



الشركة الخليجية المغربية القابضة
Gulf North Africa Holding Company

Annual Report 2015



Al-Qibla - Fahad Al-Salem St. - Nassar Tower - 10th Floor

Tel: +965 22258006/7/8/9/10

Fax: +965 22258011

info@gnahc.com - www.gnahc.com



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H.H. Sheikh
Nawaf Al-Ahmed Al-Jaber Al-Sabah
Crown Prince of The State of Kuwait



H.H. Sheikh
Sabah Al-Ahmed Al-Jaber Al-Sabah
Amir of The State of Kuwait

BOARD MEMBERS

Talal Jassim Al-Kharafi
Chairman

Dr. Foad Abdullah Al-Omar
Vice Chairman

Shaya Abdullah Al-Shaya
Member

Abdulrahman Hisham Al-Nesef
Member

Abdullah Ibrahim Al Habib
Member

Ali Abdullah Al Khamees
Member

EXECUTIVE MANAGEMENT

Abdulaziz Jassem Al-Failakawi
Chief Executive Officer

Abdul Wahab Nabeel Al Oraifan
Head of Investment

May Sulaiman Al Fassam
Projects Department Head

Khalid G. Rabbani
Asst. Finance Manager

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of my fellow members of the Board of Directors of Gulf North Africa Holding Company, I am pleased to send you our regards and present to you the 10th Annual Report of the Company, highlighting the business operations and financial results for the year ending 31 December 2015.

The Company has continued over the past year to work on employing its strategy, which involved increasing the investment in the operational sectors in order to fulfill its goal of making higher returns on capital which will stabilize the company's financial situation in the upcoming years. This in return has succeeded to year-on-year growth in the operational revenues by 57% from KWD 466K in 2015 compared with KWD 297K in 2014.

Total Revenue has reached KWD 640K in 2015 with a net profit of KWD 69K (0.47 fils per share). Total Assets have also seen a year-on-year growth of 3.6% to reach KWD 24,889,374. Total Equity Attributable to the Owners of the Parent Company has reached KWD 15,161,680 reporting a book value of 104 fils per share.

The Company has worked in consistence with the strategy and investment plan set out by its Board of Directors in order to achieve the best results possible. During 2015, the Company purchased a new investment property in Kuwait with annual return of 7.4% on investment or 10% on equity to increase the company's operational revenue. The company has also completed a partial exit from real estate investments in the Kingdom of Bahrain in 2015 through swap agreements.

As for the Company's current projects, works have commenced to develop a residential real estate project in the Al-Nada neighborhood in the heart of Al-Riyadh. All related due diligence has been completed and the ground works has started this year. This will mark the Company's second real estate development in the Kingdom of Saudi Arabia. Also the development of Emporia project in Turkey has started this year, which consists of a residential property on the Asian side of Istanbul and expected to be completed by 2018.

In reference to Casablanca project in Syria, the Company has worked dedicatedly over the past few years to ensure the safety of the land plot as well as its proprietorship rights. In light of the current unfortunate market conditions, the Company continues to work closely with its legal advisor in order to guarantee the shareholders' rights until favorable security circumstances prevail. All developments are being followed in Syria, with the hope of a political solution for the current crisis, which will pave the way for sale of land to interested potential investors for complete exit.

The Company is also acting on exiting Janzour real estate project in Libya by sale of the project's land. During 2015 the company completed a partial exit from the project through reducing Libya General Trading Company (the project's company) capital from KWD 5.55M to KWD 3.9M and distributing the available cash (15% of the original capital) to the company's shareholders according to their ownerships. The company is still seeking a full exit from the project despite the political and economic crisis in Libya. The company will continue to monitor the market conditions whether it improves there. Perhaps the most important factor to reach a full exit from the project is to insure the possibility of money transfer out of the country, which is currently difficult due to Central Bank of Libya restrictions on international transfers.

As for Dream real estate project in Morocco, Due to the lack of feasibility in developing the project at the moment the company worked through 2015 to market the project's land in order to sell and exit from the project. The company communicated with the most prominent real estate investment companies in the MENA region to find potential interested investors, yet there is low demand on the tourism projects at the current stagnation in the Moroccan real estate market. Given the interest of the shareholders of the project to achieve the best possible return on investment, the Company believes it is better to wait for the improvement of the real estate market, which has recently witnessed an unprecedented decline in the value of real estate assets. Lots of experts were also consulted and they all agreed that the option at the moment is to wait for the market improvement.

The company continued during this year complying its policies and procedures with regulators requirements and the CMA corporate governance resolution. Proceeding from the company's belief in the importance of governance standards which will affect positively through creating an appropriate investment environment in the Kuwaiti market, the company complied with most of the requirements with a target of complete compliance with corporate governance resolution during 2016.

In conclusion, on behalf of the members of the Board of Directors, I express my sincere appreciation and gratitude to His Highness the Emir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Highness the Prime Minister Sheikh Jaber Mubarak Al-Hamad Al-Sabah on their patronage and ongoing support for the Kuwaiti economy.

I would also like to thank all the employees of the Company for their substantial efforts in the Company's growth and the implementation of its adopted strategy. We also appreciate our shareholders and investors for their continuous support for the activities of the company and their contribution to investments in these difficult circumstances, which contributed to the preservation of the company's assets and its financial position. We ask Allah for reconciliation and success.

Best Regards,



Talal Jassim Al-Kharafi
Chairman

CURRENT PROJECTS

Al Nada Project

Riyadh - Kingdom of Saudi Arabia

Gulf Moroccan Company

The project idea is to purchase plot of land in the area of AlNada in the heart of Riyadh in KSA on total area of 3,540 sqm and developing 10 residential villas. Each villa plot area will be 315 – 420 sqm with total built up area per villa to be 471 – 592 sqm. The Company started this year the development of the project in partnership with Shumool Real Estate Company, given its proven track record in the real estate market in KSA.





CURRENT PROJECTS

Janzour Project

Libya

Libyan General Trading Company

The project is a real estate development on a land plot of 17,575 sqm in the neighborhood of Janzour, which lies 16 km west of the heart of the capital, Tripoli. The development comprises of residential compound with retail space.





