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العقارية

AL AQARIA

Kuwait Real Estate Holding Company

ANNUAL REPORT 2015

Kuwait Real Estate Holding K.P.S.C
KRH
Al-Kharafi Tower - Al Qubla - Osama Bin - Monketh St.
P.O. Box 26371 Safat 13124 Kuwait
Tel : +965 22323232 Fax : +965 22323233
www.alaqaria.com

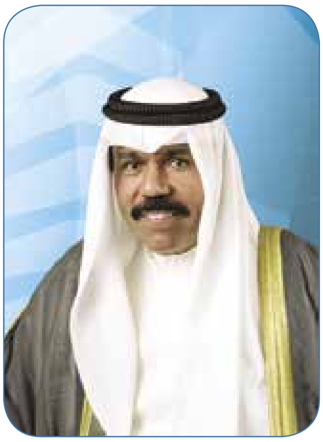
«In the name of God

Most Gracious & Beneficient»

KRH العقارية AL AQARIA

His Highness
Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah
Amir of Kuwait

His Highness
Sheikh Jaber Al-Mubarak
Al-Hamad Al-Sabah
Prime Minister



His Highness
Sheikh Nawaf Al - Ahmad
Al-Jaber Al-Sabah
Crown Prince

Board of Directors

Mr. Mohammed Barrak Al-Mutair
Chairman

Mr. Naji Abdullah Al-Abdulhadi
Vice Chairaman

Mr. Abdullah Mohammad Al-Mutair
Board Member

Mr. Mishal Abdulaziz Al-Nassar
Board Member

Mr. Feras Yousef Al-Ghanim
Board Member

Mr. Soud Abdulaziz Al-Mansour
Board Member

Executive Management

Mr. Tareq Ibrahim Al-Mansour
General Manager

Mr. Sulaiman Ahmad Al-Houti
Manager Admin & Personnel Affairs

Mr. Mohammad Fahad Al-Nemah
Manager Direct Investment Department

Mr. Magdy Mahboub
Deputy Financial Manager

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Chairman's Message

Board of directors' report to the shareholders for the performance of the company during the fiscal year ended on December 31st, 2015

On behalf of myself and on behalf of the members of the board of directors, I'm pleased to submit the annual report for Al Qaria Holding Co. in which we show the most significant achievements and challenges that faced the company and its performance in 2015.

Dear shareholders,

The last year represents a big shifting point in the track of the company of its operational process that we focus on since the establishment, believing and insisting on finding real projects that ensure the continuous profits for the company away of the stocks and its fluctuation, the financial crisis that affected on the international economic is assertion to our right strategy that we are care to and binding to it.

Today, as we show the results of the works of 2015, I'm pleased to tell you, however, the difficult challenges we faced and embodied in the lack of chances and the constant restrictions of banks to give funding and the fluctuation of the real estate market in its performance.

Although, our company managed to depend on its cash flow that result from the exit from some investments that subject to the sole control of the company.

Dear shareholders

Although, the size of the projects that the government announced for the year 2016 of KD 16.7 Billion, the indicators of the failure in execution and application are constantly increasing, such was recognized by the government, without feeling of any acts effective to control these failures, that makes these projects and the amount raised for them has not effect on the national economy.

The most significant challenges are tender and execution of the projects or its execution without the scheduled ambition, that makes the economic position worse and put it in a bad condition.

Although the unclear situation and lack of clear and purposeful vision, I see that the chance is still existing, that the government should do it best to tackle the Chronic failures that its side effects become bigger every year on the national economic through prompt and effective actions to expedite the development.

We are looking forward to, the government views the planning and a map for tendering the projects and involving the companies listed in the stock widely and deeply, specially these companies cover different activities and specialists and represent the economical interface for the stock market that is the title of the national economy.

Dear shareholders,

We have a big hope and there is no doubt that the government shall be able to tackle the economic failure and take effective actions to expedite the development and re-create the competition in the Kuwaiti economy, as the technique and possibility of achieving this ambition is available either financially or human efficiency and significant experience that this home land has.

We have to take care of the tackling of the shortage, as the first achievement of the shortage in the budget of the state 16 years ago reached to 5 Billion at the end of the fiscal year 2015/2016, the government doesn't show any serious action to decrease the expenses of the unnecessary ducts of wasting.

Such shall be for the benefit of the capital developmental expense to proceed the plan of execution of the major projects that have positive economical effect that we hope it reflected on the local economy and with effective involvement of the companies listed in such activities, although the limitation of the economical chances in the other sectors and the high costs of the operation and its competition

We have to be aware of the past lessons, as the expenditure of the state last year KD 9.6 Billion on the project, however, that has no effect on the economical sectors as half of them were for oil projects and the remaining were for infrastructure and contracting projects, we hope that the new budget shall be more inclusive and reflecting on different economical activities

Dear shareholders

Today, AL AQARIA, is standing of hard ground and constant after the series of the tackles that it achieved during the last years, the company as to the last year budget 2015 started to gain profits and stop losses and support its budget by the necessary provisions and enough rate exceed the required.

According to the strategy and coping with the pan of work, the Kuwait market shall be put on the top of our interests with more operations and activities as it is one of the most important market among the plan of its activity in sectors that we focus our investments in it, but the administrative routine and the difficulty in getting the fund or conformity of the chances with the strategic direction of the company that delay the investment in the Kuwaiti market, we also seek to rehabilitation of our investments existing based on the experience we have.

Regarding the decline in the price of the oil, the real estate market has effected clearly as the real estate sales in Kuwait ended on 2015 at 29% after it reached higher levels in 2014

The sales in the residential sector faces recession after it was very high for 4 years that recorded levels of prices of 1000%

The real estate activity declined in the sector of investment during the last year the sales reached up to 1.27 Billion as of 32% compare to 2014

But, the commercial real estate sector recorded good performance comparing with other sectors as a result of high demand in this sector in the indicator of the fiscal performance

In conclusion

I'm very please to express my appreciation to the confidence you give to me such was the support in executing our plan, and works, it was the incentive to continue in completing the objectives of the company

We are pleased to, on behalf of the board of directors, thank and appreciate his highness, Amir , the state of Kuwait , Sheikh / Sabah Al Ahamd Al Jaber AL Sabah and his crown prince Sheikh/ Naeaf Al Ahmad Al Jaber Al Sabah, asking our god to keep our country safe and secure.

Thanks to the members of Fatwa and Sharia Supervisory Board for their efforts and support, we also renew our undertakings to do the best to maintain our earnings and the assets of the Kuwait AQARIA Holding Co. I'm also thanking the member of the board of directors and the member of its committees and all the staff of the company

Best regards,

Chairman
Mr. Mohammad Barrak Al-Mutair

Fatwa & Shari’a Board Report

All praise and thanks be to Allah alone, Prayers and Peace be upon the last prophet and all his family and companions.

