

Consolidated financial statements and independent auditors' report

Al Mal Investment Company – KPSC and subsidiaries

Kuwait

31 December 2015

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Independent auditors' report

To the shareholders of
Al Mal Investment Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Mal Investment Company – KPSC (the “Parent Company”) and its subsidiaries (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al Mal Investment Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the state of Kuwait.

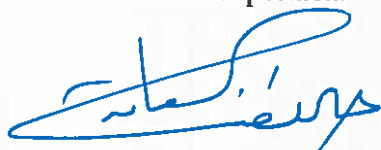
Emphasis of matter

Without qualifying our opinion we draw attention to Note 16 to the consolidated financial statements, where the Group is following Central Bank of Kuwait requirements with regard to provisioning against refundable developments expenses.

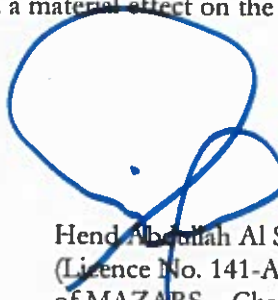
Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012 and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law and the Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business or financial position of the Group.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any material violations, of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2015, that might have had a material effect on the business of the Group or on its financial position.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Hend Abdulla Al Surayea
(Licence No. 141-A)
of MAZARS – Chartered Accountants

Kuwait
29 March 2016

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Income			
Unrealised gain/(loss) from investments at fair value through profit or loss	15	366,703	(796,942)
Realised gain on disposal of available for sale investments		80,470	414,545
Realised gain on disposal of associate	19.3	-	325,401
Realised loss on disposal of investment property	20.3	-	(17,441,140)
Gain on settlement of borrowings	22	-	8,220,495
Gain on settlement of bonds	23	270,000	2,519,032
Gain on reversal of finance costs due to debt to equity swap	10	1,095,017	-
Gain on conversion of debt to equity	24.2	9,323,309	-
Loss on disposal of investment in sukuk	18	(56,741)	-
Dividend income		169,091	341,028
Net income from communication services	8	90,180	63,957
Management fees and other income	9	1,990,546	991,738
Share of results of associates	19	(1,421,522)	214,828
Change in fair value of investment properties	20	366,239	(118,291)
Interest income		25,364	74,600
Foreign exchange gain		113,502	161,182
		12,412,158	(5,029,567)
Expenses and other charges			
Finance costs	11	386,791	1,366,790
Staff costs		997,042	1,077,535
General, administrative and other expenses		894,997	810,994
Provision for refundable development expenses	16.2	3,199,675	-
Impairment of investment in sukuk	18	-	2,674,805
Impairment of available for sale investments	17.4	557,002	533,325
		6,035,507	6,463,449
Profit/(loss) for the year		6,376,651	(11,493,016)
Attributable to :			
Owners of the Parent Company		6,256,744	(4,813,392)
Non-controlling interests		119,907	(6,679,624)
		6,376,651	(11,493,016)
Basic and diluted profit/(loss) per share attributable to the owners of the Parent Company	13	10.19 Fils	(9.11) Fils

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

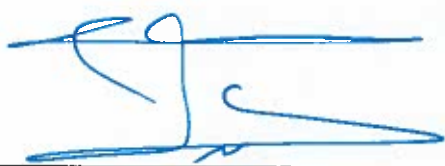
Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Profit/(loss) for the year	6,376,651	(11,493,016)
Other comprehensive income:		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(144,582)	12,265
Available for sale investments:		
- Net changes in fair value arising during the year	440,237	(1,243,148)
- Transferred to consolidated statement of profit or loss on disposal	(37,193)	(311,383)
- Transferred to consolidated statement of profit or loss on impairment	557,002	533,325
Share of other comprehensive income of associates	(492,512)	357,996
<i>Net other comprehensive income to be reclassified to statement of profit or loss in subsequent periods</i>	322,952	(650,945)
<i>Net other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods</i>	-	-
Total other comprehensive income for the year	322,952	(650,945)
Total comprehensive income for the year	6,699,603	(12,143,961)
Total comprehensive income attributable to:		
Owners of the Parent Company	6,594,718	(5,511,017)
Non-controlling interests	104,885	(6,632,944)
	6,699,603	(12,143,961)

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2015 KD	31 Dec. 2014 KD
Assets			
Cash and cash equivalents	14	5,301,713	9,575,373
Investments at fair value through profit or loss	15	1,994,505	-
Accounts receivable and other assets	16	18,423,438	23,528,359
Available for sale investments	17	5,961,240	4,644,283
Investment in sukuk	18	-	891,602
Investment in associates	19	9,287,632	12,452,235
Investment properties	20	12,469,049	11,751,167
Property and equipment		138,568	49,750
Goodwill		90,332	90,332
Total assets		53,666,477	62,983,101
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	21	10,264,198	11,687,748
Borrowings	22	4,039,496	15,685,469
Bonds	23	900,000	5,171,400
Employees' end of service indemnity		398,646	306,125
Total liabilities		15,602,340	32,850,742
Equity			
Share capital	24	66,954,351	52,828,125
Foreign currency translation reserve	25	(1,087,634)	(491,804)
Cumulative changes in fair value	25	412,031	(521,773)
Accumulated losses		(29,618,995)	(27,464,541)
Equity attributable to owners of the Parent Company		36,659,753	24,350,007
Non-controlling interests	25	1,404,384	5,782,352
Total equity		38,064,137	30,132,359
Total liabilities and equity		53,666,477	62,983,101



Abdulkareem Abdullah Al-Muttawa
 Chairman



Abdul Wahab Abdul Rahman Al-Mutawa
 Director & Chief Executive Officer

The notes set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company										Non-controlling interests		Total				
	Share capital		Share premium		Statutory reserve		Voluntary reserve		Foreign currency translation reserve		Cumulative changes in fair value			Accumulated losses		Sub-total	
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD		KD	KD	KD	KD
as at 1 January 2015	52,828,125	-	-	-	(491,804)	(521,773)	(27,464,541)	24,350,007	5,782,352	30,132,359							
of non-controlling interests in a subsidiary (note 7.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
share capital (note 24.2)	14,126,226	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
contributions with owners	14,126,226	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
comprehensive income for the year	-	-	-	-	(595,830)	933,804	6,256,744	6,256,744	119,907	6,376,651							
comprehensive income for the year	-	-	-	-	(595,830)	933,804	6,256,744	6,594,718	104,885	6,699,603							
as at 31 December 2015	66,954,351	-	-	-	(1,087,634)	412,031	(29,618,995)	36,659,753	1,404,384	38,064,137							

is set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company										Non-controlling interests		Total				
	Share capital		Share premium		Statutory reserve		Voluntary reserve		Foreign currency translation reserve		Cumulative changes in fair value			Accumulated losses		Sub-total	
	KD		KD		KD		KD		KD		KD			KD		KD	
as at 1 January 2014	52,828,125	-	-	-	-	(815,385)	499,433	-	-	-	22,651,149	29,861,024	12,415,296	42,276,320			
comprehensive income for the year	-	-	-	-	-	323,581	(1,021,206)	-	-	(4,813,392)	(6,679,624)	(4,813,392)	(6,679,624)	(11,493,016)			
comprehensive income for the year	-	-	-	-	-	323,581	(1,021,206)	-	-	(4,813,392)	(6,679,624)	(4,813,392)	(6,679,624)	(11,493,016)			
as at 31 December 2014	52,828,125	-	-	-	-	(491,804)	(521,773)	(27,464,541)	24,350,007	(6,632,944)	5,782,352	30,132,359					

