

دیمه کابیتال
dimah capital

ANNUAL
REPORT
2015





دیمه کابیتال
dimah capital

Dimah Capital Investment Company (KSC Closed)
Authorized Capital K.D. 15,000,000 C.R. No. 323021
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His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir of the State of Kuwait



His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince of the State of Kuwait

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Board of Directors

Mr. Nawaf Hussain Marafi

Chairman

Mr. Hosam Nasser Al Muzaiel

Vice Chairman

Mr. Yousef Khaled Al Marzook

Board Member

Mr. Isa Mohamed Habib

Board Member

Mr. Hamoud Theni El Enezi

Board Member

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Chairman's Message

All praise is due to Allah; Lord of the worlds. Peace and blessings of Allah be upon the Master of all messengers -our Prophet Muhammad- members of his family, his companions and righteous followers till the Day of Judgment. To proceed:

Assalam Alaukum wa Rahmat Allah wa Barakatuh
Peace, mercy and blessings of Allah be upon you.

Honourable shareholders,

It gives me a great pleasure, on behalf of myself and my fellow Board Members of Dimah Capital Investment Company, to welcome you to the Annual General Meeting (AGM) of the Company. I am delighted to present to you Dimah's Annual Report for the year 2015. It includes the Financial Statements and the Key Financial Highlights for the fiscal year ended 31 December 2015 as well as the Auditors' Report and the Fatwa and Shari'ah Supervisory Board's Report.

Honourable shareholders,

The year 2015 was pivotal in the history of our Company, where a clear and overarching restructuring strategy plan has been developed, and the Company's future frame of work has been approved. The frame of work, which has been developed in cooperation with the specialized international Boston Consulting Group (BCG), covers the investment, organizational, operational and control work environment.

The new frame of work focuses on increasing the scale of investment in the area of international real estate, as per the Company's strategic plan. This aims to generate lucrative returns and regular cash flow, achieve international expansion with relatively limited risks, and have high quality assets of an increasing value. The new frame of work will be implemented in tandem with the divestment of a number of the Company's direct investments, in due course and suitable manner, to achieve the best profits possible and enhance the performance level.

Our vision for the future is to make Dimah Capital the second-to-none choice for customers desirous to invest in the field of international real estate, and for those looking for promising investment opportunities in stable advanced markets with excellent Shari'ah compliant returns, limited risks, and regular cash flow from real estates of various activities.

With this end in view, Dimah Capital has targeted the international markets to capture the best investment opportunities in the domain of real estate. In 2015 and in cooperation with its allies and strategic partners, Dimah Capital has purchased five income generating real estates at over USD 133 million. The purchased real estates are three hotels and two residential complexes located in the United States of America. The annual cash return of such buildings is expected at more than 8% distributed monthly, with Internal Rate of Return (IRR) of more than 13% throughout the 3 to 5-year tenor of investment.

It is Noteworthy that Dimah Capital has built alliances with number of key players, of long and diversified experience, in the field of international real estate. Two agreements have been concluded with the American Stonebridge and LEI companies, while other two agreements are being negotiated with partners, of the same level of importance, in the European Union's States. Such agreements are significant source of prudently chosen real estate investment opportunities. They allow for the exchange of information, sharing of roles and ongoing consideration of the market's developments and movements.

Honourable shareholders,

The Company's restructuring process inspired new spirit within the working team by means of recruiting outstanding qualified individuals experienced in numerous fields that have to do with the Company's future plans; i.e., Customer Relations Management, Investment, Operations, Administrative Affairs and Finance. In doing so, we gave priority to enhancing the contribution of the qualified Kuwaiti nationals, bearing in mind

building generations of leaders capable of bearing the responsibility, building sustainable entrepreneurship for the Company and maximizing the Company's achievements.

The Company is working on building stable infrastructure of advanced auto systems, as well as organizational and administrative policies and procedures that are in line with the local and international applicable legislations and regulations. This is intended to be in harmony with the Company's ambitions of expanding its base of customers and partners at various levels, and enhancing the overall performance with a view to carve a niche for the Company in the local and international markets.