To: the Shareholders of Kuwait Real Estate Holding Company

Allah’s peace, mercy and blessings be upon you.

As per our engagement for Fatwa and Sharia function, we have audited the contracts and the transactions made by the Company for the period from 01/01/2013 to 31/12/2013. Our responsibility is restricted to expressing an independent opinion about the Company’s compliance with the provisions of Islamic Shari’a in its business and activities.

Based on Sharia audit report presented by Sharia Control Department, which conducted audit in accordance with the resolutions issued by the Board in light of standards and controls issued by Accounting & Audit Organization of Islamic Financial Institutions that require us to plan and implement audit and review procedures to obtain all necessary information, interpretations and representations to give a reasonable assurance that the Company is in compliance with the provisions of Islamic Sharia as stated by us. We believe that audits carried out by the Department provide an appropriate basis to give reasonable opinion.

The compliance responsibility to implement contracts and transactions according to the provisions of Islamic Shari’a as set out by us shall reside with the Company’s management.

Based on the foregoing, the Board is of the opinion that:

1. During the specified period, the Company has been in compliance with its obligations towards implementation of contracts and transactions in accordance with the provisions of Islamic Sharia as set out in Shari'a based opinions, guidelines and decisions issued by us during the specified period. No Sharia violations contrary to this opinion were found by us.
2. Calculation of Zakat was conducted according to the principles approved by the Board.

Allah's prayers and peace are upon our prophet Muhammad,
his family and companions
Praise be to Allah

Members of Fatwa and Sharia Board

Member	Signature
Dr. Esam Khalaf Al-Enzi	
Dr. Nazem Mohammed Al-Mesbah	
Dr. Suleiman Marafi Safar	
Dr. Khalid Shujaa Al-Otaibi	
Dr. Ibrahim Abdullah Al-Subaiaei	
Dr. Naif Mohammed Al-Ajmi	
Dr. Mohammed Ouad Al-Fuzai'a	

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العقارية
AL AQARIA

Independent auditors' report and consolidated financial statements
for the year ended 31 December 2015

Al Johara Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait
Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

AL-ATEEQI
CERTIFIED ACCOUNTANTS
P.O. Box : 636, Safat - 13007 Kuwait
Tel : + 965 - 22412880 / 22410885
Fax: + 965 - 22454248
Ali Al-Salem Str., Thuwaini Bldg. 3rd Flr.
E-Mail: alateeqi@ateeqicpas.com
Website: www.ateeqicpas.com

Independent auditors' report to Kuwait Real Estate Holding Company K.P.S.C (Holding)

State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kuwait Real Estate Holding Company K.S.C (Holding) ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise of the consolidated financial position at 31 December 2015, and the related consolidated statements of income, income and other comprehensive income, changes in equity and 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

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The management is also responsible for the internal control necessary for 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' judgment, 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 Parent Company'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

Opinion

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

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate the information that is required by the Companies' Law No. 1 of 2016, and its executive regulations, and by the Parent Company's Articles and Memorandum of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its executive regulations, or of the Parent Company's Articles and Memorandum of Association, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business or the consolidated financial position of the Group.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Barrak Al-Ateeqi
License No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Kuwait: 22 March 2016

A member of
BKR
INTERNATIONAL

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Financial Reports
for the year ended 31 December 2015

Consolidated Statement of Financial Position
As at 31 December 2015

	Notes	2015 KD	2014 KD
Assets			
Non-current assets			
Investment properties	5	9,714,801	12,409,801
Investment in an associate	6	461,982	455,584
Available for sale investments	7	14,453,206	14,413,200
		24,629,989	27,278,585
Current assets			
Investment properties for sale	8	2,880,000	-
Receivables and other debit balances	9	392,136	608,117
Investments at fair value through profit or loss	10	1,710,927	1,635,087
Cash and cash equivalents	11	3,635,096	3,434,909
		8,618,159	5,678,113
		33,248,148	32,956,698
Assets held for sale	12	455,668	448,164
Total assets		33,703,816	33,404,862
Equity and liabilities			
Equity			
Share capital	13	19,103,898	19,103,898
Share premium	14	830,286	830,286
Statutory reserve	15	1,452,034	1,452,034
Treasury shares	17	(1,452,034)	(1,452,034)
Profits on sale of treasury shares reserve		46,038	46,038
Change in fair value reserve		1,197,310	1,209,115
Accumulated losses		(12,397,071)	(12,568,747)
Equity attributable to owners of the Parent Company		8,780,461	8,620,590
Non-controlling interests		1,880,607	1,859,646
Total equity		10,661,068	10,480,236
Liabilities			
Non-current liabilities			
Purchase of land payables	18	2,329,424	2,329,424
Provision for employees' end of service indemnity	19	639,569	545,528
		2,968,993	2,874,952
Current liabilities			
Payables and other credit balances	20	1,581,763	1,521,173
Short-term Murabaha payable	21	18,491,992	18,528,501
		20,073,755	20,049,674
Total liabilities		23,042,748	22,924,626
Total equity and liabilities		33,703,816	33,404,862

The accompanying notes on pages 8 to 44 form an integral part of these consolidated financial statements.

Mohammad Barrak Al-Mutair
Chairman

Consolidated Statement of Income
For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Income / loss			
Net income from rent	23	251,409	245,188
Net profits from management and maintenance of third party properties	24	96,735	78,635
Net profits from supervision contracts		779	17,192
Unrealised gain/(loss) on investments at fair value through profit or loss		75,840	(187,050)
Profit on sale of available for sale investments		150,418	799,186
Profit on disposal of a subsidiary		-	6,762
Dividends		410,383	183,218
Change in fair value of investment properties		185,000	(413,966)
Group's share of an associate's business results	6	6,398	23,873
Operating income		1,176,962	753,038
Impairment loss of available for sale investments	7	(39,000)	(255,504)
		(39,000)	(255,504)
Net operating profit		1,137,962	497,534
Profits from murabaha repayment discount		-	148,836
Net revenue from financial institutions		13,601	17,419
Other income		21,673	2,709
Foreign currency translation differences		(14,556)	(25,656)
Expenses and other charges			
General and administrative expenses	25	(980,376)	(953,635)
Write back of unclaimed finance charges		-	1,037,144
Total expenses and other charges		(980,376)	83,509
Net profit for the year before NLST and Zakat		178,304	724,351
National Labor Support Tax		-	(17,904)
Zakat		-	(6,020)
Net profit for the year		178,304	700,427
Attributable to:			
Owners of the Parent Company		171,676	692,258
Non-controlling interests		6,628	8,169
		178,304	700,427
Basic EPS (fils)	26	0.91	3.68

The notes on pages 8 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of income and other comprehensive income
For the year ended 31 December 2015