is set out on pages 9 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
OPERATING ACTIVITIES			
Profit/(loss) for the year		6,376,651	(11,493,016)
Adjustments for:			
Impairment of available for sale investments		557,002	533,325
Provision for refundable development expenses		3,199,675	-
Impairment of investment in sukuk		-	2,674,805
Change in fair value of investment properties		(366,239)	118,291
Gain on settlement of borrowings		-	(8,220,495)
Gain on settlement of bonds		(270,000)	(2,519,032)
Gain on reversal of finance costs due to debt to equity swap		(1,095,017)	-
Gain on conversion of debt to equity		(9,323,309)	-
Loss on disposal of investment in sukuk		56,741	-
Realised loss on disposal of investment property		-	17,441,140
Realised gain on disposal of available for sale investments		(80,470)	(414,545)
Realized gain on disposal of associate		-	(325,401)
Dividend income		(169,091)	(341,028)
Share of results of associates		1,421,522	(214,828)
Depreciation		28,063	18,433
Provision for employees end of service benefits		117,484	72,511
Interest income		(25,364)	(74,600)
Finance costs		386,791	1,366,790
		814,439	(1,377,650)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(1,994,505)	796,942
Accounts receivable and other assets		(1,617,746)	(3,341,886)
Accounts payable and other liabilities		(488,979)	(1,330,110)
Cash used in operations		(3,286,791)	(5,252,704)
Employee end of service benefits paid		(25,226)	(117,599)
Net cash used in operating activities		(3,312,017)	(5,370,303)
INVESTING ACTIVITIES			
Proceeds from sale/redemption of available for sale investments		626,485	2,808,012
Additions to available for sale investments		(711,632)	-
Net change in sukuk		40,383	331,307
Proceeds from sale of investment in sukuk		46,182	-
Additions to property and equipment		(116,881)	(30,584)
Additions to investment properties		(412,868)	(4,417,311)
Proceeds from sale of investment properties		25,202	50,042,665
Proceeds from sale of investment in associate		-	325,401
Dividend received from associates		1,302,719	588,712
Dividend income received		169,091	341,028
Interest income received		25,364	74,600
Net cash from investing activities		994,045	50,063,830
FINANCING ACTIVITIES			
Decrease / (Increase) in deposits maturing after three months		600,000	(600,000)
Repayment of borrowings and bonds		(1,521,147)	(38,881,540)
Purchase of non-controlling interests in a subsidiary		(47,750)	-
Finance costs paid		(386,791)	(1,484,930)
Net cash used in financing activities		(1,355,688)	(40,966,470)
Net (decrease)/increase in cash and cash equivalents		(3,673,660)	3,727,057
Cash and cash equivalents at beginning of the year		8,975,373	5,248,316
Cash and cash equivalents at end of the year	14	5,301,713	8,975,373

Notes to the consolidated financial statements

1 Incorporation and activities

Al Mal Investment Company – KPSC, (“the Parent Company”), is a Kuwaiti Public Shareholding Company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is regulated by the Central Bank of Kuwait and the Capital Market Authority as an investment company and its shares are listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries (listed in note 7) are together referred as “the Group”.

The principal objectives of the Parent Company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the Parent Company’s registered office is Arabian Gulf Street, Ahmed Tower, Floor 22, PO Box 26308, Safat 13124, State of Kuwait.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new executive regulations.

The board of directors authorised these consolidated financial statements for issue on 29 March 2016. The general assembly of the Parent Company’s shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement of investments at fair value through profit or loss, available for sale financial assets and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

The Group has elected to present the “statement of comprehensive income” in two statements: the “statement of profit or loss” and a “statement of profit or loss and other comprehensive income”.

3 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait.

These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year, except for the adoption of new and amended standards discussed below:

4.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 19 Defined Benefit Plans: Employee Contributions -Amendments	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The Amendments to IAS 19 Employee Benefits 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. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in those contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment did not have any material impact to the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) *Amendments to IFRS 3*-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of profit or loss.

(ii) *Amendments to IFRS 13*- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iii) *Amendments to IFRS 8*- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) *Amendments to LAS 16 and LAS 38*- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(v) *Amendments to LAS 24*- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

The amendments did not have any material impact to the Group's consolidated financial statements.

Annual Improvements 2011-2013 Cycle

(i) *Amendments to IFRS 1*-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

Annual Improvements 2011-2013 Cycle (continued)

(ii) *Amendments to IFRS 3*- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(iii) *Amendments to IFRS 13*- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

iv) *Amendments to IAS 40* - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property

The amendments did not have any material impact to the Group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 July 2016

IFRS 9 Financial Instruments

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income. This will affect the Group's investment amounting to KD336,652 which are carried at cost (see note 17), if such investments are still held on 1 January 2018.
- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality:* The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income:* The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI 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:* The amendments 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 and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

IAS 16 and IAS 38 Clarifications of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

- Amendments to IFRS 5* - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in consolidated financial statements
- Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

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

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured at the acquisition date.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 6 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 6.2.1 for a description of impairment testing procedures.

5.4 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

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

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

5.5 Segment reporting

The Group has three operating segments: Investment, real estate and finance segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.6 Revenue

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised;

5.6.1 Rendering of services

The Group earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

- *Fee income from providing transaction services*
Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

The Group also earns income from communication services (from Tarasul Telecom) and are recorded when services are rendered.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)

5.6.2 Interest and sukuk income

Sukuk and interest income are recognised on a time proportion basis using effective interest method.

5.6.3 Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the Real Estate to the purchaser and the amount of revenue can be reliably measured.

5.6.4 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

5.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.9 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

5.10 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effect of future reorganisations and assets enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.12 Financial instruments

5.12.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.1 Recognition, initial measurement and derecognition (continued)

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

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

5.12.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All significant income and expenses relating to financial assets that are recognised in profit or loss are presented, under separate headings in the consolidated statement of profit or loss.

• *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

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

The Group categorises loans and receivables into following categories:

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Financial instrument (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

- *Investment in sukuk*

Investment in sukuk comprises investment in Islamic convertible debts instruments issued by a foreign real estate entity.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- *Receivables and other financial assets*

Trade receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Loans and receivables which are not categorised under any of the above are classified as "other receivables/other assets".

- *Financial assets at FVTPL*

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. Investments at FVTPL are either "held for trading" or "designated" as such on initial recognition.

The Group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss except for financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- *AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of income. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Financial instrument (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

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

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.12.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, bonds issued and accounts payable and other liabilities; the subsequent measurement of financial liabilities depends on their classification.

The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL).

- *Financial liabilities other than at fair value through profit or loss (FVTPL)*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Bonds issued*

Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

- *Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "accounts payable and other liabilities"

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Financial instrument (continued)

5.12.4 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.12.5 Offsetting of financial instruments

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

5.12.6 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

5.13 Equity, reserves and dividend payments

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Cumulative changes in fair value reserve – comprises gains and losses relating to available for sale financial assets

Accumulated losses include all current and prior period losses. All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.14 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14 Treasury shares (continued)

When the treasury shares are reissued, gains are credited to a separate account in equity, (the “gain on sale of treasury shares reserve”), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.15 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, 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.

5.16.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.16.2 Foreign currency transactions and balances

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 denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, “fair value through profit or loss” is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and “available for sale” are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5.16.3 Foreign operations

In the Group’s financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 End of service indemnity

The parent and its local subsidiaries provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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 obligations are limited to these contributions, which are expensed when due.

5.18 Taxation

6.18.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

5.18.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.18.3 Zakat

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

For the year ended 31 December 2015 and 2014, the Parent Company has no liability towards NLST, KFAS and Zakat due to tax losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.18.4 Fiduciary assets

Assets held in a trust or fiduciary capacity are not treated as assets of the Group and, accordingly, they are not included in these consolidated financial statements.

6 Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the statement of profit or loss or other

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1. Significant management judgments (continued)

6.1.1. Classification of financial instruments (continued)

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

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

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value.

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

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

6.1.3 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2. Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of goodwill and other intangible assets

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

6.2.2. Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss. In 2015, the Group recognised an impairment loss on investment in associates (see note 19).

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty

6.2. Estimates uncertainty (continued)

6.2.3. Impairment of available for sale equity investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In 2015 the Group recognised an impairment loss on available for sale investments (see note 17).