In regard to the Governance rules and regulations issued by the Capital Markets Authority and the regulatory bodies, we have commenced the development of a new organizational structure that suits the new strategy and responds to the changes in the stock and investment markets around the world. The new organizational structure is supported by professional competencies, independent supervisory committees and specialized executive committees.

Honourable shareholders,

By end of 2015, the Company achieved total revenues of about KD 2,002,471 with a decrease of about 46.97% compared to KD 3,776,593 in 2014. The net profit reached about KD 325,383 with a decrease of 60.94% compared to around KD 833,047 in 2014. Earnings per share reached 2.169 fils compared to 3.341 fils in 2014. The Company's assets amounted to about KD 20,792,038 while shareholders' equity declined to around KD 17,776,365 compared to about KD 27,366,866 in 2014, in the wake of decreasing the Company's capital by KD 9,937,593.

In addition, the Company's expenses and charges reached KD 1,672,725 with a decrease of 45.96% compared to KD 2,927,095 in 2014. This includes a decrease of 38.68% in the general and administrative expenses to KD 1,173,611 as compared to around KD 1,913,917 in 2014.

In light of such results, the Company's Board of Directors recommends the AGM not to distribute cash profits for the fiscal year ended 31 December 2015.

Dear honorable shareholders,

The Company's Board of Directors is optimistic about the future and underlines its keenness to continue with the implementation of the Company's strategic plan, with a view to elevate and enhance the growth and build an integrated investment portfolio capable of developing work and achieving sustainable growth.

Finally, I would like to convey our sincere thanks and appreciation to our shareholders for their ongoing confidence and ongoing support. Our thanks and appreciation are also extended to the fellow Board Members; the Executive Management team; the members of the Fatwa and Shari'ah Supervisory Board and all the employees of Dimah Capital Company for their efforts exerted during 2015 to attain success and prosperity for the Company. We hope that such spirit of team work, devotion and dedication will continue as the Company achieves all its objectives of success, growth and expansion and be the best in the field of real estate investment.

Praise be to Allah, the Cherisher and Sustainer of the worlds.

**Peace, mercy and blessings of Allah be upon you.
May Allah grant us success.**

Report of the Fatwa and Sharia Supervision Panel of Dimah Capital Investment Company

Thanks be to Allah alone and prayer and peace be upon the last of the Prophets and upon his family members and companions.

The Shareholders of Dimah Capital Investment Co.

May Allah's Peace, Mercy and Blessings be upon you,

According to your entrusting us with the function of Fatwa and Sharia Supervision, we have examined the contracts and transactions concluded by the Company during the period from 1/1/2015 to 31/12/2015 Our responsibility is limited to expressing an independent opinion on the extent of the Company's compliance with the provisions of the Islamic Sharia in its business and activities.

On the basis of the Sharia Audit Report submitted by the Sharia Supervision Department which carried out the audit according to the resolutions of the panel in light of the standards and controls issued by the Accounting and Audit Authority for Islamic Financial Institutions which require the planning and performance of audit and examination to be made in order to obtain all the information, explanations and statement necessary for giving a reasonable assurance that the company complies with the Islamic Sharia provisions as set out by us, we believe that the audit carried out by the Department provides an appropriate basis for expressing a reasonable opinion.

It should be noted that responsibility for performing contracts and transactions according to the provisions of Islamic Sharia as set out by us lies with the management of the company.

Given the foregoing, the Panel is of the opinion that:

- 1 - During the specified period the Company complied with the duty to perform contracts and transactions according to provision of the Islamic Sharia as set out in the Sharia opinions, guidelines and resolutions issued by us during the specified period, and we did not detect any Sharia violations that are inconsistent with this opinion.
- 2 - Calculating the zakat was made according to the principles adopted by the panel.
- 3 - All revenue generated from sources or by means prohibited by Islamic Sharia has been avoided for disposal in charity works.

May Allah's prayer and peace be on our lord, Mohammed and upon his family and Companies, and may thanks be to Allah the Lord of all beings.

