	11,308	-	603,099
At 31 December 2015	**-**	**285,209**	**308,048**	**11,308**	**-**	**604,565**
Net carrying amount:						
At 31 December 2015	**10,297,000**	**23,557,658**	**1,541,128**	**73,504**	**10,715**	**35,480,005**

10 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Furniture, fixtures and office equipment* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:				
At 1 January 2014	10,297,000	-	17,095,747	27,392,747
Additions	-	5,911	3,408,063	3,413,974
Reversal of impairment loss	-	-	755,627	755,627
At 31 December 2014	**10,297,000**	**5,911**	**21,259,437**	**31,562,348**
Depreciation:				
At 1 January 2014	-	-	-	-
Charge for the year	-	1,466	-	1,466
At 31 December 2014	-	**1,466**	-	**1,466**
Net carrying amount				
At 31 December 2014	**10,297,000**	**4,445**	**21,259,437**	**31,560,882**

Cumulative borrowing costs amounting to KD 3,916,007 has been capitalised in the carrying value of property and equipment.

The land and building were revalued at 31 December 2015 based on the lower of two valuations obtained from independent professionally qualified valuers with relevant experience in the market. The valuation of the properties has been determined based on comparable market values for similar properties.

Property and equipment of KD 35,476,534 (2014: KD 31,556,437) is mortgaged as collateral against Islamic finance payables (Note 15).

11 INVESTMENT PROPERTIES

	2015 ***KD***	*2014* *KD*
Balance at the beginning of the year	**6,482,000**	2,161,000
Additions	**-**	4,059,000
Change in fair value during the year	**(270,000)**	262,000
As at 31 December	**6,212,000**	6,482,000

Investment properties comprise of buildings located in Kuwait.

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of investment properties. One of these valuers is a local bank who has valued the investment properties using "Yield Method" and the other is a local reputable accredited valuer who has valued the investment properties using the combination of the market comparison approach for the land and cost approach for the construction work executed to date. For the valuation purpose, the Company has selected the lower of these two valuations, as required by the Capital Markets Authority (CMA).

11 INVESTMENT PROPERTIES (continued)

Investment properties are mortgaged as collateral against Islamic financing payables amounting to KD 2,909,279 (2014: KD 3,012,162) (Note 15).

Fair value hierarchy
The fair value measurement of investment properties has been categorised as level 3 fair value based on inputs to the valuation technique used.

The significant assumptions used in the valuations are set out below:

2015	*Kuwait*
Estimated market price for the land (per sqm) (KD)	**1,817**
Construction costs (per sqm) (KD)	**133**
Average monthly rent (per sqm) (KD)	**4**
Yield rate	**7.6%**
Occupancy rate	**100%**

2014	*Kuwait*
Estimated market price for the land (per sqm) (KD)	1,900
Construction costs (per sqm) (KD)	128
Average monthly rent (per sqm) (KD)	4
Yield rate	7.3%
Occupancy rate	100%

Based on 5% increase/decrease in average market prices (per sqm), the value of the investment properties would increase/decrease by KD 26 (2014: KD 27) per sqm which would impact the consolidated statement of income with total amount of KD 310,600 (2014: KD 324,100).

12 TRADING PROPERTY

During 2012, the Parent Company acquired a trading property at its fair value of KD 1,500,022 in lieu of settlement of a wakala receivable from a borrower. The title of this property was transferred to the parent Company as on that date. However during the current year, the management became aware that there is an ongoing lawsuit between the borrower and a third party in relation to ownership of this property. Consequently, any transfer of the title of this property is subject to final outcome of the ongoing lawsuit. The trial is currently in process in the court of law and therefore it is not practical to assess the final outcome of the court judgment. Accordingly, no provision has been recognised in the consolidated financial statements.

The trading property was previously classified as an asset held for sale however given the ongoing lawsuit, it has been reclassified as a trading property retrospectively since it no longer meets the criteria of classification as an asset 'held for sale' under IFRS 5. This reclassification did not have any effect on previously reported total assets, total equity, total liabilities and profit reported in the prior years.