6.2.4 Impairment of loans and receivables

The group's management reviews periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. In 2015 the Group recognised impairment losses on loans and receivables (see notes 16).

6.2.5. Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 28).

6.2.6. Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries which are directly owned by the Parent Company at the end of the reporting period are as follows:

Name of the subsidiary	Country of registration & Place of business	Proportion of ownership interest held by the Group		Nature of business
		2015	2014	
Tarasul Telecom Co. K.S.C (Closed)	Kuwait	96.69%	96.69%	Communication services
Diyar Al-Kuwait Real Estate Company – KSC (Closed)	Kuwait	60.25%	60.25%	Real estate development
Al Mal International for Project Management Co.- WLL	Kuwait	80.00%	80.00%	Real estate project management
Al Mal Qatari Holding Company – KSC (Closed)	Kuwait	97.5%*	97.5%*	Real estate project management
Safe Hands Holding Co. – BSC (Closed)	Bahrain	60.72%	60.72%	Health care
Saudi Al Mal Co. – WLL	Kingdom of Saudi Arabia	100%	100%	Investment activities
Quick Facilities Management – LLC	United Arab Emirates	100%	100%	Facilities management services

* The remaining 2.5% of the above subsidiary is held by Parent Company through letter of assignments. Certain subsidiaries shares are held through letter of assignments in favour of the Parent Company.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

	For the year ended 31 December 2015		For the year ended 31 December 2014	
	DKRE KD	FMRE KD	DKRE KD	FMRE KD
Net cash flow from operating activities	956,061	(1,372,621)	5,272,630	(37,814,422)
Net cash flow from investing activities	46,918	-	(3,804,155)	48,873,354
Net cash flow from financing activities	(1,101,133)	-	(2,063,807)	(12,263,490)
Net cash outflow	(98,154)	(1,372,621)	(595,332)	(1,204,558)

7.3 Acquisition of Non-Controlling interest of a sub-subsidiary

During the 4th quarter of the current year, the Group acquired 10% of the share capital held by non-controlling interests (also a related party) with respect of First Al-Mal Real Estate Company KSCC (formally: First Diyar Real Estate Company) for a consideration of KD3,570,742 resulting in a gain of KD912,111 which has been recognized in equity. The consideration was settled by crediting the due from related party by an amount of KD3,522,992 and the difference of KD47,750 was settled in cash.

8 Net income from communication services

	31 Dec. 2015 KD	31 Dec. 2014 KD
Subscription, activation and installation income	310,272	336,242
Hardware and software sales and project/maintenance income	115,404	481,327
	425,676	817,569
Direct operating costs	(335,496)	(753,612)
	90,180	63,957

9 Management fees and other income

	31 Dec. 2015 KD	31 Dec. 2014 KD
Management and consultancy fees	981,697	384,657
Rent income	546,802	581,983
Gain on settlement of accounts payable*	399,171	-
Other income	62,876	25,098
	1,990,546	991,738

* During the year, one of the Group's subsidiaries has settled certain accounts payable and the creditor has waived an amount of KD399,171 which has been recognised under other income in the consolidated statement of profit or loss.

10 Gain on reversal of finance costs due to debt to equity swap

During the 2nd quarter of the current year, upon completion of the debt to equity swap, the Group reversed the total finance cost accrued on the debt which was swapped into equity (refer note 24) as such finance costs were no longer due.

11 Finance costs

Finance costs relate mainly to borrowings and bonds issued. All these financial liabilities are stated at amortised cost.

Notes to the consolidated financial statements (continued)

12 Net loss or gain on financial assets

Net loss or gain on financial assets, analysed by category, is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Receivables		
- bank balances and short term deposits	25,364	74,600
- Investment in Sukuk	(56,741)	-
- Impairment of investment in Sukuk	-	(2,674,805)
Assets at fair value through profit or loss:		
- designated on initial recognition	366,703	(796,942)
Available for sale investments:		
- recognised directly in other comprehensive income (including minority share)	960,046	(1,021,206)
- recycled from other comprehensive income to consolidated statement of profit or loss		
• On impairment	(557,002)	(533,325)
• On disposal	37,193	311,383
- recognised directly in consolidated statement of profit or loss	212,368	444,190
	987,931	(4,196,105)
Net loss recognised in the consolidated statement of profit or loss	27,885	(3,174,899)
Net loss recognised in other comprehensive income	960,046	(1,021,206)
	987,931	(4,196,105)

13 Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to the owners of the Parent Company by the weighted average number of ordinary shares outstanding during the year as follows:

	31 Dec. 2015	31 Dec. 2014
Profit/(loss) for the year attributable to the owners of the Parent Company (KD)	6,256,744	(4,813,392)
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	614,199,605	528,281,250
Basic and diluted earnings/(loss) per share (Fils)	10.19	(9.11)

14 Cash and cash equivalents

	31 Dec. 2015 KD	31 Dec. 2014 KD
Cash and bank balances	2,055,681	8,801,823
Short term deposits	3,244,739	754,775
Cash balances with portfolio managers	1,293	18,775
Cash and cash equivalent	5,301,713	9,575,373
Less: Term deposit maturing after three months	-	(600,000)
Cash and cash equivalents as per consolidated statement of cash flow	5,301,713	8,975,373

Short term deposits carry an average effective interest rate of 0.75% (2014: 0.91%).

Notes to the consolidated financial statements (continued)

15 Investments at fair value through profit or loss

	31 Dec. 2015 KD	31 Dec. 2014 KD
Designated on initial recognition:		
Local quoted shares	950,575	-
Mutual funds	151,843	-
Unquoted shares	892,087	-
	1,994,505	-

During the year, the Group acquired the above investments for a total consideration of KD1,627,802 which has been classified as investments at fair value through profit or loss. The difference between the cost and the fair value of the investments as of 31 December 2015 amounting to KD366,703 was recognised in the consolidated statement of profit or loss under “unrealised gain from investments at fair value through profit or loss”.

16 Accounts receivable and other assets

	31 Dec. 2015 KD	31 Dec. 2014 KD
Advance payment to purchase investments	1,525,495	1,730,123
Refundable development expenses (16.1)	17,821,035	17,458,442
Due from related parties	270,204	3,922,651
Trade receivables	311,483	294,741
Accrued income & Dividends receivable	60,152	32,120
Other assets (16.3)	1,634,744	90,282
	21,623,113	23,528,359
Provision for refundable development expenses (16.2)	(3,199,675)	-
	18,423,438	23,528,359

16.1 Refundable development expenses represent development cost incurred to develop an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The Parent Company was the main developer for this project.

During the 3rd quarter of the previous year, Knowledge Economic City (KEC) - Kingdom of Saudi Arabia (the relevant Saudi authority), has announced through different media channels the termination of Al-Mal Investment’s Contract (Developer of Prince Faisal Abdul Aziz Bin Mused economic city – located in Hael) and assigning the development to Governmental parties. The management of the Parent Company has contacted KEC to inquire about this action, since based on the development contract, all contractual and formal procedures must be completed to rectify any breach (if any), before terminating the development contract.

Accordingly based on the discussions to date with the relevant Saudi authorities and upon consultations with the legal consultants and review of the development contract which stipulates that the total expenses incurred is re-imbursable, the Parent Company’s Management is confident that the above refundable development expenses is recoverable in full.

16.2 During the 3rd and 4th quarters of the current year, a provision of KD1,596,804 and KD1,602,871 respectively, was recognised against refundable development expenses in accordance with Central Bank of Kuwait requirements.

16.3 Other assets includes an amount of KD1,400,000 which represents payments made to investee Companies for potential investments and the investees have informed that these projects will not be executed. Accordingly, the management expects that these amounts will be returned in full within a short period. These balances have been confirmed by the investee companies.