	2015	2014
	KD	KD
Net profit for the year	178,304	700,427
Other comprehensive income/(loss)		
Items that may be reclassified subsequently in the consolidated statement of income:		
Unrealized profit/(loss) on value of investments available for sale	113,946	(441,975)
Transferred to consolidated statement of income from sale of available for sale investments	(150,418)	(799,186)
Transferred to consolidated statement of income from impairment loss of available for sale investments	39,000	255,504
Total other comprehensive profit/(loss) for the year	2,528	(985,657)
Total comprehensive income/(loss) for the year	180,832	(285,230)
Attributable to:		
Owners of the Parent Company	159,871	(147,277)
Non-controlling interests	20,961	(137,953)
	180,832	(285,230)

The accompanying notes on pages 24 to 53 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Share capital	Share Premium	Statutory reserve	Treasury shares	Gain on sale of treasury shares reserve	Change in fair value reserve	Accumulated losses	Equity attributable to owners of the Parent Company	Non-controlling interests	Total Equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2014	19,103,898	830,286	1,452,034	(1,452,034)	46,038	2,048,650	(13,261,005)	8,767,867	1,997,599	10,765,466
Total comprehensive (loss)/income for the year	-	-	-	-	-	(839,535)	692,258	(147,277)	(137,953)	(285,230)
Balance as at 31 December 2014	19,103,898	830,286	1,452,034	(1,452,034)	46,038	1,209,115	(12,568,747)	8,620,590	1,859,646	10,480,236
Balance as at 1 January 2015	19,103,898	830,286	1,452,034	(1,452,034)	46,038	1,209,115	(12,568,747)	8,620,590	1,859,646	10,480,236
Total comprehensive (loss)/income for the year	-	-	-	-	-	(11,805)	171,676	159,871	20,961	180,832
Balance as at 31 December 2015	19,103,898	830,286	1,452,034	(1,452,034)	46,038	1,197,310	(12,397,071)	8,780,461	1,880,607	10,661,068

The accompanying notes on pages 8 to 44 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	Note	2015 KD	2014 KD
Operating activities			
Net profit for the year		178,304	700,427
Adjustment for:			
Unrealised (gain)/loss from investments at fair value through statement of income		(75,840)	187,050
Group's share of an associate results	6	(6,398)	(23,873)
Profit on sale of available for sale investments		(150,418)	(799,186)
Impairment loss on available for sale investments		39,000	255,504
Change in fair value of investment properties		(185,000)	413,966
Other revenues for subsidiary settlement		(19,790)	-
Dividends		(410,383)	(183,218)
Profits from murabaha repayment discount		-	(148,836)
Write back of unclaimed finance charges		-	(1,037,144)
Profit on disposal of a subsidiary		-	(6,762)
Provision for employees' end of service indemnity	19	94,972	176,358
		(535,553)	(465,714)
Movements in working capital:			
Receivables and other debit balances		215,981	(173,374)
Investments at fair value through profit or loss		-	760
Assets held for sale		(7,504)	(10,168)
Payables and other credit balances		60,590	(11,560)
Cash flows used in operating activities		(266,486)	(660,056)
Employees' end of service indemnity, paid	19	(931)	(118,220)
Net cash used in operating activities		(267,417)	(778,276)
Investing activities			
Proceeds from disposal of a subsidiary		-	4,250
Proceeds from sale of investment properties		-	237,560
Net movement in available-for-sale investments		113,520	1,184,453
Cash dividend received		410,383	183,218
Net cash from investment activities		523,903	1,609,481
Financing activities			
Murabaha payables		(36,509)	(456,981)
Change in non-controlling interests		(19,790)	-
Net cash used in financing activities		(56,299)	(456,981)
Net increase in cash and cash equivalents		200,187	374,224
Cash and cash equivalents at beginning of the year		3,434,909	3,060,685
Cash and cash equivalents at end of the year	11	3,635,096	3,434,909

The accompanying notes on pages 8 to 44 form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Real Estate Holding Company K.P.S.C (Holding) ("the Parent Company") is a closed Kuwaiti shareholding company incorporated on 19 January 1980 in accordance with the Commercial Companies' Law in the State 1. Incorporation and activities

Kuwait Real Estate Holding Company K.P.S.C (Holding) ("the Parent company") is a closed Kuwaiti shareholding company incorporated on 19 January 1980 in accordance with the Companies' Law in the State of Kuwait. The Parent Company's share was listed on the Kuwait Stock Exchange on 12 April 2005.

The Parent Company's objectives:

- Acquisition of shares of Kuwaiti or foreign shareholding and limited liability companies as well as participation in those companies' incorporation, administration, lending and providing third party guarantees for these companies.
- Grant loans to the companies in which the Company holds shares, guarantees them before third parties and in this case the contributions ratio of the Parent Company in the capital of the investee companies shall not be less than 20% minimum.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Acquisition of movables and properties necessary for the company to practice its activities pursuant to the limits prescribed by law.
- Utilization of the financial surpluses available with the Parent Company through investing the same in financial portfolios managed by specialized companies and entities.

The Parent Company shall, in conducting its business activities, comply with Noble Islamic Sharia principles.

The Group comprises the parent company and its subsidiaries (together referred to as "the Group"). Details of subsidiary companies are set out in Note (3.4).

The Parent Company has regularized its affairs with Law No. 25 of 2012, as amended, and its executive regulations in accordance with article 322 of the Law, as per amendments to the articles and memorandum of association of the Parent Company. Such amendments have been approved by the extraordinary general assembly meeting of the shareholders on 11 May 2014. The registration of this in the commercial register took place on 11 June 2014 under No. 338.

The Companies' Law was issued on 24 January 2016 by Decree Law No. 1 of 2016 (the "Companies Law"), which was published in the official gazette on 1 February 2016, and cancelled Decree Companies' Law No. 25 of 2012. This Law shall be applicable as of 26 November 2012.

1. Incorporation and activities (Continued)

Minister of Commerce and Industry shall issue the executive regulations of this law, along with the required resolutions for its implementation within two months as of the date of its publication in the official gazette. Other regulatory bodies shall issue, during the mentioned period, their resolutions required to be issued by them, in accordance with the provisions of this law. Effectiveness of the Executive Regulations of Decree Law No. 25 of 2012, as amended, shall be continued until commencement of this new Law executive regulations effectiveness. The executive regulations shall specify rules and controls of regularizing companies' current affairs in accordance with provisions of the new law.

The address of the Parent Company is P.O. Box 0.26371, Safat 13124, State of Kuwait.

The consolidated financial statements of Kuwait Real Estate Holding Company K.S.C (Holding) and its subsidiaries (the Group) for the year ended 31 December 2015 were authorized for issue by the Parent Company's Board of Directors on 22 March 2016 and are subject to the approval of the Annual General Assembly of the shareholders. The Parent Company's shareholders have the right to amend these consolidated financial statements in the Annual General Assembly.

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

a) New standards, interpretations and amendments effective from 1 January 2015

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered. But if those contributions depend on the number of years of service, those contributions must be allocated to the periods of service using the same attribution method as used for the gross benefit.