CURRENT PROJECTS

Dream Building Project **Bouznika - Morocco** **Dream Building Company**

The project idea revolves around developing a land area of 61,860 sqm in Bouznika, which lies between the cities of Casablanca and Rabat on the Atlantic Ocean into a touristic residential apartment compound with supporting amenities such as swimming pools, a fitness center and a hotel.





CURRENT PROJECTS

Casablanca Project

Syria

Al-Sham Gulf Co Limited

The project comprises of developing a land area of 1.39 million sqm in Yabous, which lies 38 km west of the capital, Damascus and only 2 km from the Lebanese borders. The development objective is to provide a multi-use community with residential, commercial, and retail services serving both residents and travelers accessing the Damascus-Beirut Highway.



شركة الخليج للهندسة والبناء
Gulf North Africa Holding Co.
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THE SHARIA REPORT OF GULF NORTH AFRICA HOLDING CO.

Fatwa and Shariah Supervisory Board

For the period from 01/01/2015 to 31/12/2015

To: The Shareholders of Gulf North Africa Holding Co.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2015 to 31/12/2015. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2015 to 31/12/2015 and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.



Prof /Abdul Aziz k. Al-Qassar
Chairman of the Sharia Committee



Dr. Essa Zaki Essa
Shaira Committee Member



Dr. Ali Ibrahim Al-Rashed
Shaira Committee Member

AFFILIATE COMPANIES

Gulf North Africa Holding Company has established several companies, which continually help in carrying its businesses. These companies include:



Libyan General Trading Company



Al-Sham Gulf Holding Co.



Al-Sham Gulf Co. Limited



Moroccon North Africa Holding Co.



Al-Janzour Real Estate Co.



Dream Building Co.



Gulf Moroccan Company

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الشركة الخليجية المغربية القابضة
Gulf North Africa Holding Company

Gulf North Africa Holding Co. – KPSC and Subsidiaries
Kuwait

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

31 December 2015

Independent auditors' report

To the shareholders of
Gulf North Africa Holding Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf North Africa Holding Company – Kuwaiti Public Shareholding Company and its Subsidiaries (“the group”), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gulf North Africa Holding 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.

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 regulation 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, 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 Parent Company.



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



Rabea Saad Al-Muhanna
(Licence No. 152-A)
of Horwath Al-Muhanna & Co

Kuwait
20 March 2016

Consolidated statement of profit or loss

31 December 2015

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue			
Management fees		12,684	26,503
Rental income-net		370,027	183,159
Gain on sale of properties under development		-	306,036
Gain on sale of investments at fair value through profit or loss		554	-
Gain on exchange of investment property		-	93,463
Change in fair value of investment properties	10	77,100	136,125
Change in fair value of investments at fair value through profit or loss		137	(9,010)
Gain on sale/redemption of available for sale investments		68,878	3,976
Share of results of associate	13	(14,308)	3,175
Dividend income		96,092	114,105
Foreign exchange gain		19,018	43,902
Other income		9,901	12,360
		640,083	913,794
Expenses and other charges			
General and administrative expenses	8	(420,996)	(438,508)
Depreciation		(3,449)	(8,391)
Finance costs		(158,127)	(81,480)
		(582,572)	(528,379)
Profit for the year before NLST and ZAKAT		57,511	385,415
Provision for National Labour Support Tax (NLST)		(2,057)	(10,611)
Provision for Zakat		(823)	(4,244)
Profit for the year		54,631	370,560
Attributable to :			
Owners of the parent company		69,578	409,567
Non-controlling interests		(14,947)	(39,007)
Profit for the year		54,631	370,560
Basic and diluted earnings per share attributable to the owners of the parent company	9	0.48 Fils	2.82 Fils

The notes set out on pages 30 to 70 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

31 December 2015

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Profit for the year	54,631	370,560
<i>Other comprehensive income:</i>		
<i>Items that will be reclassified subsequently to statement of profit or loss :</i>		
Exchange differences arising on translation of foreign operations	71,218	34,663
Available for sale investments:		
- Net change in fair value arising during the year	(5,376)	(61,758)
- Transferred to consolidated statement of profit or loss on redemption/sale	8,136	-
Total other comprehensive income/(loss) for the year	73,978	(27,095)
Total comprehensive income for the year	128,609	343,465
Total comprehensive income attributable to:		
Owners of the parent company	216,606	510,851
Non-controlling interests	(87,997)	(167,386)
	128,609	343,465

The notes set out on pages 30 to 70 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

31 December 2015

	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
Assets			
Non-current assets			
Equipment		6,930	5,191
Investment properties	10	8,179,930	5,807,000
Properties under development	11	10,300,640	10,079,497
Advance for purchase of investment property	14	728,133	708,887
Available for sale investments	12	3,757,112	3,855,361
Investment in associate	13	768,763	954,116
		23,741,508	21,410,052
Current assets			
Accounts receivable and other assets	15	161,195	437,677
Investments at fair value through profit or loss		12,041	39,300
Cash and cash equivalents	16	974,632	2,126,482
		1,147,868	2,603,459
Total assets		24,889,376	24,013,511
Equity and liabilities			
Equity			
Share capital	17	15,000,000	15,000,000
Treasury shares	18	(337,694)	(337,694)
Statutory reserve	19	751,821	751,821
Voluntary reserve	19	751,821	751,821
Foreign currency translation reserve		1,225,902	1,081,634
Fair value reserve		(286,137)	(288,897)
Accumulated losses		(1,944,033)	(1,987,246)
Total equity attributable to the owners of the parent company		15,161,680	14,971,439
Non-controlling interests		5,648,473	5,845,905
Total equity		20,810,153	20,817,344
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		34,752	24,925
Ijara financing	20	966,800	-
		1,001,552	24,925
Current liabilities			
Current portion of Ijara financing	20	2,801,700	2,858,000
Accounts payable and other liabilities	21	275,971	313,242
		3,077,671	3,171,242
Total liabilities		4,079,223	3,196,167
Total equity and liabilities		24,889,376	24,013,511

Talal Jasem Mohammed Al-Khorafi
Chairman

Abdul Aziz Jassim Al-Failakawi
Chief Executive Officer

The notes set out on pages 30 to 70 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