Notes to the consolidated financial statements (continued)

17 Available for sale investments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Direct investments in shares	3,075,597	2,656,177
- Local unquoted	2,327,466	1,911,999
- Foreign quoted	119,797	-
- Foreign unquoted	628,334	744,178
Investments in private equity funds	444,550	654,676
- Foreign	444,550	654,676
Investments in direct equity funds	714,152	890,751
- Local	714,152	890,751
Investments in portfolios managed by others	1,726,941	442,679
- Local	423,166	247,679
- Foreign	555,479	195,000
- Foreign quoted Real Estate Investment Trusts (REIT)	748,296	-
	5,961,240	4,644,283

- 17.1 Available for sale investments include investments of KD336,652 (31 December 2014: KD Nil), carried at cost less impairment, if any, due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.
- 17.2 Information for investments in private equity funds and direct equity funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.
- 17.3 During the year, the Group acquired the foreign quoted REIT's as part of the consideration due on disposal of the Sukuk investments to a foreign buyer (refer note 18). The Group has agreed with the foreign buyer to keep the securities in a fiduciary account and have also agreed to certain restrictions on the sale of those shares. However, the Group expects the shares to be fully disposed by 15 January 2017, and the foreign party has guaranteed a minimum proceeds from the sale of those securities if the total proceeds don't reach the agreed minimum amount no later than 15 January 2017. The agreed minimum amount approximates the carrying value as of 31 December 2015.
- 17.4 During the year, the Group recognised an impairment loss of KD557,002 for certain local and other foreign unquoted investments (2014: KD533,325), based on estimates made by management and the net asset values reported by investment managers.

Notes to the consolidated financial statements (continued)

18 Investment in Sukuk

	31 Dec. 2015 KD	31 Dec. 2014 KD
Neo Soleil	-	891,601
	-	891,601

During the previous year, the Group's management decided to recognise an impairment loss of KD2,674,805 against one of the sukuk investments based on information available to management with regard to the decline in value of the underlying assets of the sukuk entities.

Further, during the current year, the Group disposed the sukuk investment (Neo Soleil) for a consideration of KD794,478 which resulted in a loss of KD56,741 recognised in current year's consolidated statement profit or loss under "loss on disposal of investment in sukuk". Part of the consideration was settled in cash (KD46,182) and the remaining balance of KD748,296 was settled by transferring foreign quoted investments (refer 17.3).

19 Investment in associates

	2015 KD	2014 KD
The movement in associates during the year is as follows:		
Balance at 1 January	12,452,235	12,487,150
Share of results	(1,421,522)	214,828
Groups share of associates change in other comprehensive income	(492,512)	357,996
Dividend received	(1,302,719)	(588,712)
Exchange differences arising on translation of foreign operations	52,150	(19,027)
Balance at 31 December	9,287,632	12,452,235

Details of the Group's material associates at the end of the reporting period are as follows:

	Country of registration and Principal place of business	Nature of business	Percentage ownership	
			31 Dec. 2015	31 Dec. 2014
Advance Zone General Trading WLL	Kuwait/Iraq	General trading	40%	40%
Falcon Aviation Group Limited	British Virgin Islands	Air cargo	20%	20%

19.1 All of the above named associates are accounted for using the equity method in these consolidated financial statements.

19.2 The Group has recorded its share in Advance Zone General Trading based on 31 December 2015 financial statements and the share of results of Falcon Aviation Group Limited has been recorded based on 30 September 2015 accounts.

During the previous year at 31 December 2014 the net profit of Falcon reported by the Group recorded under "share of results of associate" in the consolidated statement of profit or loss amounted to KD2,424,990 based on the associates financial information as of 30 September 2014, adjusted for effects of significant transactions/events that have occurred between 30 September 2014 and 31 December 2014.

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

19.3 During the previous year, the Group disposed its shares in a previously fully impaired foreign associate for a total consideration of KD325,401 realising a net gain of KD325,401.

19.4 Summarised financial information in respect of each of the Group's material associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate:

19.4.1 Advance Zone General Trading WLL

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	12,736,046	13,220,096
Current assets	4,553,926	4,397,380
Current liabilities	(315,968)	(306,078)
Equity	16,974,004	17,311,398
Loss for the year	(818,932)	(7,088,617)
Other comprehensive income for the year	481,536	750,569
Total comprehensive income for the year	(337,396)	(6,338,048)

A reconciliation of the above summarised financial information to the carrying amount of the investment in Advance Zone General Trading WLL is set out below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Net assets of the associate attributable to the shareholders of the Group	16,974,004	17,311,398
Proportion of the Group's ownership interest in the associate	40%	40%
Carrying value of the investment	6,789,601	6,924,560

Advance Zone General Trading WLL is an unquoted investment.

19.4.2 Falcon Aviation Group Limited.

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	50,373	30,459,606
Current assets	1,402,460	4,994,440
Non-current liabilities	-	(13,623,352)
Current liabilities	(1,094,619)	(10,883,876)
Equity	358,214	10,946,818
Less: Non-controlling interest	-	(58,189)
Equity attributable to the shareholders of the Group	358,214	10,888,629
Non-interest bearing shareholders' loans	7,659,936	-
Adjustment for material transactions which have occurred during the 4th quarter	-	12,486,130
Adjusted net assets of the associate attributable to the shareholders of the Group	8,018,150	23,374,759

During the year, the Group received dividends of KD1,242,670 from Falcon which have been reduced from

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

19.4.2 Falcon Aviation Group Limited. (continued)

	31 Dec. 2015 KD	31 Dec. 2014 KD
Revenue	1,455,319	22,831,712
Profit for the year	(6,311,192)	12,148,366
Other comprehensive income for the year	(3,411,573)	302,747
Total comprehensive income for the year	(9,722,765)	12,451,113

A reconciliation of the above summarised financial information to the carrying amount of the investment in Falcon Aviation Group Limited is set out below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Net assets of the associate attributable to the shareholders of the Group	8,018,150	23,374,759
Proportion of the Group's ownership interest in the associate	20%	20%
Carrying value of the investment	1,603,630	4,674,952

Falcon Aviation Group limited, is an unquoted investment.

19.5 Aggregate information of associates that are not individually material to the Group:

	31 Dec. 2015 KD	31 Dec. 2014 KD
The Group's share of profit for the year	189,054	625,285
The Group's share of other comprehensive income for the year	-	-
The Group's share of total comprehensive income for the year	189,054	625,285
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	894,401	852,723

20 Investment properties

	31 Dec. 2015 KD	31 Dec. 2014 KD
Investment properties	9,091,796	11,751,167
Land and properties under development	3,377,253	-
	12,469,049	11,751,167

The movement for investment properties is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance as of 1 January	11,751,167	74,861,147
Additions during the year	412,868	4,417,311
Disposals during the year	(25,202)	(67,483,805)
Changes in fair value	366,239	(118,291)
Foreign currency translation adjustment arising on consolidation	(36,023)	74,805
	12,469,049	11,751,167

Notes to the consolidated financial statements (continued)

20 Investment properties (continued)

- 20.1 Investment properties with a carrying value of KD7,124,189 (2014: KD6,632,532) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary.
- 20.2 Borrowing costs of KD Nil (2014: KD1,169,311) incurred in relation to the Ijara financing arrangement of a local subsidiary have been capitalised during the year.
- 20.3 During the previous year the Group disposed the investment property which was subject to an Ijara financing facility, with a carrying value of KD67,483,805 for a net consideration of KD50,042,665 resulting in a net loss of KD17,441,140.
- 20.4 The details of fair valuation of investment properties are disclosed in note 28.
- 20.5 The above properties are located in GCC and other Middle Eastern countries.