These amendments became effective on 1 July 2014. These amendments had no impact on the Group.

Annual improvements to IFRS 2010 – 2012 Cycle:

Amendments to IFRS 2 Share–based Payment

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify the definition of 'vesting conditions' by separately defining a 'performance condition' and a 'service condition'. Those clarifications include the following:

2. Application of new and revised International Financial Reporting Standards (IFRSs) (Cont.)

a) New standards, interpretations and amendments effective from 1 January 2015 (Cont.)

- A performance condition must contain a service condition.
- A performance target must be met while the counterparty is rendering service.
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
- A performance condition may be a market or non-market condition.
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

Amendments to IFRS 3 Business Combinations

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

Amendments to IFRS 8 Operating Segments

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to these standards which are effective for annual periods beginning on or after 1 July 2014 clarify that the determination of the accumulated depreciation or amortization under the revaluation method does not depend on the selection of the valuation technique. They also clarify that the accumulated depreciation or amortization is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortization method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortization is not proportionate to the change in the gross carrying amount of the asset.

Amendments to IAS 24 Related Party Disclosures

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (Cont.)

a) New standards, interpretations and amendments effective from 1 January 2015 (Cont.)

Annual Improvements to IFRS 2011 – 2013 Cycle:

Amendments to IFRS 3 Business Combinations

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception only applies to the financial statements of the joint venture or the joint operation itself.

Amendments to IFRS 13 Fair Value Measurement

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that the portfolio exception in IFRS 13 applies to all contracts within the scope of IFRS 9 (or IAS 39, as applicable), regardless of whether they meet the definitions of financial assets or financial liabilities.

Amendments to IAS 40 Investment Property

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarifies that IFRS 3, and not the description of ancillary services in IAS 40 (which differentiates between investment property and owner-occupied property (i.e., property, plant and equipment)), is used to determine if the transaction is the purchase of an asset or a business combination.

These improvements are effective from 1 July 2014 and did not have a material impact on the Group.

b) Standards and interpretations issued but not effective

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

IFRS 9 - Financial Instruments

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

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

2. Application of new and revised International Financial Reporting Standards (IFRSs) (Cont.)

b) Standards and interpretations issued but not effective (Cont.)

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

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

IFRS 14 – Regulatory Deferral Accounts

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

IFRS 15 - Revenue from contracts with customers

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

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

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

Amendments to IAS 1 – Disclosure Initiative

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

- Materiality, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (Cont.)

b) Standards and interpretations issued but not effective (Cont.)

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

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

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

The amendments, effective prospectively for annual periods beginning on or after 1 January 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have any material impact to the Group.

Amendments to IAS 16 & IAS 41 – Agriculture: Bearer Plants

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

Amendments to IAS 27 – Equity method in separate financial statements

The amendment, effective for annual periods beginning on or after 1 January 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments are not expected to have any material impact to the Group.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (Cont.)

b) Standards and interpretations issued but not effective (Cont.)

Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact to the Group.

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

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

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

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

Annual Improvements to IFRS – 2012 – 2014 Cycle:

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

Amendments to IFRS 5 – Non Current Assets Held for Sale & Discounted Operations

When an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (Cont.)

b) Standards and interpretations issued but not effective (Cont.)

Amendments to IFRS 7 – Financial Instruments: Disclosures

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

Amendments to IAS 19 – Employee Benefits

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

Amendment to IAS 34 – Interim Financial Reporting

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

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Companies' Law of No. 1 of 2016 and its Executive Regulations.

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

3.2 Basis of preparation

These financial statements are presented in Kuwaiti Dinars ("KD"), which is the Group's functional and presentation currency, and are prepared under the historical cost convention, except for fair value measurement of investments classified by fair value through profit or loss, available for sale investments and investment properties.

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

3. Significant accounting policies (Cont.)

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

The Group presents the assets and liabilities in the consolidated statement of financial position based on their classification to current and non-current.

The asset shall be deemed as current if:

(a) Expected to be recognized, intended to be sold, or depreciated within the normal operational cycle.

(b) Held primarily for trading purposes.

(c) Expected to be recognized within twelve months following the reporting date, or

(d) Cash and cash equivalent, unless its trading or usage is limited to settle an obligation for at least twelve months following the reporting date.

Except for the assets that are classified according to the above bases, all other assets shall be classified within the non-current assets.

The liability shall be deemed as current if it is:

(a) Expected to be settled within the normal operational cycle.

(b) Held primarily for trading purposes.

(c) Expected to be settled within twelve months following the reporting date, or

(d) There is no conditional right for postponing settlement of the liability for a period of at least twelve months after the reporting date.

Except for the liabilities that are classified according to the above bases, all other liabilities shall be classified within the non-current liabilities.

3.4 Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries up to 31 December 2015. The date of the financial statements of all subsidiaries is 31 December.

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

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

3. Significant accounting policies (Cont.)

3.4 Basis of consolidation (Cont.)

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

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

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

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

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries drawn up to 31 December 2015 (see below). All subsidiaries have a reporting date of 31 December.

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

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

3. Significant accounting policies (Cont.)

3.4 Basis of consolidation (Cont.)

The subsidiaries of the Parent Company are as follows:

Subsidiary name	Ownership interest		Country of incorporation	Subsidiary objectives
	2015	2014		
Al Omran Real Estate Development Company K.S.C. (Closed)	96%	96%	State of Kuwait	Investment and development of real estates.
Time Line Project Management K.S.C. (Closed)	80%	80%	State of Kuwait	Project management & maintenance in Kuwait and abroad.
First National for Consulting K.S.C. (Closed)	99%	99%	State of Kuwait	Management consulting.
Olive VFM Consulting -Kuwait K.S.C. (Closed).	99%	99%	State of Kuwait	Management consulting.
Al-Fanar Investment Company K.S.C. (Closed)	83.43%	83.43%	State of Kuwait	Investment.

3.5 Business combinations

Acquisitions of companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in the consolidated statement of profit or loss as incurred. At the acquisition date, the identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. Significant accounting policies (Cont.)

3.5 Business combinations (Cont.)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 "Financial Instruments; Recognition and Measurement" or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in the consolidated statement of profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair vale of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognize amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the consolidated statement of income and other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed of.

3. Significant accounting policies (Cont.)

3.6 Property, plant and equipment

Property, plant and equipment are stated in the consolidated financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy (see financing costs policy 3.26). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

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

3.7 Impairment of tangible and intangible assets

At each financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Significant accounting policies (Cont.)

3.8 Investment properties

This item consists of properties under development (the Group did not held any properties under development at the end of the financial year), properties where their future purposes are not determined (the Group did not held any properties under this item) and the properties held by the Group to generate rental income, prices increase or generate both purposes.