Members of the Fatwa And Sharia Supervision Panel

Dr. Nayef Mohammed Al-Ajmi

Dr. Nathem Mohammed AlMisbah

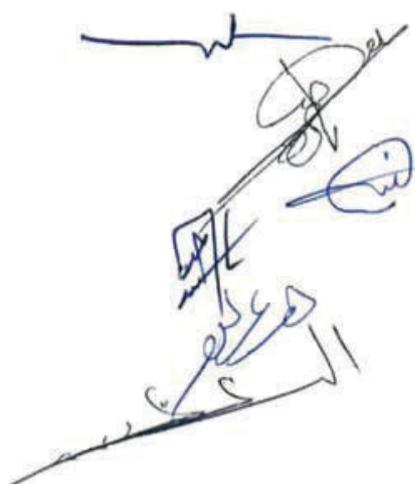
Dr. Sulaiman Marafie Safar

Dr. Sulaiman Marafie Safar

Dr. Khaled Shajjaa-AIOtaibi

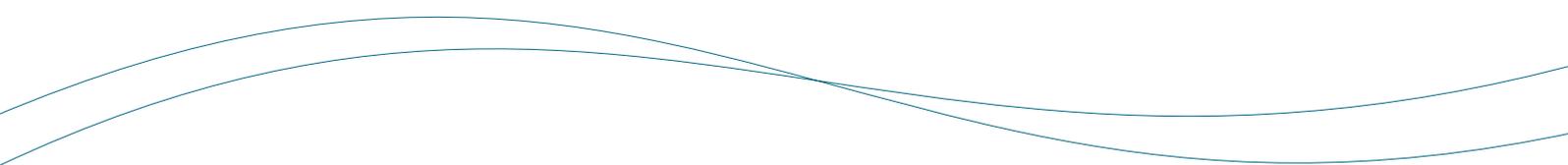
Dr. Ibrahim Abdullah Al-Subai

Dr. Mohammed Awd-AlFaee



External Auditor - Independent Auditor
(Al Bazie & Co. - Public Accountants)

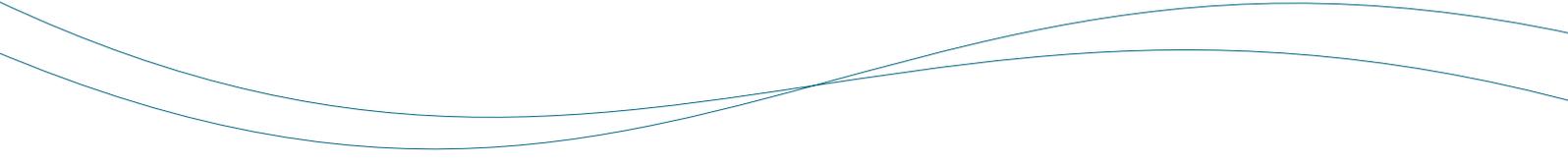




CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Dimah Capital Investment Company - K.S.C. (Closed)
And its Subsidiary (The Group)
State of Kuwait

Report on the consolidated financial statements

I have audited the accompanying consolidated financial statements of Dimah Capital Investment Company - K.S.C. (Closed) (the Parent Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as of December 31, 2015, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 auditor considers 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dimah Capital Investment Company - K.S.C. (Closed) (the Parent Company) and its subsidiary (The Group) as of December 31, 2015, and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted in the State of Kuwait.

Report on other Legal and Regulatory Requirements

Also in my opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 1 of 2016, the Executive Regulations of Law No. 25 of 2012, the Parent Company's Memorandum of Incorporation and Articles of Association, and I have obtained the information I required to perform my audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to me, there were no contraventions during the fiscal year ended December 31, 2015 of the Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012, or of the Company's Memorandum of Incorporation and Articles of Association which might have materially affected the Group's financial position or results of its operations.

We further report that, during the course of our audit for the consolidated financial statements for the financial year ended December 31, 2015, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business and its related regulations, And we further report that, we have not become aware of any material violations of Law No. 7 of 2010 concerning the Capital Markets Authority and Organization of Security Activity, and its amendments and Executive regulations during the financial year ended that might have materially affected the Group's financial position or results of its operations.

State of Kuwait
July 7, 2016


Nayef M. Al Bazie
Licence No. 91-A
RSM Albazie & Co.