21 Accounts payables and other liabilities

	31 Dec. 2015 KD	31 Dec. 2014 KD
Due to related parties (Note 27)	4,720,474	3,725,444
Accrued expenses	127,340	146,367
Accrued finance costs	44,447	969,015
Trade payable and payable to contractors	5,345,294	6,620,719
Other credit balances	26,643	226,203
	10,264,198	11,687,748

22 Borrowings

	31 Dec. 2015 KD	31 Dec. 2014 KD
Loans	-	7,499,826
Islamic debt instruments - Murabaha payables	4,039,496	8,185,643
	4,039,496	15,685,469

22.1 The following is the maturity analysis of loans and Islamic debt instruments:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Less than 1 year	4,039,496	15,685,469
From 1 year to 5 years	-	-
	4,039,496	15,685,469

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

22.2 Loans and facilities have been granted to the Parent Company based on negative pledges on the Parent Company's assets.

22.3 During the year 2013 the management of the Parent Company commenced negotiations with all its lenders to restructure its dues and successfully reached the following agreements with its lenders:

- a) reached an agreement with a local bank to whom a principle amount of KD3,401,583 plus interest was due as at 30 June 2014. As per the agreement the Parent Company settled in cash an amount of KD2,500,000 and the bank waived off the remaining principal and interest thereon. This has resulted in a gain of approximately KD1,020,610 (including interest) being recognised as income during the 2nd quarter of 2014.
- b) has also reached an agreement with three of the lenders to whom amounts totalling to KD36,000,000 were due as of 30 June 2014 to settle 50% of the amounts due in cash and consequently the lenders have agreed to waive 20% of the dues (including waiver of part of the interest dues) and to swap the remaining 30% of the debt into an equity stake in the Parent Company.

Consequent to these agreements reached, the Parent Company settled in cash 50% of the above mentioned dues amounting to KD18,000,174 during the 2nd quarter of 2014 and the gain which resulted from the waiver of the principal and interest amounting to KD7,199,885 was recognized as income during the 2nd quarter of 2014.

During the 2nd quarter of the current year, upon completion of the debt to equity swap, the Parent Company issued 107,998,260 new shares to the lenders in settlement of the remaining balance due to them which amounted to KD10,799,826 as at 31 December 2014 (KD7,499,826 was included under loans and KD3,300,000 included under murabaha payable) (refer note 24).

22.4 During the 3rd quarter of 2013, a local subsidiary obtained Ijara financing from a Qatari financial institution for a total amount of KD12,263,490 which was fully settled during the 1st quarter of 2014 from the proceeds on sale of an investment property (refer note 20.4)

22.5 Investment properties of a local subsidiary are pledged against Islamic debt instruments of KD4,039,496 (2014: KD4,885,643) related to that subsidiary (note 20).

22.6 The effective average interest rate of loans is Nil % (2014: 6.5%) The effective cost rate of the Islamic debt instruments is 5% (2014: 5.5%).

23 Bonds

	31 Dec. 2015 KD	31 Dec. 2014 KD
Bonds issued	900,000	2,250,000
Payable related to bonds	-	2,921,400
	900,000	5,171,400

Notes to the consolidated financial statements (continued)

23 Bonds (continued)

23.1 In 2014 the management of the Parent Company commenced negotiations with its bondholders to restructure its dues and during the 3rd quarter of the previous year, the management of the Parent Company has submitted a proposal to the bondholders to settle 50% of the amounts due in cash and consequently the bondholders to agree to waive 20% of their dues (including interest) and to swap their remaining 30% of the outstanding bonds into an equity stake in the Parent Company. The planned debt to equity swap will result in bonds with a value of KD3,596,400 (30%) being converted into 35,964,000 new shares in the Parent Company's share capital at par value of 100 fils per share.

Consequent to the above proposal, during the 1st quarter, the Group reached an agreement with a bondholder (through a foreign subsidiary) to whom an amount of KD1,350,000 was due as of 31 December 2013 (2014: reached an agreement with bondholders to whom amounts totalling to KD9,738,000 were due as of 31 December 2013) to settle 50% of the amounts due in cash and consequently the bondholder has agreed to waive 20% of the dues and to swap the remaining 30% of the outstanding bonds into an equity stake in the Parent Company.

Consequent to these agreements reached, the Group through its foreign subsidiary settled in cash 50% of the above mentioned dues amounting to KD675,000 during the 1st quarter (KD4,869,000 during the previous year) and the gain which resulted from the waiver of the principle and interest due amounting to KD270,000 was recognised as income during the 1st quarter (KD2,519,032 was recognised as income in 2014). Accordingly during the 2nd quarter of the current year, upon completion of the debt to equity swap, the Parent Company issued 33,264,000 new shares to these bondholders in settlement of the remaining balance due to them which amounted to KD3,326,400 as at 31 December 2014 (refer note 24).

Consequent to the above the foreign subsidiary of the Group has re-purchased approximately 92.5% of the bonds issued as of 31 December 2013 and the Parent Company's bonds issued balance has decreased to KD900,000 at 31 December 2015.

23.2 On 30 November 2014, the bondholders (referred to in 22.1 above) agreed to extend the due date of the bonds issued to 18 November 2016 and to reduce the interest on fixed interest bearing bonds to 1% fixed interest rate and floating bonds to bear floating interest rate at maximum 1% per annum (previously fixed interest bearing bonds carry interest rate at 8.875% per annum and the floating interest bearing bonds carry interest rate at 5.5% per annum over the Central Bank of Kuwait discount rate). Interest is payable semi-annually in arrears. The bondholders owning the remaining bonds with a carrying value of KD900,000 out of the Bonds issued balance as of 31 December 2013 (representing 7.5% of the bondholders) has filed a legal case against the Parent Company and further one of the old bondholders (who previously owned bonds with a carrying value of KD900,000 out of the bonds issued balance as of 31 December 2013, representing 7.5% of the bondholders as of that date, and who has now become a shareholder due to the debt to equity swap) has also filed a legal case against the Parent Company. However the Group's management is confident that the legal cases have no basis and is confident that the case will be decided in favour of the Parent Company.

24 Share capital

	31 Dec 2015		31 December 2014	
	Authorised	Paid-up in Cash	Authorised	Paid-up in Cash
Shares of 100 Fils each	669,543,510	669,543,510	672,243,510	528,281,250

Notes to the consolidated financial statements (continued)

24 Share capital (continued)

24.1 On 13 August 2014, the board of directors of the Parent Company proposed to increase the Parent Company's share capital by KD14,396,226 distributed on 143,962,260 shares at par value of 100 fils to be issued to the Parent Company's Lenders (banks and bondholders) by converting part of their debt into capital contribution along with waiving off the current shareholders right in subscribing in the capital increase.

Subsequently, on 25 September 2014, the Parent Company received the relevant authority's approval on the proposed capital increase and, the shareholders of the Parent Company at the Extraordinary General Assembly held on 25 November 2014, approved the board of director's proposal to increase the capital. On 8 December 2014, the Parent Company's Article of Association has been amended and recorded in the register of Ministry of Commerce to incorporate the revised authorised share capital of KD67,224,351 (consisting of 672,243,510 shares of 100 Fils each).

Subsequently, lenders and bondholders to whom an amount of KD10,799,826 and KD3,326,400 were due as at 31 December 2014, respectively, have subscribed in the capital increase and accordingly their debt will be swapped into equity contribution in the Parent Company's share capital once the share certificates are issued (refer note 22 & 23).

Consequently, the Parent Company's paid up capital will increase to KD66,954,351 distributed on 669,543,510 shares at 100fils per share.

At the Extraordinary General Assembly held on 4 May 2015, the shareholders of the Parent Company approved to decrease the authorised shares capital from KD67,224,351 to KD66,954,351 (669,543,510 shares of 100 Fils each). Further, the shareholders approved to amend the Parent Company's article (5) of the Article of association and Article (4) of the Memorandum of Incorporation related to the Company's objectives.

24.2 Consequent to the above, during the 2nd quarter of the current year, the Parent Company issued 141,262,260 new shares at par value of 100 fils each amounting to KD14,126,226 to the above mentioned lenders and bondholders.