Investment properties are recognised initially at cost, and it includes purchase price as well as the transaction costs. Transaction costs include professional fees for legal services, commissions and other costs required to bring the property to its current condition, so the property will be ready for operation to generate its rental income or designated to achieve the other purposes of retaining it. The carrying amount of the property also includes the cost of replacing part of the financial investment properties at the time that cost is incurred which realizes its recognition criteria as investment properties. Daily services costs are not recognised within investment properties cost.

After initial recognition of the investment properties, investment properties are stated at fair value that reflects the market conditions at the reporting date. Investment properties are reassessed annually and are stated in the consolidated statement of financial position at its value in the open market (its incoming value). The value is determined by external valuers who have the suitable professional experience at site and nature of the investment properties supported by an evidence from the market.

Any profit or loss resulting from changes in the fair value of investment properties or from sale of investment properties are immediately recognised in the consolidated statement of income in the period in which such items arise.

Transfers are made to investment properties when, and only when, there is a change in use. In case of transferring an investment property to owner-occupied property, its cost is the fair value of the property at the date of change in use. If owner-occupied property is transferred to an investment property, the Group accounts for such property in accordance with the accounting policy for plant and equipment up to the date of the change in use.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses on disposal of investment properties are measured by the difference between the net disposal proceeds or the carrying amount of the investment properties, and are recognized in the consolidated statement of income in the period of disposal.

No investment properties held under future leases are classified within investment properties.

3. Significant accounting policies (Cont.)

3.9 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associate is accounted for under the equity method of accounting, i.e. on the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value and the consolidated statement of income reflects the group's share of the results of operations of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes resulting from the consolidated statement of income and other comprehensive income of the associate or items recognised directly in the associate's or equity of the Group, as applicable.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized profits on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

3. Significant accounting policies (Cont.)

3.10 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, except for those financial assets and financial liabilities carried at fair value through statement of income, which are initially measured at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets are classified by the Group into the following specified categories: "cash and cash equivalents", "trade receivables", 'investments at fair value through profit or loss (FVTPL)', 'available for sale investments', and 'held to maturity investments'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.10.1 Financial assets

(a) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term deposits.

(b) Trade receivables

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

(c) Investments at fair value through profit or loss

Investments are classified as at fair value through profit or loss (FVTPL) where the financial asset is either held for trading or is designated upon initial recognition as at fair value through statement of income. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; or (ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies (Cont.)

3.10 Financial instruments (Cont.)

A financial asset, other than a financial asset held for trading, may be designated as at fair value through profit or loss upon initial recognition if: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about that is provided internally on that basis; or (iii) it forms part of a contract containing one or more embedded derivatives.

Financial assets at FVTPL are stated at fair value, with any resultant profit or loss recognized in the consolidated statement of income. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or interest earned on the financial asset.

(d) Available for sale investments

The Group classifies equity investments classified that are neither held for trading nor at fair value through profit or loss, nor held to maturity investments as available for sale investments and are recognized at fair value. Gains and losses arising from changes in fair value of these investments are recognized in other consolidated comprehensive income and under fair value reserve in equity with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income from fair value reserve to other statement of income and presented as a reclassification adjustment within consolidated comprehensive income.

(e) Investments held to maturity

The group classifies investments that are non-derivative financial assets with fixed or determinable payments and have fixed maturity date, other than loans and receivables, under held to maturity investments if the group has the intention and ability to hold them until maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

3.10.2 Impairment of financial assets

Financial assets, other than those measured at FVTPL, are assessed for indicators of impairment at each consolidated statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant accounting policies (Cont.)

3.10 Financial instruments (Cont.)

When an AFS investment is considered to be impaired, cumulative gains or losses previously recognized in consolidated comprehensive income are reclassified to profit or loss in the year.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of income, with the exception of available for sale equity instruments, to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognized directly in consolidated equity.

3.10.3 Derecognition of financial assets

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

- 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, but in return the Group has assumed an obligation to pay them in full without delay to a third party under a 'pass through' arrangement; or (a) the Group transferred all the risks and rewards of the asset; or (b) did not transfer or retain all the risks and rewards of the asset, but transferred control of the asset.

Where the Group has transferred its right to receive cash flows from the financial assets and has entered into a pass-through arrangement, the company assesses whether it has retained risks and rewards of ownership and to what extent. When the Group did not transfer nor retain substantially all risks and rewards of the asset, and control of the asset is not transferred, the Group shall continue in recognizing the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3.10.4 Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through statement of income, that are carried at fair value with gains or losses recognised in the consolidated statement of income.

3. Significant accounting policies (Cont.)

3.10 Financial instruments (Cont.)

3.10.5 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The accounting for the same takes into consideration any discount or premium on acquisition including transaction fees or costs which is an integral part of the effective interest rate.

3.10.6 Trade and settlement date accounting

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

3.10.7 Derecognition of financial liabilities

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

3.10.8 Offsetting financial instruments

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

3.11 Fair value measurements

Financial instruments and non-financial assets are measured at fair value at the date of each consolidated financial position. Fair value measurement of the financial instruments and non-financial assets are disclosed in the consolidated financial statements. More information about the fair value measurement of the financial instruments is included in note No. 28. Fair value is the price that would be received from selling an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement depends on the presumption that the asset is disposed of or the liability is settled by transferring it through one of the following cases:

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

3. Significant accounting policies (Cont.)

3.11 Fair value measurements (Cont.)

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

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

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

With regard to assets and liabilities recognised in the consolidated financial statements of the Group measured at fair value frequently, the Group determines whether there are transfers made between levels of the fair value hierarchy through reclassification at the end of each reporting period. To present the fair value disclosures, The Group determined categories of assets and liabilities taking into consideration nature and characteristics related to the asset or liability and level of the hierarchy referred to above.

3.12 Inventories

Inventories, representing spare parts, are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the purchase of inventory. Net realizable value represents the estimated selling price less all completion costs necessary for the finalization of selling.

Spare parts are not intended for resale and are stated at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

3.13 Assets held for sale

Assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management is limited to the sale plan, whereas it is adhered to finalizing the sale completely within one year from the classification date.

3. Significant accounting policies (Cont.)

3.13 Assets held for sale (Cont.)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

3.14 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Profits and losses resulting from some financial instruments are recognized under reserves for available for sale investments.

Accumulated losses include all current and prior period accumulated losses.

3.15 Dividends to shareholders

The Parent Company records an obligation to distribute cash or non-cash dividends to its shareholders when the distribution is declared and is not among the Parent Company's choices. The Parent Company records the obligation resulted from the cash and non-cash dividends directly in the liabilities while inserting an offsetting entry within the retained earnings. In accordance with Companies Law No. 1 of 2016 and its executive regulations, dividends are disclosed when approved by the shareholders at the annual general assembly meeting.

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

3.16 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (profits reserve on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves.

Profits realized 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 profit on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3. Significant accounting policies (Cont.)