<u>ASSETS</u>	Note	2015	2014
Cash on hand and at banks		3,246,690	5,844,825
Wakala Investments	3	2,325,554	40,760
Accounts receivable and other debit balances	4	747,436	4,114,951
Due from ultimate parent company	5	160	2,101,267
Murabaha receivables	6	-	889,539
Financial assets available for sale	7	10,042,744	12,718,864
Investment in associates	8	2,325,430	124,134
Investment properties	9	1,384,294	1,384,294
Property and equipment	10	719,730	772,530
Total assets		20,792,038	27,991,164
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Accounts payable and other credit balances	11	2,959,494	525,740
Provision for end of service indemnity	12	53,252	95,691
Total liabilities		3,012,746	621,431
Equity:			
Capital	13	15,000,000	24,937,593
Statutory reserve	14	271,501	238,532
Voluntary reserve	15	271,501	238,532
Cumulative change in fair value		64,309	89,850
Effect of changes in other comprehensive income of associates		47,310	-
Retained earnings		2,121,744	1,862,359
Equity attributable to Parent Company's shareholders		17,776,365	27,366,866
Non-controlling interests		2,927	2,867
Total equity		17,779,292	27,369,733
Total liabilities and equity		20,792,038	27,991,164

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements.



Nawaf H. Marafi
 Chairman



Hosam Nasser Al-Muzaiel
 Vice Chairman

	Note	2015	2014
Revenue:			
Net investment income	16	980,785	1,257,467
Structuring and marketing income		233,842	738,758
Management income		340,914	235,472
Murabaha and wakala income		30,428	2,670
Gain on sale of lands	4	160,687	318,356
Share of results from associates	8	65,316	(12,713)
Change in fair value of investment properties	9	-	451,366
Gain on sale of a subsidiary		-	582,604
Other income		190,499	202,613
Total revenue		2,002,471	3,776,593
Expenses:			
General and administrative expenses	17	1,173,611	1,913,917
Depreciation	10	49,395	76,755
Provision for murabaha receivables	6	-	693,219
Impairment loss for financial assets available for sale	7	86,133	96,112
Impairment loss for investment in associates	8	363,586	-
Receivables write-off		-	147,092
Total expenses		1,672,725	2,927,095
Profit for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS) and Zakat		329,746	849,498
Contribution to KFAS		(2,079)	(7,644)
Contribution of Zakat		(2,284)	(8,807)
Net profit for the year		325,383	833,047
Attributable to:			
Parent Company's shareholders		325,323	833,027
Non-controlling interests		60	20
Net profit for the year		325,383	833,047

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements.

	Note	2015	2014
Net profit for the year		<u>325,383</u>	<u>833,047</u>
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Related to financial assets available for sale:			
- Changes in fair value of financial assets available for sale	7	64,314	99,266
- Reversal due to sale of financial assets available for sale		(91,372)	(14,439)
- Reversal on impairment of financial assets available for sale	7	1,517	2,201
Share of other comprehensive income from associates	8	47,310	-
Other comprehensive income for the year		<u>21,769</u>	<u>87,028</u>
Total comprehensive income for the year		<u>347,152</u>	<u>920,075</u>
Attributable to:			
Parent Company's shareholders		347,092	920,055
Non-controlling interests		60	20
Total comprehensive income for the year		<u>347,152</u>	<u>920,075</u>

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements.

DIMAH CAPITAL INVESTMENT COMPANY - K.S.C. (CLOSED) AND ITS SUBSIDIARY (THE GROUP)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