In accordance with International Financial Reporting Standards an amount of KD9,323,309 representing the difference between fair value of the equity issued (KD4,802,917) and carrying value of the debt settled to lenders and bondholders (KD14,126,226) - (as noted in the paragraph above), was recognised in the consolidated statement of profit or loss. However, in compliance with the local laws, the new shares were issued at par value, and the difference between the par value and the fair value of the new equity issued amounting to KD9,323,309 has been recorded in accumulated losses in the consolidated statement of changes in equity. Consequently, this transaction has no effect on the net equity attributable to the owners of the Parent Company as of 31 December 2015.

25 Reserves and non-controlling interests

		31 Dec. 2015 KD	31 Dec. 2014 KD
Foreign currency translation reserve	25.3	(1,087,634)	(491,804)
Cumulative changes in fair value	25.4	412,031	(521,773)
Non-controlling interests	25.5	2,394,844	5,782,352

Notes to the consolidated financial statements (continued)

25 Reserves and non-controlling interests (continued)

25.1 Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to statutory reserve. No transfer is required in a year when losses are made or where cumulative losses exist. The Parent Company may resolve to discontinue such annual transfer when the reserve equals or exceeds 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.

25.2 Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's board of directors. There are no restrictions on distribution of voluntary reserve. No transfer is required in a year when losses are made or when cumulative losses exist.

25.3 Foreign currency translation reserve

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	(491,804)	(815,385)
Exchange differences arising on translation of foreign operations	(103,318)	(34,415)
Groups share of associates foreign currency translation reserve	(492,512)	357,996
Balance at 31 December	(1,087,634)	(491,804)

25.4 Cumulative changes in fair value

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	(521,773)	499,433
Net changes in fair value arising during the year	413,995	(1,243,148)
Transferred to consolidated statement of profit or loss on disposal	(37,193)	(311,383)
Transferred to consolidated statement of profit or loss on impairment	557,002	533,325
Balance at 31 December	412,031	(521,773)

25.5 Non-controlling interests

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	5,782,352	12,415,296
Purchase of Non-controlling interests in a subsidiary (note 7.3)	(4,482,853)	-
Loss for the year	119,907	(6,679,624)
Net changes in fair value of available for sale investments	26,242	-
Exchange differences arising on translation of foreign operations	(41,264)	46,680
Balance at 31 December	1,404,384	5,782,352

Notes to the consolidated financial statements (continued)

26 Segmental information

The Group activities are concentrated in three main segments: real estate, investment and finance. The segments' results are reported to the higher management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

26.1 The following is the segments information, which conforms with the internal reporting presented to management:

	31 Dec. 2015				
	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Total income	924,761	119,698	10,702,448	665,251	12,412,158
Expenses and other charges	(750,014)	(4,892,939)	(131,805)	(260,749)	(6,035,507)
Profit/(loss) for the year	174,747	(4,773,241)	10,570,643	404,502	6,376,651
Assets	12,857,859	40,237,424	-	571,194	53,666,477
Liabilities	4,670,879	6,690,998	944,447	3,296,016	15,602,340
Net assets	8,186,980	33,546,426	(944,447)	(2,724,822)	38,064,137
Interest income	11,720	-	13,644	-	25,364
Finance costs	(254,986)	-	(131,805)	-	(386,791)
Impairment in value of available for sale investments	-	(557,002)	-	-	(557,002)
Provision for refundable development expenses	-	(3,199,675)	-	-	(3,199,675)

	31 Dec. 2014				
	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Total income	(16,968,464)	883,517	10,796,311	259,069	(5,029,567)
Expenses and other charges	(3,597,627)	(1,553,545)	(993,690)	(318,587)	(6,463,449)
(Loss)/profit for the year	(20,566,091)	(670,028)	9,802,621	(59,518)	(11,493,016)
Assets	13,635,348	44,093,366	32,120	5,222,267	62,983,101
Liabilities	(5,105,396)	(9,209,335)	(17,009,640)	(1,526,371)	(32,850,742)
Net assets	8,529,952	34,884,031	(16,977,520)	3,695,896	30,132,359
Interest income	17,815	-	56,785	-	74,600
Finance costs	(385,004)	-	(981,786)	-	(1,366,790)
Impairment in value of available for sale investments	-	(533,325)	-	-	(533,325)
Impairment of investment in sukuk	(2,674,805)	-	-	-	(2,674,805)

26.2 The geographical analysis is as follows:

	31 Dec. 2015		
	Domestic KD	International KD	Total KD
Total income	13,057,242	(645,084)	12,412,158
Profit for the year	2,236,636	3,798,871	6,035,507
Total assets	25,473,170	28,193,307	53,666,477
Total liabilities	3,978,059	11,624,281	15,602,340

Notes to the consolidated financial statements (continued)

26 Segmental information (continued)

	31 Dec. 2014		Total KD
	Domestic KD	International KD	
Total income	7,912,104	(12,941,671)	(5,029,567)
Loss for the year	4,707,024	(16,200,039)	(11,493,015)
Total assets	27,054,427	35,928,674	62,983,101
Total liabilities	(28,126,464)	(4,724,278)	(32,850,742)
Net assets	(1,072,037)	31,204,396	30,132,359

27 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control.

Significant transactions and balances with related parties included in the consolidated financial statements are as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balances in the consolidated statement of financial position:		
Due from related parties (see note 16)	270,204	3,922,651
Due to related parties (see note 21)*	4,720,474	3,725,444
Due to related parties included in trade payables and payable to contractors (note 21)	1,451,075	1,631,229
Purchase of Non controlling interest of a subsidiary (see note 7.3)	3,570,742	-

* Due to related parties includes interest free advances totalling KD4,269,875 (31 December 2014: KD2,750,000) from an associate (KD1,519,875) and another related party (KD2,750,000) with no specific repayment terms.

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Transactions included in the consolidated statement of profit or loss:		
Management fees and other income	822,565	99,206
General, administrative and other expenses - Consultancy fees	-	20,000
Key management compensation:		
Short term benefits	250,419	331,408
Employees end of service indemnity	28,125	24,603

Pricing policies and the terms of these transactions are approved by the Group's management.

Transactions with related parties are subject to approval of the shareholders at the general assembly meeting.

Notes to the consolidated financial statements (continued)

28 Summary of financial assets and liabilities by category and fair value measurement

28.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Receivables(at amortised cost)		
• Cash and cash equivalents	5,301,713	9,575,373
• Accounts receivable and other assets (note 16)	18,423,438	23,528,359
• Investments in sukuk	-	891,602
	23,725,151	33,995,334
Assets at fair value through profit or loss (note 15)		
• Investments at fair value through profit or loss:		
- Designated on initial recognition	1,994,505	-
	1,994,505	-
Available for sale investments: (note 17)		
• At fair value	5,624,588	4,644,283
• At cost / cost less impairment	336,652	-
	5,961,240	4,644,283
Total financial assets	31,680,896	38,639,617
Other financial liabilities: (amortised cost)		
• Accounts payable and other liabilities (note 21)	10,264,198	11,687,748
• Borrowings	4,039,496	15,685,469
• Bonds	900,000	5,171,400
Total financial liabilities	15,203,694	32,544,617

28.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in note 17 to the consolidated financial statements) are carried at fair value and measurement details are disclosed in note 28.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (refer 28.4)

28.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the consolidated financial statements (continued)