31 December 2015

	Equity attributable to the owners of the parent company							Non-controlling interests		Total
	Share capital KD	Treasury shares KD	Statutory Reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-Total KD	KD	
Balance at 1 January 2015	15,000,000	(337,694)	751,821	751,821	1,081,634	(288,897)	(1,987,246)	14,971,439	5,845,905	20,817,344
Movement in non-controlling interests (note 7)	-	-	-	-	-	-	(26,365)	(26,365)	(109,435)	(135,800)
Transactions with the owners	-	-	-	-	-	-	(26,365)	(26,365)	(109,435)	(135,800)
Profit/(loss) for the year	-	-	-	-	-	-	69,578	69,578	(14,947)	54,631
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	-	-	-	-	144,268	-	-	144,268	(73,050)	71,218
Available for sale investments:										
- Net change in fair value arising during the year	-	-	-	-	-	(5,376)	-	(5,376)	-	(5,376)
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	8,136	-	8,136	-	8,136
Total other comprehensive income / (loss) for the year	-	-	-	-	144,268	2,760	69,578	216,606	(87,997)	128,609
Balance at 31 December 2015	15,000,000	(337,694)	751,821	751,821	1,225,902	(286,137)	(1,944,033)	15,161,680	5,648,473	20,810,153

The notes set out on pages 30 to 70 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

31 December 2014

	Equity attributable to the owners of the parent company							Non-controlling interests	Total	
	Share capital KD	Treasury shares KD	Statutory Reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD			Sub-total KD
Balance at 1 January 2014	15,000,000	(337,694)	751,821	751,821	918,592	(227,139)	(2,485,720)	14,371,681	6,246,143	20,617,824
Acquisition of non-controlling interests	-	-	-	-	-	-	88,907	88,907	(232,852)	(143,945)
Transactions with the owners	-	-	-	-	-	-	88,907	88,907	(232,852)	(143,945)
Profit/(loss) for the year	-	-	-	-	-	-	409,567	409,567	(39,007)	370,560
Other comprehensive income/(loss):										
Exchange differences arising on translation of foreign operations	-	-	-	-	163,042	-	-	163,042	(128,379)	34,663
Available for sale investments:										
- Net change in fair value arising during the year	-	-	-	-	-	(61,758)	-	(61,758)	-	(61,758)
Total other comprehensive income / (loss) for the year	-	-	-	-	163,042	(61,758)	409,567	510,851	(167,386)	343,465
Balance at 31 December 2014	15,000,000	(337,694)	751,821	751,821	1,081,634	(288,897)	(1,987,246)	14,971,439	5,845,905	20,817,344

The notes set out on pages 30 to 70 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

31 December 2015

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
OPERATING ACTIVITIES			
Profit for the year		54,631	370,560
Adjustments for:			
Depreciation		3,449	8,391
Dividend income		(96,092)	(114,105)
Change in fair value of investment properties		(77,100)	(136,125)
Gain on sale of investment properties under development		-	(306,036)
Gain on exchange of investment property		-	(93,463)
Gain on redemption /sale of available for sale investments		(68,878)	(3,976)
Finance costs		158,127	81,480
Share of results of associate		14,308	(3,175)
Provision for employees' end of service benefits		9,827	8,696
		(1,728)	(187,753)
Changes in operating assets and liabilities:			
Accounts receivable and other assets		298,980	56,337
Advance for purchase of investment property		-	(11,447)
Investments at fair value through profit or loss		27,259	9,010
Advances from customers		-	(71,565)
Accounts payable and other liabilities		(37,271)	19,711
Cash from/(used in) operations		287,240	(185,707)
Employees' end of service benefits paid		-	(8,673)
Net cash from/(used in) operating activities		287,240	(194,380)
INVESTING ACTIVITIES			
Proceeds from redemption/sale of available for sale investments		18,457	352,063
Purchase of available for sale investments		(63,500)	(260,500)
Property under development		(84,942)	(37,472)
Advance for purchase of investment property		(19,246)	-
Purchase of investment properties		(2,080,900)	(3,780,875)
Proceeds from sale of investment property and property under development		-	1,929,951
Purchase of equipment		(5,188)	-
Dividend income received		73,594	3,995
Proceeds from reduction in share capital of investment in associate		171,045	-
Net cash used investing activities		(1,990,680)	(1,792,838)
FINANCING ACTIVITIES			
Movement in Ijara financing		910,500	1,963,000
Finance costs paid		(158,127)	(81,480)
Movement in non controlling interests	7	(135,800)	(143,945)
Net cash from financing activities		616,573	1,737,575
Net impact of foreign currency translation adjustments		(64,983)	(172,506)
Decrease in cash and cash equivalents		(1,151,850)	(422,149)
Cash and cash equivalents at the beginning of the year	16	2,126,482	2,548,631
Cash and cash equivalents at the end of the year	16	974,632	2,126,482
Non-cash transaction			
Proceeds from redemption/sale of available for sale investments	12	214,930	-
Purchase of investment properties	12	(214,930)	-
Advance for purchase of investment property		-	603,977
Advance for purchase of investment property		-	(603,977)

The notes set out on pages 30 to 70 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2015

1. Incorporation and activities

Gulf North Africa Holding Co. – KPSC (the Parent Company) was incorporated on 3 December 2005 as a Kuwaiti Public Shareholding Company. The General Assembly meeting for establishment of the Parent Company was held at the Ministry of Commerce and Industry on 14 December 2005. The Parent Company's shares were listed on the Kuwait Stock Exchange on 23 March 2010.

The main objectives of the parent company are as follows:

- Extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or royalties and any other property related thereto, and renting such properties to the others whether inside Kuwait or abroad.
- Acquisition of properties and buildings necessary to carry out the business activities as allowable by the law.
- Ownership of shares in Kuwaiti and foreign shareholding companies in addition to ownership of shares in Kuwaiti and foreign limited liability companies and the participation in the share capital of both types of companies including management, lending and guaranteeing against third parties.
- Utilizing excess funds through investing in financial portfolios managed by specialized companies and institutions.

The parent company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The parent company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The parent company has the right to establish, participate in or acquire such institutions.