3.17 Provision for employees' end of service indemnity

Provision is made for amounts payable to employees under the Kuwait labor law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the consolidated statement of financial position date, and approximates the present value of the final obligation.

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries.

The Group's obligation is limited to these contributions and they are recorded as expenses when acquired.

3.18 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.19 Related parties transactions

Related parties represent associated companies, major shareholders, directors and key management personnel, their families and entities controlled or significantly influenced by such parties. All transactions with related parties are executed under approval of the Group's management and in accordance with pricing polices approved by the Group's management.

3.20 Assets and contingent commitments

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

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

3. Significant accounting policies (Cont.)

3.21 Contribution to KFAS

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

3.22 Zakat

Contribution to Zakat is calculated at 1% of the Group's profit attributable to the Parent Company's shareholders in accordance with the Ministry of Finance resolution No. 58/2007 effective as of 10 December 2007.

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

3.23 National Labor Support Tax

The Group calculates national Labour Support Tax ("NLST") in accordance with the ministry of finance resolution No. 19 of 2000.

3.24 Revenue recognition

Revenue comprises the fair value of the amounts received or receivable of selling goods or providing services in the Group's normal course of business. Revenues are stated in net after returns, discounts, deductions are discounted and intra-group sales are disallowed.

The Group concluded that it works as a main entity for itself in all of its transactions (excluding managing and maintaining third party's properties) as it is the main contractor in all revenue arrangements and it has the pricing discretion. The Group is exposed to inventory risks and credit risks.

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

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

Profit on sale of investments

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

3. Significant accounting policies (Cont.)

3.24 Revenue recognition (Cont.)

Dividends

Dividend income is recognized when the Group's right to receive payment is established. The Group's right to receive such dividends when the dividends are announced and approved by the shareholders of the investees.

Rentals

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

Murabaha and wakala income

Murabaha and Wakala income is recognized as it is earned on a time proportion basis, using the effective rate of return.

Revenues from sale of properties

Revenues from sale of properties are recognized on accrual basis, when all of the following conditions are met:

- When the sale transaction is consummated and the contracts are signed.
- When the buyer investment (sale value) is sufficient to indicate his obligation to pay the property value as at the consolidated financial statements date.
- The receivables category of the Group shall not be less than the future sale.
- The Group should have transferred the regular risks and rewards and the property ownership to the buyer through sale transaction and the Group has no substantial participation in the property or its ownership.

If the works required to complete the property can be measured and recorded on accrual basis easily; if such works are not substantial to the total value of the contract. If all the above conditions are met, except the last condition, the completion percentage shall be the applied method to recognize the revenue.

Revenues of management and maintenance of third party properties

The Company operates under contracts with other parties for managing and maintaining their generating income properties in return for agreed upon percentage in the related contracts. The Group's revenues from managing these properties are represented in net commission received from managing and maintaining third party properties. In this activity, the Group works as an agent for the other counterparties.

Other income

Other income are recognized on accrual basis.

3. Significant accounting policies (Cont.)

3.25 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in consolidated statement of income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than KD (the Group's presentation currency) are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expense items are translated into the Group's presentation currency at the average rate over the reporting period.

3.26 Financing costs

Financing costs primarily comprise costs on the Group's murabaha. Financing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other financing costs are expensed in the period in which they are incurred and are recognised in consolidated statement of income in the period in which they are incurred.

3.27 Leasing

The Group as a lessor

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

The Group as a lessee

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

3. Significant accounting policies (Cont.)

3.27 Leasing (Cont.)

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

4. Significant accounting judgements and estimation uncertainity

Accounting judgements

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

Operating lease commitments

The Group entered into operating commercial leases with third parties. The Group determined, based on review and valuation of conditions and provisions related to these arrangements, such as the lease term that does not form a big part from the useful economic life of the properties, and the fair value of an asset, whether it retains all significant risks and rewards of ownership of the properties leased to third parties. Consequently, the Group accounts for all these leases as operating lease arrangements.

The Group as a principal

The Group regularly makes reviews and assessments to determine whether its current status as principal or agent in its business transactions has been changed. Such review and assessment includes any change in the total relationship among the Group and other parties dealing with the Group, which would mean that its current status as principal or agent has changed. For example, if changes to the rights of the Group, or of other parties, occur, the Group reconsiders its status as a principal or agent. The initial assessment considers the market circumstances that originally led the Group to considering itself as a principal works on behalf of itself or as an agent in arrangements of the revenues contracts. The Group concluded that it works as a principal in all contracts and arrangements that result in revenues to the group excluding its activity related to managing and maintaining third party properties.

Impairment of receivables

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

4. Significant accounting judgements and estimation uncertainity

Accounting judgements (Cont.)

Impairment of investments

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

Investment classification

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

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

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

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

Classification of investment property

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

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

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

Estimation uncertainty

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

4. Significant accounting judgements and estimation uncertainity

Accounting judgements (Cont.)

Valuation of unquoted equity investments

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

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

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

5. Investment properties

	2015	2014
	KD	KD
Investment properties		
Balance at beginning of the year	12,409,801	13,061,327
Transfered to investment properties for sale (Note 8)	(2,880,000)	-
Sale of investment properties	-	(237,560)
Change in fair value	185,000	(413,966)
Balance at end of the year	9,714,801	12,409,801

Investment properties were recognized at fair value determined based on independent valuers one of them is a local bank for local properties valuation and independent valuers for properties outside Kuwait and the lower value was adopted to determine the fair value as at 31 December 2015. Data of valuers are as follows:

- State of Kuwait: Kuwait Finance House and Group Global Co.
- Kingdom of Bahrain: Silver Gate and Bin Faqeeh
- Kingdom of Saudi Arabia: Gulf Coast and Baida AlKhalij

Fair value of the Group's investment properties was reached to as at 31 December 2015 based on the valuation done on that date by independent valuers who are not related to the Group. Those valuers are licensed by the official bodies and they have qualifications and latest experience in valuation of properties at these locations. Fair value of investment properties was determined based on comparable market prices which reflect prices of recent transactions for similar real estates and method of net discounted cash flows model resulted from acquisition of such investments. To estimate the value of such real estates, it has been supposed that the current usage for the real estates is the best usage for the same.