28 Summary of financial assets and liabilities by category and fair value measurement (continued)

28.3 Fair value hierarchy (continued)

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
31 December 2015					
Assets at fair value					
Investments at fair value through profit loss					
- Quoted shares	a	950,575	-	-	950,575
- Mutual funds	b	-	151,843	-	151,843
- Unquoted shares	c	-	-	892,087	892,087
Available for sale investments:					
- Direct investment in shares					
o Quoted	a	119,791	-	-	-
o Unquoted	c	-	-	2,889,992	2,889,992
- Private equity funds	d	-	-	444,550	444,550
- Direct equity funds	d	-	-	714,152	714,152
- Portfolios managed by others					
o Foreign quoted Real Estate Investment Trust (REIT)	a	748,296	-	-	748,296
o Local	e	-	-	152,328	152,328
o Foreign	e	-	-	555,479	555,479
Total assets		1,818,662	151,843	5,648,588	7,619,093
31 December 2014					
Assets at fair value					
Available for sale investments:					
- Unquoted shares	c	-	-	3,048,281	3,048,281
- Private equity funds	d	-	-	654,676	654,676
- Direct equity funds	d	-	-	890,751	890,751
- Portfolios managed by others	e	-	-	50,575	50,575
Total assets		-	-	4,644,283	4,644,283

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value, which are unchanged compared to the previous reporting period, are as follows:

Notes to the consolidated financial statements (continued)

28 Summary of financial assets and liabilities by category and fair value measurement (continued)

28.3 Fair value hierarchy (continued)

Financial instruments in level 3

a) Quoted shares/quoted REIT

All quoted equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Mutual funds

The underlying investments of these funds comprise of quoted securities and the fair value of the investment as of the reporting date is determined based on net asset values reported by the fund manager.

c) Unquoted shares

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the net asset value reported in the latest available financial information, discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

d) Private and direct equity funds

The underlying investments in these private and direct equity funds mainly represent local and foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

e) Portfolios managed by others

The underlying investments in managed portfolios represent quoted and unquoted securities. They are valued based on latest fund manager's reports.

Level 3 Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
As at 1 January	4,644,283	4,226,685
Change in fair value	1,443,545	(709,823)
Net disposal/redemption	(733,956)	(2,731,207)
Additions during the year	955,000	274,879
Net movement between cost and level 3	(103,282)	4,117,074
Impairment of level 3 investments	(557,002)	(533,325)
As at 31 December	5,648,588	4,644,283
Total amount included in the consolidated statement of profit or loss for unrealised gain on level 3 instruments under investments at fair value through profit or loss	392,087	-

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Notes to the consolidated financial statements (continued)

28 Summary of financial assets and liabilities by category and fair value measurement (continued)

28.3 Fair value hierarchy (continued)

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted shares	NAV multiples	Price to book ratio	0.7 – 2.8	Higher the price to book ratio, higher the value
		Discount for lack of marketability and Company specific risks	20% - 80%	Higher the discount rate, lower the value
Private equity and direct equity funds	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value
Other managed portfolios	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value

The impact on profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

In case of AFS assets, the impairment charge in the profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through OCI) and, would not have an effect on profit or loss.

28.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2015 and 31 December 2014:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2015				
Investment property				
- Buildings in Kuwait	-	-	5,436,000	5,436,000
- Lands and buildings under development in Kuwait	-	-	3,377,253	3,377,253
- Building in UAE	-	276,894	-	276,894
- Building in Bahrain	-	1,688,189	-	1,688,189
- Land in Egypt	-	-	1,690,713	1,690,713
	-	1,965,083	10,503,966	12,469,049
31 December 2014				
Investment property				
- Buildings in Kuwait	-	-	5,041,000	5,041,000
- Lands and buildings under development in Kuwait	-	-	3,079,000	3,079,000
- Building in UAE	-	226,581	-	226,581
- Building in Bahrain	-	1,591,533	-	1,591,533
- Land in Egypt	-	-	1,813,053	1,813,053
	-	1,818,114	9,933,053	11,751,167

Notes to the consolidated financial statements (continued)

28 Summary of financial assets and liabilities by category and fair value measurement (continued)

28.4 Fair value measurement of non-financial assets (continued)

The fair values of all investment properties have been determined based on valuations obtained from two independent valuers for each investment property, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. As of 31 December 2015 and 2014, for the valuation purpose, the Group has selected the lower value of the two valuations obtained for each investment property.

Buildings in Kuwait

The buildings in Kuwait represent buildings categorised as "Investment Buildings". The lower of the two fair values was the fair value provided by a local bank who has valued the investment properties using income approach which capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Lands and buildings under development in Kuwait

The lands and buildings under development in Kuwait represent lands categorised as "Investment Lands and buildings under development". The lower of the two fair values was the fair value provided by a local bank who has valued the investment properties using either market or income approach. The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. The income approach capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Building in UAE

The building in UAE represents four office suites "Commercial units". The lower of the two fair values was the fair value provided by an independent valuer using a market approach that reflects observed prices for recent market transactions for similar properties without any significant adjustments being made to the market observable data.

Building in Bahrain

The building in Bahrain represents a building categorised as "Investment Buildings". The lower of the two fair values was the fair value provided by an independent valuer using a market approach that reflects observed prices for recent market transactions for similar properties without any significant adjustments being made to the market observable data.

Land in Egypt

The land in Egypt represents a land categorised as "Investment land". The lower of the two fair values was the fair value provided by an independent valuer who has valued the investment properties using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

Notes to the consolidated financial statements (continued)

28 Summary of financial assets and liabilities by category and fair value measurement (continued)

28.4 Fair value measurement of non-financial assets (continued)

Further information regarding the level 3 fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in Kuwait	Estimated rental stream approach	Monthly economic rental value	KD12,080 to KD24,250 (2014: KD12,550 to KD25,250)	Fair value increases if economic rental value increases, and vice versa.
Lands and buildings under development in Kuwait	Market comparison approach	Estimated market price (per m ²)	KD1,987 (2014: KD1,824 to KD1,924)	Higher the price per square meter, higher the fair value
	Estimated rental stream approach	Monthly estimated rental value	KD11,800	Fair value increases if estimated rental value increases, and vice versa.
		Yield rate	8.93%	The higher the yield rate, the higher the value
Land in Egypt	Market comparison approach	Construction cost (per m ²)	KD130-KD135	The higher the construction cost per square meter, the higher the fair value
		Estimated market price (per m ²)	KD6.26 to KD7.76 (2014: KD6.5 – KD6.6)	Higher the price per square meter, higher the fair value

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment properties within this level can be reconciled from beginning to ending balances as follows;

	31 Dec. 2015 KD	31 Dec. 2014 KD
Opening balance	9,933,053	73,091,735
Additions	400,543	4,417,311
Disposal	(25,202)	(67,483,805)
Changes in fair value recognised in profit or loss	292,710	(107,999)
Exchange differences recognised in other comprehensive income	(97,138)	15,811
Closing balance	10,503,966	9,933,053

29 Risk management objectives and policies

The Group's principal financial liabilities comprise, borrowings, bonds issued and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, investment in Sukuk and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

The Group does not use derivative financial instruments.

The most significant financial risks to which the Group is exposed to are described below.

29.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle Eastern countries, Europe and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Qatari Riyals and Euro. The Group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed by the Group by diversifying its investments geographically and monitoring the foreign currency movements and the Groups open positions on a regular basis.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2015 Equivalent KD	31 Dec. 2014 Equivalent KD
US Dollars	2,058,564	907,684
Qatari Riyal	2,193,569	6,252,757
Euro	-	891,602

If the Kuwaiti Dinar had strengthened against the foreign currencies by 5.7% (2014: 5.7%), then this would have the following impact on the loss for the year. There is no impact on the Group's equity.

	Profit/loss for the year	
	31 Dec. 2015 KD	31 Dec. 2014 KD
US Dollars	(117,338)	(51,738)
Qatari Riyal	(125,033)	(356,407)
Euro	-	(50,821)
Total loss	(242,371)	(458,966)

If the Kuwaiti Dinar had weakened against the foreign currencies by 5.7% (2014: 5.7%), then there would be an opposite impact on the loss for the year, and the negative balances shown above would be positive and positive balances will be negative.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its short term deposits (refer note 14), borrowings (refer note 22) and bonds payable (refer note 23) which are both at fixed rate and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the loss for the year to reasonable possible change of interest rate of +75 (0.75%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's equity.