All amounts are in Kuwaiti Dinars

	Equity attributable to Parent Company's shareholders								
	Capital	Statutory reserve	Voluntary reserve	Cumulative change in fair value	comprehensive income of other associates	Retained earnings	Sub Total	Non – controlling interests	Total
Balance as of December 31, 2013	24,937,593	153,584	153,584	(134,612)	-	1,199,228	26,309,377	93,661	26,403,038
Effect of sale of a subsidiary	-	-	-	137,434	-	-	137,434	(90,814)	46,620
Total comprehensive income for the year	-	-	-	87,028	-	833,027	920,055	20	920,075
Transfer to reserves	-	84,948	84,948	-	-	(169,896)	-	-	-
Balance as of December 31, 2014	24,937,593	238,532	238,532	89,850	-	1,862,359	27,366,866	2,867	27,369,733
Capital decrease (Note 13)	(9,937,593)	-	-	-	-	-	(9,937,593)	-	(9,937,593)
Total (comprehensive loss) income for the year	-	-	-	(25,541)	47,310	325,323	347,092	60	347,152
Transfer to reserves	-	32,969	32,969	-	-	(65,938)	-	-	-
Balance as of December 31, 2015	15,000,000	271,501	271,501	64,309	47,310	2,121,744	17,776,365	2,927	17,779,292

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements.

	2015	2014
Cash flows from operating activities:		
Profit for the year before contribution Kuwait Foundation for the Advancement of Science (KFAS) and Zakat	329,746	849,498
Adjustments:		
Net investment income	(980,785)	(1,257,467)
Murabaha and Wakala income	(30,428)	(2,670)
Gain on sale of lands	(160,687)	(318,356)
Group's share of results from associates	(65,316)	12,713
Change in fair value of investment properties	-	(451,366)
Gain on sale of a subsidiary	-	(582,604)
Depreciation	49,395	76,755
Provision for murabaha receivables	-	693,219
Impairment loss for financial assets available for sale	86,133	96,112
Impairment loss for investment in associates	363,586	-
Gain on sale of property and equipment	(2,467)	-
Receivables write-off	-	147,092
Provision for end of service indemnity	44,297	70,182
	<u>(366,526)</u>	<u>(666,892)</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	-	2,084
Accounts receivable and other debit balances	3,531,521	1,378,713
Due from ultimate parent company	2,101,107	1,733
Murabaha receivables	889,539	(669,690)
Accounts payable and other credit balances	(187,801)	(98,606)
Cash generated from (used in) operations	<u>5,967,840</u>	<u>(52,658)</u>
KFAS paid	(7,644)	-
Zakat paid	(8,807)	-
End of service indemnity paid	(86,736)	(69,081)
Net cash generated from (used in) operating activities	<u>5,864,653</u>	<u>(121,739)</u>
Cash flows from investing activities:		
Wakala Investments	(2,284,794)	(129)
Paid for purchase of financial assets available for sale	(8,345,068)	(7,618,962)
Proceeds from sale of financial assets available for sale	11,697,690	10,383,597
Paid for purchase of investment in associates	(2,452,256)	-
Net proceeds from sale of a subsidiary	-	1,750,656
Proceeds from murabaha and wakala income	30,428	2,670
Paid for purchase of property and equipment	(378)	(11,149)
Proceeds from sale of property and equipment	6,250	-
Dividend income received	280,662	365,726
Net cash (used in) generated from investing activities	<u>(1,067,466)</u>	<u>4,872,409</u>
Cash flows from financing activities:		
Paid from capital decrease	(7,395,322)	-
Purchase of additional investment in a subsidiary	-	(110,000)
Net cash used in financing activities	<u>(7,395,322)</u>	<u>(110,000)</u>
Net (decrease) increase in cash on hand and at banks	(2,598,135)	4,640,670
Cash on hand and at banks at the beginning of the year	5,844,825	1,204,155
Cash on hand and at banks at the end of the year	<u>3,246,690</u>	<u>5,844,825</u>

The accompanying notes (1) to (23) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Dimah Capital Investment Company - K.S.C. (Closed) "The parent company" is a Kuwaiti Closed Shareholding Company registered in State of Kuwait and was incorporated based on Article of Incorporation Ref. No. 5653 / Vol. 1 on July 15, 2007 and its subsequent amendments, the latest of which was notarized in the commercial register under Ref. No.323021 dated November 1, 2015.