5. Investment properties (Cont.)

The investment properties by geographical location are as follows:

	2015	2014
	KD	KD
Properties - State of Kuwait	-	2,695,000
Land - Kingdom of Bahrain	501,729	501,748
Land - KSA	9,213,072	9,213,053
	9,714,801	12,409,801

6. Investment in an associate

The Parent Company invested a share of 24.5% in Olive FM Company (B.S.C. Holding), an associate working in telecommunications. The Parent Company has accounted for its share in the associate using equity method in the consolidated financial statements. The following table sets out summarized financial information for the Group's investment in this associate:

	2015	2014
	KD	KD
Assets	2,275,460	2,205,421
Liabilities	(389,818)	(345,894)
Equity	1,885,642	1,859,527
The carried forward value of investment in the associate	461,982	455,584

The following table sets out summarized information of the associate business results and the Group's share therefrom:

	2015	2014
	KD	KD
Revenues	1,390,744	839,366
General and administrative expenses	(1,330,583)	(676,274)
Depreciation	(34,047)	(65,651)
Net profit for the year	26,114	97,441
Total comprehensive income	26,114	97,441
Group's share of the net profit for the year	6,398	23,873

6. Investment in an associate (Cont.)

The movement on investments in associate is as follows:

	2015	2014
	KD	KD
Balance at the beginning of the year	455,584	431,711
Group's share of associate results	6,398	23,873
	461,982	455,584

7. Available for sale investments

	2015	2014
	KD	KD
Local quoted available for sale investments	3,794,563	3,738,444
Local unquoted equity instruments	8,473,806	8,732,599
Quoted foreign equity instruments	182,103	107,039
Investment in unquoted foreign equity instruments.	2,002,734	1,835,118
	14,453,206	14,413,200

During the year ended 31 December 2015, the Group recoded impairment of available for sale investments resulted from decline in the value of such investments of KD 39,000 (31 December 2014: KD 255,504).

8. Investment properties for sale

Investment properties for sale of KD 2,880,000 are local investment properties reclassified from the investment properties (Note 5) under a decision by the management for the purpose of selling them during a year from date of the current consolidated financial statements for raising the liquidity required to meet the possibilities of payment and settlement of the debt due from the Group represented in short term murabaha payables.

9. Receivables and other debit balances

	2015	2014
	KD	KD
Trade receivables	923,398	1,134,042
Other receivables	285,618	293,649
Provision for doubtful debts	(856,210)	(856,210)
	352,806	571,481
Prepaid expenses	11,547	10,877
Due from employees	14,733	13,706
Refundable deposits	13,050	12,053
	392,136	608,117

10. Investments at fair value through profit or loss

	2015	2014
	KD	KD
Quoted local financial portfolios	1,305,680	1,229,840
Quoted foreign investments	405,247	405,247
	1,710,927	1,635,087

Certain investments at fair value through profit or loss are invested in equity instruments of a related party and managed by another related party. Their carried forward value reached KD 1,197,000 as at 31 December 2015 (31 December 20154: KD 1,071,000) (Note 22).

11. Cash and cash equivalents

	2015	2014
	KD	KD
Cash in hand and at financial institutions	1,051,646	814,190
Investment deposit	500,000	500,000
Cash at investment portfolios	4,620	347,630
Investment saving account	2,078,830	1,773,089
	3,635,096	3,434,909

A return on Company's saving account at 0.73% is realized (2014: 1.31%) annually.

The investment deposit matures within three months from placement and is automatically renewable.

12. Assets held for sale

Assets held for sale represent net assets of the associate (Kuwaiti African Holding Company) a company established in the Republic of Tunisia. The Parent Company decided to liquidate the associate due to the current political situation in the Republic of Tunisia. Agreement with other partners in the Republic of Tunisia is currently in progress to start the liquidation procedures and this shall be done within a year from the date of these financial statements. Management believes that there is no impairment in this amount at the date of the consolidated financial statements based on existence of offers from other parties to purchase the associate.

13. Share capital

The Parent Company's authorized, issued and fully paid capital is KD 19,103,898 (31 December 2014: KD 19,103,898) allocated over 191,038,980 shares of nominal value 100 fils per share (31 December 2014: 191,038,980 shares of nominal value 100 fils per share) and all shares are in cash.

14. Share premium

The share premium represents increase of the cash collected for the nominal value of shares of the issued capital, which is not distributable except to the extent stated by law.

15. Statutory reserve

In accordance with the Companies' Law, as amended, and the Parent Company's Articles of Association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

Distribution of the statutory 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 a dividend of that amount. No transfer to statutory reserve was made because of the accumulated losses incurred.

16. Voluntary reserve

In accordance with the parent company's articles of association, a percentage is transferred to the voluntary reserves as proposed by the board and approved by the general assembly. This transfer was stopped by a resolution of the general assembly of shareholders based on a proposition from the board of directors. No transfer to voluntary reserve was made because of the accumulated losses incurred.

17. Treasury shares

	2015	2014
Number of shares (No's)	2,910,761	2,910,761
Percentage of issued shares (%)	1.52	1.52
Market value (KD)	69,858	107,698
Cost (KD)	1,452,034	1,452,034

18. Purchase of land payables

This item represents the value of due on purchase of land in Jebel Ali area in UAE.

19. Provision for employee' end of service indemnity

The Group provides end of service benefits to its expatriate employees in accordance with Kuwait Labor Law. The movement on this is as follows:

	2015	2014
	KD	KD
Balance at 1 January	545,528	487,390
Charged on consolidated statement of income	94,972	176,358
Paid	(931)	(118,220)
Balance at 31 December	639,569	545,528

20. Payables and other credit balances

	2015	2014
	KD	KD
Trade payables	1,211,776	1,149,619
Accrued expenses and leave	207,305	149,220
Third party insurance	99,988	116,011
Other credit balances	62,694	106,323
	1,581,763	1,521,173

21. Murabaha payables

	2015	2014
	KD	KD
Murabaha payable have been judged by the Court	5,711,992	-
Murabaha payable have not been judged by the Court	12,780,000	18,528,501
	18,491,992	18,528,501

Murabaha payables are granted by local financial institutions.

One of the local banks granting the finance to the Group filed a case against the Parent Company of KD 18,491,992 claiming refunding the finance.

During 2015, it was judged in favour of the bank by obliging the Parent Company to pay KD 5,711,992 due to the bank and the judgment was confirmed subsequently in 2016.

22. Related parties transactions

Related parties represent associated companies, major shareholders, directors and key management personnel, their families and entities controlled or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Group's management. Related parties transactions are as follows:

	2015	2014
	KD	KD
Consolidated statement of financial position:		
Investments at fair value through profit or loss	1,197,000	1,071,000
Available for sale investments	1,651,860	1,477,980
Consolidated statement of income		
Senior management benefits and salaries	247,067	245,183
Portfolio management fees	2,206	5,405
Management and maintenance contract income	84,638	84,549

23. Net income from rent

	2015	2014
	KD	KD
Real estate rental income	279,041	263,354
Operating costs	(27,632)	(18,166)
	251,409	245,188

24. Net profits from management and maintenance of third parties properties

	2015	2014
	KD	KD
Revenues from management and maintenance of third parties properties	429,994	511,021
Operating costs	(333,259)	(432,386)
	96,735	78,635

25. General and administrative expenses

	2015	2014
	KD	KD
Senior management benefits and salaries	247,067	245,183
Staff costs	488,211	467,209
Other	245,098	241,243
	980,376	953,635

26. Basic EPS

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Parent Company owners by the weighted average number of ordinary shares determined based on number of outstanding shares of the authorized capital during the year taking into account treasury shares, as follows:

	2015	2014
	KD	KD
Net profit for the year attributable to the owners of the Parent Company (KD)	171,676	692,258
Weighted average number of outstanding shares (share)	188,128,219	188,128,219
Basic EPS (fils)	0.91	3.68

27. Operating Segments

Operating segments are identified on the basis of internal reports about the Group's components which are regularly reviewed by the chief operating decision maker in order to assess its performance. The management has classified the Group's products and services into the following operational segments according to the IFRS 8: Operating Segments":

- Real Estate Management
- Supervision Management
- Investment Properties
- Financial Investments
- Other

The inter transactions between operating segments are priced at cost. Only the operating segments revenues from external clients are stated, whereas the inter transactions between these segments are excluded. The operating segments profit represents the profit realized from each segment without distributing the general and administrative expenses and other expenses according to the policy adopted in preparing and submitting the internal reports to the chairman and the managing director to take operating decision.