The parent company's shares are listed on Kuwait Stock Exchange. The group comprises the parent company and its subsidiaries. Details of subsidiaries are set out in note 7.

In all cases, the Parent Company is governed in all its activities by Islamic Sharia'a and all activities which are in compliance of Islamic Sharia'a board are obligatory to the Parent Company.

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 address of the Parent Company's registered office is PO Box 4425, Safat 13045, State of Kuwait.

The consolidated financial statements of the group for the year ended 31 December 2015 were authorised for issue by the Parent Company's board of directors on 20 March 2016 and are subject to the approval of the General Assembly of the shareholders.

Notes to the consolidated financial statements

31 December 2015

2. Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets available for sale and investment properties that have been measured at fair value.

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

3. Statement of compliance

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

4. Changes in accounting policies

The accounting policies adopted in the preparation of the group's consolidated financial statements are consistent with those used in previous year except as 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:

Standard or Interpretation	Effective for annual periods beginning
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 that 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) *IFRS 2 Share-based payment*- This improvement is applied prospectively and clarifies various issues relating to the definitions of performance ad service conditions which are vesting conditions.

(ii) *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.

Notes to the consolidated financial statements

31 December 2015

4. Changes in accounting policies (continued)

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

Annual Improvements to IFRSs 2010–2012 Cycle: (continued)

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

(iv) *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.

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

(vi) *Amendments to IAS 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 amendment 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.

(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 amendment 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 consolidated 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 consolidated financial statements.

Notes to the consolidated financial statements

31 December 2015

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	Effective for annual periods beginning
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	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 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 'Disclosure Initiative – Amendments	1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer Plants – Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements – 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:

- 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 receivables and investments in debt-type assets currently classified as loans and receivable and available for sale, 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.

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.

Notes to the consolidated financial statements

31 December 2015

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 11 Revenues and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts.
- timing – whether revenue is required to be recognized over time or at a single point in time.
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue.
- time value – when to adjust a contract price for a financing component.
- specific issues, including –
 - o non-cash consideration and asset exchanges
 - o contract costs
 - o rights of return and other customer options
 - o supplier repurchase options
 - o warranties
 - o principal versus agent
 - o licencing
 - o breakage
 - o non-refundable upfront fees, and
 - o consignment and bill-and-hold arrangement.

IFRS 10 and IAS 28 Sale or Contribution of Assets between 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)

Notes to the consolidated financial statements

31 December 2015

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

- 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.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

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.

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.

Notes to the consolidated financial statements

31 December 2015

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments

The Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture have been made to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

IAS 16 and IAS 38 Clarification 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.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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.

Notes to the consolidated financial statements

31 December 2015

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 (continued)

- Disclosures required. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Annual Improvements to IFRSs 2012–2014 Cycle

(i) *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.

(ii) *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.

(iii) *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.

(iv) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

5. Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's 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.

Statement of income and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's statement of income 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.

Notes to the consolidated financial statements

31 December 2015

5. Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

5.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made. Revenue arises from the rendering of the services and it is measured by reference to fair value of consideration received or receivable. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Management fees

Management fees are recognised in proportion to the stage of completion of the transaction at reporting date.

5.2.2 Dividend income

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

5.2.3 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

5.3 Operating expenses

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

5.4 Finance cost

Finance cost is recognised in the consolidated statement of profit or loss on a time proportion basis over the period of related liabilities.

5.5 Taxation

5.5.1 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 after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

Notes to the consolidated financial statements

31 December 2015

5. Significant accounting policies (continued)

5.5 Taxation (continued)

5.5.2 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 associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.5.3 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 31 December 2014, the group has no liability towards KFAS due to carry forward losses. Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior years is permitted.

5.5.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.6 Segment reporting

The group has two operating segments: local and international 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. All inter-segment transfers are carried out at arm's length prices.

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.

5.7 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 remeasured to fair value at the acquisition date through consolidated statement of profit or loss .

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.

Notes to the consolidated financial statements

31 December 2015

5. Significant accounting policies (continued)

5.7 Business combinations (continued)

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.

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 (ie gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

5.8 Equipment

Equipment (comprising furniture and fixtures and computers) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of equipment. The following useful lives are applied:

- • Furniture and fixtures: 5 years
- • Computers: 2 - 5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5.9 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 revalued annually and are included in the statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in consolidated statement of profit or loss within change in fair value of investment property.

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 company 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

31 December 2015

5. Significant accounting policies (continued)

5.10 Properties under development

Properties under development represent properties held for future use as investment properties and are initially measured at cost. Subsequently, Properties under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

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

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

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.

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

- rights to receive cash flows from the assets have expired;

Notes to the consolidated financial statements

31 December 2015

5. Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.1 Recognition, initial measurement and derecognition (continued)

- 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.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

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 other than those designated and effective as hedging instruments 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.

▪ **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.

Notes to the consolidated financial statements

31 December 2015

5. Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

- **Loans and receivables (continued)**

The group categorises loans and receivables into following categories:

Accounts receivable and other assets

Receivables are stated at original invoice amount based on contractual agreement 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and saving accounts that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

Due from related parties

Due from related parties are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- **Financial assets at FVTPL**

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. 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 profit or loss. 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

31 December 2015

5. Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

▪ AFS 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 accounts payable and other liabilities, amount due to related parties and Ijara financing.

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

Accounts payable and other liabilities

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

Due to related parties

Due to related parties are financial liabilities arising in the normal courses of the business and have no fixed or determinable repayments and are not quoted in an active market.

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. The 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.

5.13 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.

5.14 Trade and settlement date accounting

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

Notes to the consolidated financial statements

31 December 2015

5. Significant accounting policies (continued)

5.15 Offsetting of financial instruments

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

5.16 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.

5.17 Impairment testing of non financial assets

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 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 effects of future reorganisations and asset enhancements. Discount factors are determined individually for each 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.

5.18 Equity, reserves and dividend payments

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the 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 Kuwaiti Dinars.
- Fair value reserve – comprises gains and losses relating to available for sale investments.

Accumulated losses include all current and prior period retained profit/(losses). All transactions with owners of the Parent Company are recorded separately within equity.