The Parent Company's objectives for which it was incorporated are as follows:

1. Investment in real estate sectors, industrial, agricultural and other economic sectors. Through contribute in incorporation of the related specify companies, or purchasing shares, or bonds of those companies in various sectors.
2. Manage public and private institutions funds and invest this funds in various economic sectors. Including also manage the financial and property portfolios.
3. Evaluation and preparation of studies and technical consultations, economic and evaluation and study projects.
4. Mediation in lending and borrowing operations.
5. Perform the duties of issue managers for bonds which issued by companies, institutions and custodians duties.
6. Financing and mediation in international trade operation.
7. Provide loans to others, taking into account the financial integrity of assets in the granting of loans.
8. Dealing and trading in the foreign currency market and precious metals market in State of Kuwait and abroad.
9. Special operations related to trading securities of buying and selling stocks and corporate bonds.
10. Perform all services assessed in developing, supporting the financial and cash market in Kuwait and utilize its needs and all this under the boundaries of the law and the Central Bank of Kuwait instructions and procedures.
11. Mobilizing resources to ljarah financing and arranging group ljarah financing, especially for small and medium enterprises.
12. Invest money in various aspects of investment approved by the Central Bank of Kuwait.
13. Owning, using and renting industrial property rights, patents, commercial and industrial trademarks, business graphics, intellectual property rights and related intellectual programs and literature to other institutions.
14. Establishing and managing investment funds for its own and on behalf of others, issuing its units for subscription and acting as custodian or investment manager for leasing and investment funds inside the State of Kuwait and abroad in accordance with laws and resolutions in force in the country.
15. Managing the international portfolios, investing and developing money in leasing operations for its own and others accordance with laws and resolutions in force in the country.

The Company is registered in the commercial register under Ref. No. 323021 on August 21, 2007.

The Company is a subsidiary of Al Imtiaz Investment Group Company - K.S.C. (Public) (The Ultimate parent company).

The Company's registered address is P.O.Box 2152, Safat, State of Kuwait.

The total number of employees of the Company as of December 31, 2015 is 18 employees (2014 – 52 employees).

The consolidated financial statements were authorized for issue by the Board of Directors on July 7, 2016. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and with the regulations of the government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for IAS 39 requirements for collective provision, which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities, (if any) as described under the accounting policy for impairment of financial assets. Significant accounting policies are summarized as follows:

a) Basis of preparation:

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the parent company and are prepared under the historical cost convention, except for financial assets available for sale and investment properties which are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2 (q).

Standards and Interpretations issued and effective

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2015.

Annual Improvements to IFRS – 2010 – 2012 Cycle:

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

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

Amendments to IAS 24 Related Party Disclosures

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

Annual Improvements to IFRS – 2011 – 2013 Cycle:

Amendments to IFRS 13 Fair Value Measurement

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

Amendments to IAS 40 Investment Property

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarifies that IFRS 3, and not the description of ancillary services in IAS 40 (which differentiates between investment property and owner-occupied property, plant and equipment).

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

Standards and Interpretations issued but not effective

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

IFRS 9 - Financial Instruments

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

IFRS 15 - Revenue from contracts with customers

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

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

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

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

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

The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

Amendments to IAS 1 – Disclosure Initiative

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

- Materiality, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

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

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

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

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities.

Annual Improvements to IFRS – 2012 – 2014 Cycle:

Amendments to IFRS 7 – Financial Instruments: Disclosures

The amendments to this standard are effective for annual periods beginning on or after 1 January 2016. They clarify that for servicing agreements, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context, and adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. Another amendment to IFRS 7 clarifies that the additional disclosure required by the amendments to IFRS 7 is not specifically required for all interim periods, unless required by IAS 34.

These amendments and standards are not expected to have any material impact on the consolidated financial statements.

b) Principles of consolidation:

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiary (the Group):

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Percentage of holding %</u>	
			<u>2015</u>	<u>2014</u>
Al-Wather for General Trading and Construction Company - W.L.L.	State of Kuwait	General Trading	99	99

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company:

- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquire, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial instruments

The Group classifies its financial instruments as "financial assets" and "financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, receivables, due from ultimate parent company, murabaha receivables, financial assets available for sale and payables.

• Financial assets

1- Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss

2- Murabaha receivables:

Murabaha receivable represents a sale of commodity with deferred instalments. Murabaha receivables are stated net of impairment losses or provision for doubtful debts.