27. Operating Segments (Cont.)

	Revenues from operating segments		Operating segments profits	
	2015	2014	2015	2014
	KD	KD	KD	KD
Real Estate Management	709,035	460,338	348,144	323,823
Supervision Management	1,971	53,367	779	17,192
Investment properties	185,000	(413,966)	185,000	(413,966)
Investments	643,039	713,793	604,039	711,084
	1,539,045	813,532	1,137,962	638,133
Other	20,718	2,709	20,718	2,709
	1,559,763	816,241	1,158,680	640,842
General and administrative expenses			(980,376)	(953,635)
Write back of unclaimed finance charges			-	1,037,144
Zakat and NLST			-	(23,924)
Net profit for the year			178,304	700,427

The following is the analysis of assets and liabilities of operating segments for the purposes of monitoring segment performance and allocation of resources among them:

	As at 31 December	
	2105	2014
	KD	KD
Assets		
Real Estate Management	112,006	110,542
Supervision Management	148,294	148,932
Real Estate Investments	13,349,801	13,187,948
Financial Investments	20,093,715	19,957,440
	33,703,816	33,404,862

	As at 31 December	
	2105	2014
	KD	KD
Liabilities		
Real Estate Management	118,502	119,818
Supervision Management	723	2,140
Real Estate Investments	8,600,865	8,644,476
Financial Investments	14,322,658	14,158,192
	23,042,748	22,924,626

27. Operating Segments (Cont.)

Geographical segments:

	Assets		(Losses)	
	2015	**2014**	**2015**	**2014**
	KD	KD	KD	KD
State of Kuwait	20,330,146	20,153,995	1,116,657	53,205
Outside the State of Kuwait	13,373,670	13,250,867	42,023	587,637
	33,703,816	33,404,862	1,158,680	640,842

28. Financial instruments

(a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debt and or sell assets to reduce debt.

Consistent with the industry norm, the Group monitors capital on the basis of percentage of borrowing rate, which is calculated by net borrowing value divided by total invested capital. Net debt is calculated as total borrowings (murabaha payables) less cash and cash equivalents. Total invested capital is calculated by total equity and net borrowing.

Gearing ratio

	2015	**2014**
	KD	KD
Murabaha payables	18,491,992	18,528,501
Cash and cash equivalents	(3,635,096)	(3,434,909)
Net lending	14,856,896	15,093,592
Equity attributable to owners of the Parent Company	8,780,461	8,620,590
Capital invested	23,637,357	23,714,182
Gearing ratio	62.85%	63.65%

28. Financial instruments (Cont.)

(b) 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's credit policy and exposure to credit risk are monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate. The maximum credit risk exposure is not materially different from the carrying values in the consolidated statement of financial position.

(c) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consists principally of investments at fair value through statement of income and available for sale investments. The Group manages this risk by diversifying its investments on the basis of the pre- determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	2015			2014		
	Change in equity price	**Effect on consolidated statement of income**	**Effect on the consolidated statement of income and other comprehensive income**	**Change in equity price**	**Effect on consolidated statement of income**	**Effect on the consolidated statement of income and other comprehensive income**
	%	KD	KD	%	KD	KD
Investments at fair value through profit or loss	+5	85,546	-	+5	81,754	-
Available for sale investments	+5	-	722,660	+5	-	720,660

28. Financial instruments (Cont.)

(d) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management monitors the positions on a daily basis to ensure positions are maintained within established limits.

The effect on profit (due to change in the fair value of net assets), as a result of change in currency rate, with all other variables held constant is shown below:

	2015	2014
	KD	KD
Saudi Riyal	10,368,902	9,213,053
UAE Dirham	722,749	854,106
US Dollar	-	370,712
Bahrain Dinar	1,670,518	501,729
Omani Riyal	-	124,034

Assuming an increase in foreign exchange by 5%, the statement of income shall be affected by an amount of KD 638,811 for the year ended 31 December 2015 (KD 553,182 for the year ended 31 December 2014).

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically 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 undiscounted financial liabilities based on contractual undiscounted repayment obligations.

31 December 2015	Within months	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	-	-	18,491,992	-	-	18,491,992
Payables and other credit balances	-	-	1,581,763	-	-	1,581,763
Purchase of land payables	-	-	-	2,329,424	-	2,329,424
Provision for employees' end of service indemnity	-	-	-	-	639,569	639,569
Total liabilities	-	-	20,073,755	2,329,424	639,569	23,042,748

28. Financial instruments (Cont.)

31 December 2015	Within months	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	-	-	18,528,501	-	-	18,528,501
Payables and other credit balances	-	-	1,521,173	-	-	1,521,173
Purchase of land payables	-	-	-	2,329,424	-	2,329,424
Provision for employees' end of service indemnity	-	-	-	-	545,528	545,528
Total liabilities	-	-	20,049,674	2,329,424	545,528	22,924,626

(f) Fair value of financial instruments

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

The fair values of financial assets are determined as follows.

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

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

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

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

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

28. Financial instruments (Cont.)

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

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Investments at fair value through profit or loss				
Unquoted equities	1,710,927	-	-	1,710,927
Available for sale investments				
Quoted equities	3,976,666	-	-	3,976,666
Unquoted equities	-	-	10,476,540	10,476,540
Total	5,687,593	-	10,476,540	16,164,133

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Investments at fair value through profit or loss				
Unquoted equities	1,635,087	-	-	1,635,087
Available for sale investments				
Quoted equities	3,845,483	-	-	3,845,483
Unquoted equities	-	-	10,567,717	10,567,717
Total	5,480,570	-	10,567,717	16,048,287

29. Shareholders General Assembly

On 26 May 2015, the Parent Company's General Assembly of shareholders approved the financial statements for the year ended 31 December 2014 and not distributing dividends for the this financial year.

30. Contingent commitments and liabilities

	2015	**2014**
	KD	KD
Capital commitments		
Bank guarantees	1,198,590	1,198,590