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

Notes to the consolidated financial statements

31 December 2015

5. Significant accounting policies (continued)

5.19 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.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance 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.

5.20 Employees' end of service benefits

The group 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.

5.21 Foreign currency translation

5.21.1 Functional and presentation currency

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.

5.21.2 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 consolidated statement of 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.

5.21.3 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.

Notes to the consolidated financial statements

31 December 2015

5. Significant accounting policies (continued)

5.21 Foreign currency translation (continued)

5.21.3 Foreign operations (continued)

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 reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.22 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.

5.23 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

Notes to the consolidated financial statements

31 December 2015

6. Critical accounting judgements and key sources of 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.

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 statement of 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 consolidated statement 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, property held for development or investment property.

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 property under development if it is acquired with the intention of development.

The group classifies property as investment property if it is acquired to generate 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.

Notes to the consolidated financial statements

31 December 2015

6. Critical accounting judgements and key sources of estimation uncertainty (continued)

6.2.1 Impairment of associates

After application of the equity method, the group determines whether it is necessary to recognise 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 recognises the amount in the consolidated statement of profit or loss.

6.2.2 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.

6.2.3 Impairment of receivables

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

6.2.4 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.5 Fair value measurement

Management uses valuation techniques to determine the fair value of financial instrument (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumption consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 26).

Notes to the consolidated financial statements

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7. Subsidiaries

7.1 Composition of the group

Set out below details of the subsidiaries held by the group:

	Country of incorporation	Voting capital held		Activities
		31 Dec. 2015	31 Dec. 2014	
Morocco Mediterranean General Trading WLL	Kuwait	99%	99%	Real estate
Al-Janzour Real Estate Company	Kuwait	99%	99%	Real estate
Gulf Morocco Co. W.L.L.	Saudi Arabia	100%	100%	Real estate
Casablanca Real Estate Co. Ltd (7.1.1)	Cayman Islands	26.98%	26.48%	Real estate
Dream Real Estate Co. Ltd	Cayman Islands	30.81%	30.81%	Real estate
SARL EL Awras El Khalijia Promotion Immo	Algeria	100%	100%	Real estate
Morocco North Africa Holding Company Ltd.	Morocco	100%	100%	Real estate

7.1.1 Ownership interest in a subsidiary

During the year, one of the group's subsidiaries, Casablanca Real Estate Ltd, reduced its share capital partially by KD 135,800 as one of the shareholders (a related party) of the subsidiary did not pay its full amount of the share capital. Accordingly, ownership interest of the parent company in the revised capital of the subsidiary increased from 26.48% to 26.98%. This resulted into a loss of KD 26,365 which has been directly recognised in the equity.

7.2 Significant judgments and assumptions

The following subsidiaries were consolidated by the group as a result of implementation of IFRS 10 Consolidated Financial Statements:

Company name	Country of incorporation	Voting capital held	Purpose
Casablanca Real Estate Co. Ltd	Cayman Islands	26.98%	Real Estate Services
Dream Real Estate Co. Ltd	Cayman Islands	30.81%	Real Estate Services

The group considers that it controls the above mentioned companies even though it owns less than 50% of the voting rights. This is because the group has significant equity shares in these companies and exercise control over these companies through contractual arrangements. When determining control, management considered whether the group has the practical ability to direct the relevant activities of these companies on its own to generate returns for itself. Management concluded that it has the power based on its ability to appoint and remove the majority of the Board of Directors at any time, without restrictions. The group, therefore, accounts for these investments as subsidiaries.

Notes to the consolidated financial statements

31 December 2015

7. Subsidiaries

7.3 Subsidiaries with material non-controlling interests

The group includes the following subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Loss allocated to NCI		Accumulated NCI	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
			KD	KD	KD	KD
Casablanca Real Estate Co. Ltd	73.02%	73.52%	(8,062)	(9,198)	1,407,634	1,553,197
Dream Real Estate Co. Ltd	69.19%	69.19%	(5,933)	(24,501)	3,924,343	3,958,846

No dividends were paid to the NCI during the years 2015 and 2014.

a. Casablanca Real Estate Co. Ltd

Summarised consolidated financial information of Casablanca Real Estate Co. Ltd, before intragroup eliminations, is set out below:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Non-current assets	4,356,651	4,200,384
Current assets	1,518	148,520
Total assets	4,358,169	4,348,904
Current liabilities	2,430,431	2,236,285
Total liabilities	2,430,431	2,236,285
Total equity attributable to the owners of the parent company	520,104	559,422
Non-controlling interests	1,407,634	1,553,197
Total equity	1,927,738	2,112,619

Notes to the consolidated financial statements

31 December 2015

7 Subsidiaries (continued)**7.3 Subsidiaries with material non-controlling interests (continued)**

a. Casablanca Real Estate Co. Ltd (continueud)

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Loss for the year attributable to the owners of the parent company	(2,979)	(3,313)
Loss for the year attributable to NCI	(8,062)	(9,198)
Loss for the year	<u>(11,041)</u>	<u>(12,511)</u>
Other comprehensive loss for the year attributable to the owners of the parent company	(9,974)	(15,262)
Other comprehensive loss for the year attributable to NCI	(28,066)	(42,374)
Total other comprehensive loss for the year	<u>(38,040)</u>	<u>(57,636)</u>
Total comprehensive loss for the year attributable to the owners of the parent company	(12,953)	(18,575)
Total comprehensive loss for the year attributable to NCI	(36,128)	(51,572)
Total comprehensive loss for the year	<u>(49,081)</u>	<u>(70,147)</u>

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow from operating activities	9,747	(239)
Net cash flow used in investing activities	(10,662)	-
Net cash outflow	<u>(915)</u>	<u>(239)</u>

b. Dream Real Estate Co. Ltd

Summarised consolidated financial information of Dream Real Estate Co. Ltd, before intragroup eliminations, is set out below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	5,126,279	5,090,315
Current assets	1,053,335	1,156,228
Total assets	<u>6,179,614</u>	<u>6,246,543</u>
Current liabilities	507,450	524,510
Total liabilities	<u>507,450</u>	<u>524,510</u>
Total equity attributable to the owners of the parent company	1,747,821	1,763,187
Non-controlling interests	3,924,343	3,958,846
Total equity	<u>5,672,164</u>	<u>5,722,033</u>