	Increase in interest rates		Decrease in interest rates	
	31 Dec.	31 Dec.	31 Dec.	31 Dec.
	2015	2014	2015	2014
	KD	KD	KD	KD
Increase/(decrease) in profit/loss for the year	(31,086)	(122,516)	31,086	122,516

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments, which are primarily located in Canada and Kuwait. Equity investments are classified as available for sale investments and investments at fair value through profit or loss.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit and other comprehensive income for the years ended 31 December 2015 and 2014 would have been as follows:

A positive number below indicates a increase in profit and increase in the other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Profit for the year		Other comprehensive income	
	31 Dec.	31 Dec.	31 Dec.	31 Dec.
	2015	2014	2015	2014
	KD	KD	KD	KD
Investments at fair value through profit or loss	95,058	-	-	-
Available for sale investments	-	-	86,810	-
	95,058	-	86,810	-

For a 10% decrease in the equity prices, there would be an equal and opposite impact on the other comprehensive income and the profit for the year, and balances shown above would be negative.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Cash and cash equivalents	5,301,713	9,575,373
Investment at fair value through profit or loss (note 15)	1,043,930	-
Accounts receivable and other assets (note 16)	18,423,437	23,528,359
Investment in Sukuk	-	891,602
Available for sale investments (note 17)	5,961,240	4,644,283
	30,730,320	38,639,617

Except for certain available for sale investment, investments at fair value through profit or loss and receivables and other assets as stated in note 17, 15 and 16 respectively, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counter parties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 29.3

29.3 Concentration of assets

The distribution of financial assets and financial liabilities by geographic region for 2015 and 2014 is as follows:

	Kuwait KD	GCC KD	Asia & Africa KD	Europe KD	USA KD	Total KD
At 31 December 2015						
Cash and cash equivalents	875,718	4,344,393	79,557	2,045	-	5,301,713
Investments at fair value through profit or loss	1,842,662	151,843	-	-	-	1,994,505
Accounts receivable and other assets (refer note 16)	2,230,948	15,008,853	1,024,255	159,381	-	18,423,437
Available for sale investments	3,464,785	562,392	728,110	15,066	1,190,887	5,961,240
	8,414,113	20,067,481	1,831,922	176,492	1,190,887	31,680,895
Accounts payable and other liabilities	3,978,059	6,286,139	-	-	-	10,264,198
Borrowings	4,039,496	-	-	-	-	4,039,496
Bonds issued	900,000	-	-	-	-	900,000
	8,917,555	6,286,139	-	-	-	15,203,694

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.3 Concentration of assets (continued)

	Kuwait KD	GCC KD	Asia & Africa KD	Europe KD	USA KD	Total KD
At 31 December 2014						
Cash and cash equivalents	1,547,652	7,924,627	98,562	4,532	-	9,575,373
Accounts receivable and other assets (refer note 16)	5,948,861	17,579,498	-	-	-	23,528,359
Available for sale investments	2,840,218	312,851	823,431	15,210	652,573	4,644,283
Investment in Sukuk	-	-	-	891,602	-	891,602
	10,336,731	25,816,976	921,993	911,344	652,573	38,639,617
Accounts payable and other liabilities	6,971,706	4,716,042	-	-	-	11,687,748
Borrowings	15,685,469	-	-	-	-	15,685,469
Bonds issued	5,171,400	-	-	-	-	5,171,400
	27,828,575	4,716,042	-	-	-	32,544,617

29.4 Liquidity risk

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

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss, investment in associates, available for sale investments and investment properties, the maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date. The maturity profile for investments carried at fair value through profit or loss, investment in associates, available for sale investments and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of all assets and liabilities at 31 December 2015 and 2014:

	1 year KD	1 -5 years KD	Over 5 years KD	Total KD
At 31 December 2015				
ASSETS				
Cash and cash equivalents	5,301,713	-	-	5,301,713
Investments at fair value through profit or loss	1,994,505	-	-	1,994,505
Accounts receivable and other assets	18,423,438	-	-	18,423,438
Available for sale investments	-	5,961,240	-	5,961,240
Investment in associates	-	9,287,632	-	9,287,632
Investment properties	-	12,469,049	-	12,469,049
Property and equipment	-	138,568	-	138,568
Goodwill	-	-	90,332	90,332
	25,719,656	27,856,489	90,332	53,666,477
LIABILITIES				
Accounts payable and other liabilities	10,264,198	-	-	10,264,198
Borrowings	4,039,496	-	-	4,039,496
Bonds	900,000	-	-	900,000
Employees' end of service indemnity	-	398,646	-	398,646
	15,203,694	398,646	-	15,602,340

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.4 Liquidity risk (continued)

	1 year KD	1 -5 years KD	Over 5 years KD	Total KD
At 31 December 2014				
ASSETS				
Cash and cash equivalents	9,575,373	-	-	9,575,373
Investment in sukuk	-	891,602	-	891,602
Accounts receivable and other assets	23,528,359	-	-	23,528,359
Available for sale investments	-	4,644,283	-	4,644,283
Investment in associates	-	12,452,235	-	12,452,235
Investment properties	-	11,751,167	-	11,751,167
Property and equipment	-	49,750	-	49,750
Goodwill	-	-	90,332	90,332
	33,103,732	29,789,037	90,332	62,983,101
LIABILITIES				
Accounts payable and other liabilities	11,687,748	-	-	11,687,748
Borrowings	15,685,469	-	-	15,685,469
Bonds	2,921,400	2,250,000	-	5,171,400
Employees' end of service indemnity	-	306,125	-	306,125
	30,294,617	2,556,125	-	32,850,742

The contractual maturity of financial liabilities based on undiscounted cash flows are as follows:

	On demand /up to 1 month KD	1-3 Months KD	3-12 months KD	Over 1 Year KD	Total KD
31 December 2015					
Financial liabilities					
Accounts payable and other liabilities	76,534	1,605	10,186,059	-	10,264,198
Borrowings	-	-	4,206,871	-	4,206,871
Bonds issued	-	-	907,940	-	907,940
Employees' end of service indemnity	-	-	-	398,646	398,646
	76,534	1,605	15,300,870	398,646	15,777,655
31 December 2014					
Financial liabilities					
Accounts payable and other liabilities	324,152	2,348,002	9,015,594	-	11,687,748
Borrowings	10,799,826	-	5,106,372	-	15,906,198
Bonds issued	2,921,400	-	-	2,292,411	5,213,811
Employees' end of service indemnity	-	-	-	306,125	306,125
	14,045,378	2,348,002	14,121,966	2,598,536	33,113,882

30 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital.

Notes to the consolidated financial statements (continued)

30 Capital risk management (continued)

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and 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, buy back shares, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year as compared to the previous year. The capital structure of the Group consists of the following:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Borrowings (refer note 22)	4,039,496	15,685,469
Bonds (refer note 23)	900,000	5,171,400
Less: Cash and cash equivalents (refer note 14)	(5,301,713)	(9,575,373)
Net debt	(362,217)	11,281,496
Total equity	38,064,137	30,132,359
Total Capital	37,701,920	41,413,855

In order to maintain or adjust the capital structure, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

	31 Dec. 2015 KD	31 Dec. 2014 KD
Net debt	(362,217)	11,281,496
Total capital	37,701,920	41,413,855
Gearing ratio	-	27%

31 Assets under management

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 31 December 2015 amounted to KD51,762,370 (31 December 2014: KD66,493,257) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2014: KD10,000,000).

During the year total fees earned by the Group from assets under management amounted to KD63,762 (2014: KD99,206)

32 Proposed dividend

The Board of Directors proposed not to distribute any dividend for the year ended 31 December 2015. This proposal is subject to the approval of the general assembly of the shareholders. No dividends were distributed for the year ended 31 December 2014.

33 Capital commandment

As of 31 December 2015, the Group has capital commitments with regard to its investment properties under development amounting to KD520,000 (31 December 2014: Nil).