13 RELATED PARTY TRANSACTIONS

Related parties represent Parent Company, Ultimate Parent Company, major shareholders, associates, joint ventures, directors and key management personnel of the Group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Company's management.

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

	Parent Company/Ultimate Parent Company KD	*Associates KD*	*Others KD*	***2015 KD***	*2014 KD*
Consolidated statement of income:					
Finance costs	399,371	-	-	**399,371**	370,019
Writeback of provision against amounts due from related parties	-	-	-	-	1,773,115
Realised gain on sale of financial assets available for sale	-	-	-	-	140,000
Other income	-	-	-	-	642

	Parent Company/Ultimate Parent Company KD	*Associates KD*	*Others KD*	***2015 KD***	*2014 KD*
Consolidated statement of financial position:					
Amounts due from related parties	-	4,044,030	27,320	**4,071,350**	1,106,328
Amounts due to related parties	115,586	6,406	377,192	**499,184**	488,283
Islamic finance payables	8,255,739	-	-	**8,255,739**	26,594,802

Amounts due from/ due to related parties are receivables/ payables on demand and do not carry any profit.

Amounts due from related parties are stated net of provision amounting to KD 29,224 (2014: KD 80,523).

Key management compensation

	2015 KD	*2014 KD*
Salaries and other short term benefits	**364,433**	260,682
End of service benefits	**25,616**	35,544
	390,049	296,226

Board of directors' remuneration of KD Nil for the year ended 31 December 2015 is subject to approval by the ordinary general assembly of the shareholders of the Company. Board of directors remuneration of KD 80,000 for the year ended 31 December 2014 was approved by the ordinary general assembly of the shareholders held on 16 March 2015.

14 EQUITY, RESERVES AND GENERAL ASSEMBLY

a) Share capital

Authorized, issued and fully paid-up capital amounting to KD 59,314,500 (2014: KD 56,490,000) consist of 593,145,000(2014: 564,900,000) shares of 100 fils each, paid in cash.

The board of directors have recommended to distribute Nil bonus shares (2014: 5% bonus shares amounting to KD 2,824,500) for the financial year ended 31 December 2015.

The annual general assembly of the shareholders of the Company held on 1 March 2015 approved the consolidated financial statements for the year ended 31 December 2014, and approved the board of directors proposal for distribution of 5% bonus shares amounting to KD 2,824,500 for the year ended 31 December 2014. The above was registered in the Company's commercial registration on 19 March 2015.

During year, the Group increased its equity interest in Gulf Real Estate Development House K.S.C. (Closed) from 75% to 87% as a result of issuance of additional share capital and consequently recognized a loss of KD 258,172 under 'other reserves' which is classified in equity.

b) Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat should be transferred to the statutory reserve. The Company may discontinue such transfer when the reserve totals 50% of 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 retained earnings are not sufficient for the payment of dividend of that amount. No transfer has been made during the current year since the Group has incurred losses.

c) Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat should be transferred to voluntary reserve. The Company may resolve to discontinue such annual transfers in accordance with a resolution of the parent company's ordinary general meeting based on proposal submitted by the parent company's board of directors. The voluntary reserve is freely distributable except for the amount equivalent to the cost of treasury shares. No transfer has been made during the current year since the Group has incurred losses.

d) Treasury shares

	2015	*2014*
Number of treasury shares	**21,499,664**	20,475,315
Percentage of capital	**3.6%**	3.6%
Market value – KD	**1,010,484**	1,248,994
Weighted average market price – fils	**57**	95

An amount equal to the cost of treasury shares is not available for distribution from the voluntary reserve throughout the holding period of these treasury shares.

15 ISLAMIC FINANCE PAYABLES

Islamic finance payables represent facilities obtained from a local Islamic financial institutions and carry average profit rate ranging from 5.0% to 5.25% (2014: 4.5% to 7.37%) per annum.