Notes to the consolidated financial statements

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7 Subsidiaries (continued)

7.3 Subsidiaries with material non-controlling interests (continued)

b. Dream Real Estate Co. Ltd (continueud)

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Loss for the year attributable to the owners of the parent company	(2,642)	(10,911)
Loss for the year attributable to NCI	(5,933)	(24,501)
Loss for the year	<u>(8,575)</u>	<u>(35,412)</u>
Other comprehensive loss for the year attributable to the owners of the parent company	(12,723)	(21,968)
Other comprehensive loss for the year attributable to NCI	(28,571)	(49,335)
Total other comprehensive loss for the year	<u>(41,294)</u>	<u>(71,303)</u>
Total comprehensive loss for the year attributable to the owners of the parent company	(15,365)	(32,879)
Total comprehensive loss for the year attributable to NCI	(34,504)	(73,836)
Total comprehensive loss for the year	<u>(49,869)</u>	<u>(106,715)</u>

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow from operating activities	(94,622)	(67,933)
Net cash outflow	<u>(94,622)</u>	<u>(67,933)</u>

7.4 Interests in unconsolidated structured entities

The group has no interests in unconsolidated structured entities.

8. General and administrative expenses

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Staff costs	286,613	301,782
Administrative expenses	134,383	136,726
	<u>420,996</u>	<u>438,508</u>

Notes to the consolidated financial statements

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9. Basic and diluted earnings per share attributable to owners of the parent company

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the parent company by the weighted average number of shares in issue excluding treasury shares.

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
Profit for the year attributable to the owners of the parent company (KD)	69,578	409,567
Weighted average number of shares (excluding treasury shares)	145,413,548	145,413,548
Basic and diluted earnings per share	0.48 Fils	2.82 Fils

10. Investment properties

	31 Dec. 2015 KD	31 Dec. 2014 KD
Properties inside Kuwait	7,965,000	5,807,000
Properties outside Kuwait	214,930	-
	8,179,930	5,807,000

The movement in investment properties is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
At 1 January	5,807,000	1,890,000
Purchase during the year	2,295,830	3,780,875
Change in fair value	77,100	136,125
	8,179,930	5,807,000

The investment properties are secured against Ijara financing (note 20). The group has earned rental income from investment properties of KD370,027 (2014: KD183,159).

Notes to the consolidated financial statements

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11. Properties under development

	31 Dec. 2015 KD	31 Dec. 2014 KD
Properties in Saudi Arabia	817,710	788,798
Properties in Syria	4,356,651	4,200,384
Properties in Morocco	5,126,279	5,090,315
	10,300,640	10,079,497

The movement in properties under development is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
At 1 January	10,079,497	11,458,771
Purchase/addition during the year	84,942	37,472
Sale during the year	-	(1,623,915)
Foreign currency translation	136,201	207,169
	10,300,640	10,079,497

The carrying value of properties under development includes cost of acquisition of land, construction and development costs.

12. Available for sale investments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Local quoted equity securities	255,975	225,000
Local unquoted equity securities	568,280	568,280
Foreign unquoted equity securities	2,932,857	3,062,081
	3,757,112	3,855,361

Financial assets amounting to KD805,907(2014: KD822,707) are stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.

During the year the group entered into an agreement to exchange a foreign unquoted securities amounting to KD139,573 against investment property in Bahrain. The exchange was made at fair value which resulted into a gain of KD67,221 after adjustment of fair value reserve of KD8,136. The sale consideration of the available for sale investment amounting to KD 214,930 is the purchase consideration of the new investment property.

Investments in foreign unquoted equity securities amounting to KD478,180 (2014: KD634,554) are managed by a related party.

Notes to the consolidated financial statements

31 December 2015

13. Investment in associate

The group holds 20% (2014: 20%) equity interest in Libya General Trading Company - WLL, Kuwait. The movement during the year is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at the beginning of the year	954,116	950,941
Reduction of capital	(171,045)	-
Share of results	(14,308)	3,175
	768,763	954,116

During the year, the investment in associate in Libya General Trading Company – WLL, reduced its share capital. Accordingly, the group received KD171,045. This reduction did not result in change of its ownership interest of 20% in the investee.

Summarised financial information of group's associate is set out below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	3,185,925	3,105,181
Current assets	661,469	1,701,533
Total assets	3,847,394	4,806,714
Current liabilities	3,579	36,134
Total liabilities	3,579	36,134
Net assets	3,843,815	4,770,580

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	16,898	25,831
(Loss)/profit for the year	(71,538)	15,873
Other comprehensive income for the year	-	-
Total comprehensive (loss)/profit for the year	(71,538)	15,873

Notes to the consolidated financial statements

31 December 2015

13. Investment in associate (continued)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Group's ownership interest (%)	20	20
Net assets of the associate	3,843,815	4,770,580
Group's share of net assets	768,763	954,116
Carrying amount	768,763	954,116

14. Advance for purchase of investment property

It represents advance payments to purchase an investment property in Turkey. In accordance with the agreement, the group has the right at its sole discretion to either sell back, fully or partially, the rights to the investment property to the seller at an agreed price, after thirty months starting from 15 October 2014 which is date of the agreement, or request delivery of the investment property. Further, the group has obtained security in the form of mortgage of certain properties in Turkey having a value of at least KD902,956.

15. Accounts receivable and other assets

	31 Dec. 2015 KD	31 Dec. 2014 KD
Accounts receivable	309,074	329,675
Provision for doubtful debts	(299,490)	(299,490)
	9,584	30,185
Accrued revenue	31,452	110,115
Prepaid expenses	13,746	7,810
Due from associate	3,329	49,532
Due from related parties	16,133	159,559
Other receivables	86,951	80,476
	161,195	437,677

The carrying values of the financial assets included above approximate their fair values and are due within one year. The accounts receivable and other assets have been reviewed for impairment, which indicate no provision is required.

Notes to the consolidated financial statements

31 December 2015

16. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Saving accounts	357,497	1,235,738
Cash in hand	875	1,339
Bank balances	616,260	889,405
	974,632	2,126,482

Bank balances and saving accounts yield average profit rate of 1% (2014: 1%).

17. Share capital

	Authorised		Issued and fully paid	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	KD	KD	KD	KD
Shares of KD0.100 each	15,000,000	15,000,000	15,000,000	15,000,000

All the share capital paid in cash.

18. Treasury shares

	31 Dec. 2015	31 Dec. 2014
Number of shares	4,586,452	4,586,452
Percentage of issued shares	3.05%	3.05%
Cost (KD)	337,694	337,694
Market value (KD)	128,421	165,112

Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non distributable.

Notes to the consolidated financial statements

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19. Reserves

The Companies Law and the Parent Company's articles of association require that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the statutory reserve. The shareholders of Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal 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.

The Parent Company's articles of association and the Companies Law requires that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No such transfers are required when the group incurred loss or accumulated losses exist.

20. Ijara financing

	31 Dec. 2015 KD	31 Dec. 2014 KD
Short term	2,768,500	2,858,000
Long term :		
Due within one year	33,200	-
Due after one year	966,800	-
	1,000,000	-
	3,768,500	2,858,000
Total amounts due within next twelve months	2,801,700	2,858,000
Total amounts due after twelve months	966,800	-
	3,768,500	2,858,000

Ijara financing represent Islamic financing obtained from local financial institutions to finance the purchase of investment properties (note 10). The investment properties are pledged against the Ijara financing which carry an effective profit rate ranging from 4.75% to 5.25% (2014: 5.25%). Non-current portion of Ijara financing is payable in different instalments starting from September 2016 till August 2022.

Notes to the consolidated financial statements

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21. Accounts payable and other liabilities

	31 Dec. 2015	31 Dec.
	KD	2014
		KD
Accounts payable	375	750
Accrued expenses	124,277	161,623
Due to related parties (Non-controlling interests)	105,936	105,019
Staff leave provision	35,399	34,266
Dividend payable	9,984	11,584
	275,971	313,242

22. Annual general assembly

The directors did not propose dividend for the year ended 31 December 2015.

The Annual General Assembly of the shareholders held on 22 April 2015 approved the consolidated financial statements of the group for the year ended 31 December 2014 without dividend.

23. Related party transactions

These represent transactions with certain related parties (directors and executive officers of the Parent Company and their related concerns) entered into by the group and key management compensation.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2015	31 Dec.
	KD	2014
		KD
Transactions included in consolidated statement of financial position:		
Due from associate	3,329	49,532
Due from related parties	16,133	159,559
Due to related parties	105,936	105,019
Transactions included in consolidated statement of profit or loss:		
Management fees	12,684	26,503
Compensation of key management personnel:		
Salaries and short term benefits	91,305	91,242
End of service benefits	2,284	2,284
	93,589	93,526

Notes to the consolidated financial statements

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24. Segmental information

The group's reportable segments under IFRS 8 are as follows:

- Local
- International

The revenues and profits generated by the group from segments are summarised as follows:

	<u>Local</u>	<u>International</u>	<u>Total</u>
	KD	KD	KD
31 December 2015			
Revenue	460,595	160,470	621,065
Segment (loss)/profit	(99,445)	137,938	38,493
Foreign exchange gain			19,018
Unallocated expenses			(2,880)
Profit for the year			54,631
Total assets	10,247,631	14,641,745	24,889,376
Total liabilities	(3,937,739)	(141,484)	(4,079,223)
	6,309,892	14,500,261	20,810,153
Share of results of associate	(14,308)	-	(14,308)
Depreciation	3,449	-	3,449
Purchase of investment property	2,295,830	-	2,295,830
	<u>Local</u>	<u>International</u>	<u>Total</u>
	KD	KD	KD
31 December 2014			
Revenue	356,303	513,589	869,892
Segment (loss)/profit	(120,041)	461,554	341,513
Foreign exchange gain			43,902
Unallocated expenses			(14,855)
Profit for the year			370,560
Total assets	9,021,458	14,992,053	24,013,511
Total liabilities	(3,058,818)	(137,349)	(3,196,167)
	5,962,640	14,854,704	20,817,344
Share of results of associate	3,175	-	3,175
Depreciation	8,391	-	8,391
Purchase of investment property	3,780,875	-	3,780,875

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25. Risk management objectives and policies

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

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The most significant financial risks to which the group is exposed to are described below.

25.1 Market risk

a. Foreign currency risk

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

The group mainly operates in Kuwait, the Middle East and North Africa countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Syrian Pound, Saudi Riyal and Morocco Dirham. The group's financial position 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.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
US Dollar	83,404	168,922
Syrian Pound	829	976
Saudi Riyal	26,436	27,385
Morocco Dirham	329,316	452,878

The foreign currency sensitivity is determined based on US Dollar 3% (2014: 3%), Syrian Pound 50% (2014: 50%), Saudi Riyal 5% (2014:5%) and Morocco Dirham 5% (2014:5%) increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/(weakened) against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	Profit for the year	
	31 Dec. 2015	31 Dec. 2014
	KD	KD
US Dollar	±2,502	±5,067
Syrian Pound	415±	±488
Saudi Riyal	1,322±	±1,370
Morocco Dirham	±16,466	±22,644

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25 Risk management objectives and policies (continued)

25.1 Market risk (continued)

a. Foreign currency risk (continued)

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.

b. Price risk

The group is exposed to price risk with respect to its investments. Investments are classified either as financial assets at fair value through profit or loss or available for sale investments.

To manage its price risk arising from investments in equity and debt securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If prices had been 5% higher/lower, the effect on the changes in profit for the years ended 31 December 2015 and 2014 would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Investments at fair value through profit or loss	602	1,965	-	-
Available for sale investments			78,956	77,407

c. Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The group is exposed to profit rate risk with respect to Ijara financing and saving accounts.

The following table illustrates the sensitivity of the profit for the year and equity to a reasonable possible change in profit rates of +1% and -1% (2014: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on the group's equity:

	31 Dec. 2015		31 Dec. 2014	
	+1% KD	-1% KD	+1% KD	-1% KD
Profit for the year	33,584	(33,584)	16,223	(16,223)

There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis

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31 December 2015

25 Risk management objectives and policies (continued)

25.2 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's 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. It also obtains security when appropriate.