Islamic finance payables amounting to KD 23,909,279(2014: KD 23,474,300) are secured by the property and equipment of KD 35,476,534 (2014: KD 31,556,437) (Note 10) and investment properties of KD 6,212,000 (2014: KD 6,482,000) (Note 11).

During the current year, the group settled Islamic finance facility of KD 18,093,671 (31 December 2014: KD Nil) with one of the local banks and obtained a new facility of KD 21,000,000 (31 December 2014: Nil) from a local Islamic financial institution.

15 ISLAMIC FINANCE PAYABLES (continued)

As at 31 December 2015, Islamic finance payables are stated in the consolidated statement of financial position net of deferred profit amounting to KD 89,199 (2014: KD 398,432)

16 ACCOUNTS PAYABLE AND ACCRUALS

	2015 *KD*	*2014* *KD*
Due to contractors	-	78,560
Due to suppliers	**91,465**	-
Advance from customers	**103,561**	-
Amounts due to related parties (Note 13)	**499,184**	488,283
Retention payable	**893,074**	964,768
Staff payables	**176,803**	153,491
Other payables	**338,720**	547,929
	2,102,807	2,233,031

17 SEGMENT INFORMATION

The Group primarily engages in real estate business activities and its primary basis for segmental reporting is geographical segments, which is subject to risks and rewards that are different from those of other segments.

The Group operates in three geographical markets: Domestic and International. The geographical analysis is as follows:

2015	*Hotel Operation* *KD*	*Real estate* *KD*	*Investment* *KD*	*Others* *KD*	*Total* *KD*
Segment revenue	984,826	55,781	262,494	223,057	**1,526,158**
Segment expenses	(3,503,324)	1,917,658	(266,478)	(670,961)	**(2,523,105)**
Segment results	(2,518,498)	1,973,439	(3,984)	(447,904)	**(996,947)**
Total assets	35,688,060	13,337,200	61,562,039	2,508,560	**113,095,859**
Total liabilities	23,737,277	233,416	7,850,224	1,828,701	**33,649,618**

2014	*Real estate* *KD*	*Investment* *KD*	*Others* *KD*	*Total* *KD*
Segment revenue	411,793	4,659,833	260,127	5,331,753
Segment expenses	646,621	(988,025)	114,419	(226,985)
Segment results	1,058,414	3,671,808	374,546	5,104,768
Total assets	47,094,495	61,689,168	2,406,466	111,190,129
Total liabilities	21,505,466	8,132,664	1,423,028	31,061,158

18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity profile of undiscounted assets and undiscounted liabilities is as follows:

31 December 2015	*Within 1 year KD*	*1 to 5 years KD*	*Total KD*
ASSETS			
Cash and cash equivalents	**2,261,711**	-	**2,261,711**
Accounts receivable and prepayments	**5,988,516**	**3,798,985**	**9,787,501**
Inventory	**64,966**	-	**64,966**
Sokouk utilization rights	-	**26,600**	**26,600**
Financial assets available for sale	-	**3,578,220**	**3,578,220**
Investment in associates	-	**54,184,834**	**54,184,834**
Property and equipment	-	**35,480,005**	**35,480,005**
Investment properties	-	**6,212,000**	**6,212,000**
Trading property	-	**1,500,022**	**1,500,022**
TOTAL ASSETS	**8,315,193**	**104,780,666**	**113,095,859**
LIABILITIES			
Islamic finance payables	**10,255,741**	**21,000,000**	**31,255,741**
Accounts payable and accruals	**2,102,807**	-	**2,102,807**
Employees' end of service benefits	-	**291,070**	**291,070**
TOTAL LIABILITIES	**12,358,548**	**21,291,070**	**33,649,618**

31 December 2014	*Within 1 year KD*	*1 to 5 years KD*	*Total KD*
ASSETS			
Cash and cash equivalents	1,141,194	-	1,141,194
Accounts receivable and prepayments	4,439,096	4,752,072	9,191,168
Sokouk utilization rights	-	35,353	35,353
Financial assets available for sale	-	3,831,533	3,831,533
Investment in associates	-	57,447,977	57,447,977
Property and equipment	-	31,560,882	31,560,882
Investment properties	-	6,482,000	6,482,000
Trading property	1,500,022	-	1,500,022
TOTAL ASSETS	7,080,312	104,109,817	111,190,129
LIABILITIES			
Islamic finance payables	10,563,606	18,031,196	28,594,802
Accounts payable and accruals	2,233,031	-	2,233,031
Employees' end of service benefits	-	233,325	233,325
TOTAL LIABILITIES	12,796,637	18,264,521	31,061,158

19 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

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 credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	2015 ***KD***	*2014* *KD*
Cash and cash equivalents	**2,261,711**	1,141,194
Accounts receivables	**5,988,516**	4,439,096
	8,250,227	5,580,290

The figures above show the maximum exposure to credit risk before the effect of mitigation through the use of master netting and collateral agreements, if any.

Liquidity risk

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

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

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities is as follows:

	Within 3 months KD	***3 to 12 months KD***	***1 to 5 Years KD***	***Total KD***
31 December 2015				
Islamic finance payables	**-**	**10,255,741**	**21,089,200**	**31,344,941**
Accounts payable and accruals	**1,150,227**	**952,580**	**-**	**2,102,807**
TOTAL LIABILITIES	**1,150,227**	**11,208,321**	**21,089,200**	**33,447,748**

	Within 3 months KD	*3 to 12 months KD*	*1 to 5 Years KD*	*Total KD*
31 December 2014				
Islamic finance payables	1,020,501	5,841,537	22,131,196	28,993,234
Accounts payable and accruals	895,250	363,013	974,768	2,233,031
TOTAL LIABILITIES	1,915,751	6,204,550	23,105,964	31,226,265

19 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as foreign exchange rates, interest rates and equity prices.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rates movements. The Group does not engage in foreign exchange trading and does not use derivative financial instruments. Where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate against Kuwaiti dinar, with all other variables held constant, on the Group's profit.

	2015			2014		
Currency	*Change in currency rate %*	*Effect on profit KD*	*Effect on other comprehensive income KD*	*Change in currency rate %*	*Effect on profit KD*	*Effect onother comprehensive income KD*
US Dollar	+/-5	32,576	-	+/-5	53,576	-

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk as financial assets and liabilities are Islamic financial instruments with fixed profit rates.

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Company. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on equity (as a result of a change in the fair value of non impaired financial assets available-for-sale at 31 December 2015) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2015		2014	
Market indices	*Change in equity price %*	*Effect on other comprehensive income KD*	*Change in equity price %*	*Effect on other comprehensive income KD*
Kuwait Stock Exchange	+/-5	-	+/-5	-

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not exposed to significant prepayment risk.

20 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in an active market for identical assets and 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. This level also includes items whose fair values have been provided by reputable external fund managers; and

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

Unquoted equity securities with a carrying value of KD 3,578,220 (2014: KD 3,831,533) are carried at cost because the fair value cannot be reliably determined.

Fair value of other financial instruments is not materially different for their carrying values at the reporting date.

21 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and financial position of the Group.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, due to financial institutions, murabaha payables, accounts payable and accruals, amounts due to related parties less cash and bank balances. Capital includes equity attributable to the equity holders of the Parent Company.

	2015 *KD*	*2014* *KD*
Islamic finance payables	**31,255,741**	28,594,802
Accounts payable and accruals	**2,102,807**	2,233,031
Less: Cash and cash equivalents	**(2,261,711)**	(1,141,194)
Net debt	**31,096,837**	29,686,639
Equity attributable to the equity holders of the Parent Company	**78,261,697**	78,969,972
Capital and net debt	**109,358,534**	108,656,611
Gearing ratio	**28%**	27%

22 COMMITMENTS AND CONTINGENCIES

The Group had capital commitments towards construction contracts relating to property and equipment amounting to KD 76,788 (2014: KD 174,689).