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Accounts receivable and other assets	161,195	437,677
Saving accounts	357,497	1,235,738
Bank balances	616,260	889,405
	1,134,952	2,562,820

Bank balances and saving accounts are maintained with high credit quality financial institutions. Accounts receivable and due from related parties are presented net of provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

Concentration of financial assets

The group has investments and other assets amounting to KD11,309,875 (31 December 2014: KD11,599,095) in the Middle East and North Africa (MENA) region representing 45% of total assets as at 31 December 2015 (31 December 2014: 48%) including KD5,130,261 (31 December 2014: KD5,352,552) in Libya and Syria. In addition, the group is managing real estate construction projects in the region including projects in Libya and Syria. Management is closely monitoring the current political changes the region is witnessing and is taking all the necessary actions to safeguard its assets and activities in the region.

25.3 Liquidity risk

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

The table below summarises the maturity profile of the group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

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31 December 2015

25 Risk management objectives and policies (continued)

25.3 Liquidity risk (continued)

Maturity profile of liabilities at 31 December 2015:

	Up to 1 month KD	1-3 Months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities					
Ijara financing	-	-	2,920,767	1,055,000	3,975,767
Accounts payable and other liabilities	-	170,035	105,936	-	275,971
	-	170,035	3,026,703	1,055,000	4,251,738

Maturity profile of liabilities at 31 December 2014:

	Up to 1 month KD	1-3 Months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities					
Ijara Financing	-	-	3,015,190	-	3,015,190
Accounts payable and other liabilities	-	208,223	105,019	-	313,242
	-	208,223	3,120,209	-	3,328,432

26. Fair value measurement

26.1 Fair value hierarchy

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.

Financial assets and financial liabilities measured at fair value in the statement of financial position 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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31 December 2015

26 Fair value measurement (continued)**26.2 Fair value measurement of financial instruments**

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Financial assets:		
<i>Loans and receivables at amortised cost:</i>		
- Cash and cash equivalents	974,632	2,126,482
- Accounts receivable and other assets	161,195	437,677
<i>Investments at fair value through profit or loss at fair value:</i>		
Investments at fair value through profit or loss	12,041	39,300
<i>Available for sale investments:</i>		
Available for sale investment at cost	805,907	822,707
Available for sale investments at fair value	2,951,205	3,032,654
	4,904,980	6,458,820
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
Accounts payable and other liabilities	275,971	313,242
Ijara financing	3,768,500	2,858,000
	4,044,471	3,171,242

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

The level within which the financial 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:

31 December 2015

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Local managed funds	(b)	-	12,041	-	12,041
Available for sale investments					
Quoted securities	(a)	255,975	-	-	255,975
Unquoted securities	(c)	-	-	2,695,230	2,695,230
		255,975	12,041	2,695,230	2,963,246

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31 December 2015

26 Fair value measurement (continued)

26.2 Fair value measurement of financial instruments (continued)

31 December 2014

		Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Investments at fair value through profit or loss					
Local managed funds	(b)	-	39,300	-	39,300
Available for sale investments					
Quoted securities	(a)	225,000	-	-	225,000
Unquoted securities	(c)	-	-	2,807,654	2,807,654
		225,000	39,300	2,807,654	3,071,954

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

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a. Quoted securities

All the listed 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. Local managed funds

The underlying investments in local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

c. Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

d. Financial liabilities

The group does not have any financial liabilities at fair value.

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26 Fair value measurement (continued)**26.2 Fair value measurement of financial instruments (continued)****Level 3 fair value measurements**

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Financial assets available for sale	
	Unquoted investments	Unquoted investments
	31 Dec. 2015	31 Dec. 2014
	KD	KD
Opening balances	2,807,654	2,896,269
Redemption	(139,574)	(57,570)
Gains or losses recognised in:		
- Consolidated statement of profit or loss	-	(4,787)
- Other comprehensive income	27,150	(26,258)
Closing balance	2,695,230	2,807,654
Total amount included in income for unrealised gains on Level 3 assets	Nil	Nil

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 valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Available for sale investments and investment at fair value through profit or loss:

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

The impact on consolidated statement of 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%.

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26 Fair value measurement (continued)

26.3 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:

31 December 2015

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
- Properties inside Kuwait	-	-	7,965,000	7,965,000
- Properties outside Kuwait	-	-	214,930	214,930
	-	-	8,179,930	8,179,930

31 December 2014

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
- Properties inside Kuwait	-	-	5,807,000	5,807,000

Fair value of the group's main property assets is estimated based on appraisals performed by independent, qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Investment properties

Investment properties represent buildings categorised as "Investment Buildings". The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuers is a local bank who has valued the investment properties using the Yield Method. The other valuer who is a local reputable valuer has valued the investment properties primarily by using market comparison. When the market comparison approach is used adjustments have been incorporated for factors such as plot size, location and current use. For the valuation purpose, the group has selected the lower value of the two valuations (2014: lower of two valuations). Further information regarding the fair value measurements is set out in the table below:

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26 Fair value measurement (continued)

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

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Properties inside Kuwait	Yield method and Market comparison approach	Average monthly rent	KD 44,615	Higher the rent ,higher the fair value
Properties outside Kuwait	Market comparison approach	Estimated market price for land (per sqm)	BD 24	The higher the price per square meter, the higher the fair value

The assets within this level can be reconciled from beginning to ending balances as follows:

	Investment Properties 2015 KD	Investment Properties 2014 KD
Opening balance	5,807,000	1,890,000
Purchases	2,295,830	3,780,875
Gains or losses recognised in consolidated statement of profit or loss :		
- Change in fair value of investment property	77,100	136,125
Closing balance	8,179,930	5,807,000
Total amount included in consolidated statement of profit or loss for unrealised gains on Level 3 assets	77,100	136,125

27. Capital commitments

At the financial position date, the group had capital commitment toward constructions amounting to KD529,862 (2014: KDNil).

28. Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the group comprise of total equity. 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, return capital to shareholders, issue new shares or sell assets to reduce debt.