The provision for impairment for finance receivable complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all credit facilities net of certain categories of collateral, to which the Central Bank of Kuwait instructions are applicable and not subject to specific provision.

3- Financial investments

Initial recognition and measurement

The Group classifies financial investments that fall within the scope of IAS 39 in the following categories: financial assets available for sale. The classification depends on the purpose for which those financial assets were acquired and is determined at initial recognition by the management.

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months from the end of the reporting period.

Purchases and sales of those financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the assets. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement

After initial recognition, financial assets available for sale are subsequently carried at fair value. The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where financial assets available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When a financial asset available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

A financial asset (in whole or in part) is derecognized either when:

- A- The contractual rights to receive the cash flows from the financial asset have expired, or
- B- The Group has transferred its rights to receive cash flows from the financial asset and either
 - 1- has transferred substantially all the risks and rewards of ownership of the financial asset
 - 2- has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

- **Financial liabilities**

- 1) Accounts payable:

- Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

- d) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

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

- e) Associates

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

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

f) Property and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. 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 included in consolidated statement of profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful life of property and equipment as follows:

	<u>Years</u>
Buildings	25
Computer	3 – 5
Tools and equipments	3
Furniture and fixtures	5
Vehicles	5

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 from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

g) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

h) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

i) Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

j) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

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

Murabaha and wakala income

Murabaha and wakala income is recognized, when earned, on a time apportionment basis by using the effective interest method.

Dividend income

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

Gain on sale of investments

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

Revenue on sale of properties

Revenue on sale of properties is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is either, easily measurable and accrued or is not significant in relation to the overall value of the contract.

If all except for the last criterion listed above are fulfilled, the percentage of completion method is adopted to recognize revenue.

Consultancy and management services income

Consultancy and management services income is recognized when the service is provided for customers.

Other income

Other income are recognized on accrual basis.

k) Provisions:

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

l) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the consolidated profit of the parent company before deducting contribution to Kuwait Foundation for the advancement of science, contribution to Zakat and after deducting the Company's share of income from shareholding associates and transfer to statutory.

m) Contribution to Zakat

Zakat is calculated at 1% on the consolidated profit of the parent Company before contribution to Kuwait Foundation for the Advancement of Sciences and Zakat and after deducting cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

n) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the year. Translation differences on non-monetary items such as equity financial assets classified as financial assets available for sale are included in "cumulative changes in fair value" in other comprehensive income.

o) Contingencies:

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable

p) Fiduciary assets:

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

q) Critical accounting estimates and judgments:

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments:

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

1- Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

2- Classification of land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

a) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

3- Provision for doubtful debts

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

4- Classification of financial assets

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss" or "available for sale". The Group follows the guidance of IAS 39 on classifying its financial assets.

The Group classifies financial assets as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. All other financial assets are classified as "available for sale".

5- Impairment of investments

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

b) Estimates and assumptions:

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

1- Fair value of unquoted equity investments

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

2- Provision for doubtful debts:

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

3- Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognized in the consolidated statement of profit or loss. Two main methods were used to determine the fair value of the investment properties:

(a) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

(b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

4- Impairment of non-financial assets

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

3. Wakala investments

Wakala investments represent contracts with Islamic financial institution. The effective rate of return ranges from 0.55% to 1.25% per annum (December 31, 2014 – 0.75% to 1.25% per annum).

4. Accounts receivable and other debit balances

	<u>2015</u>	<u>2014</u>
Due from sale of investment properties (a)	-	2,730,682
Due from sale of a subsidiary (b)	-	1,330,533
Advance payment (c)	665,290	-
Staff receivable	-	465
Prepaid expenses and other	82,146	53,271
	<u>747,436</u>	<u>4,114,951</u>

a) During the year ended December 31, 2015, the Group had received the total amount due from sale of investment properties, after reversal of deferred profit during the year amounting to KD 160,687 in the consolidated statement of profit or loss.

b) During the year ended December 31, 2015, due from sale of subsidiary had been matured which was secured against pledged shares of 15,000,000 shares of Al Fouz investment company –K.S.C (Closed) accordingly the pledged shares transferred in favor of the Parent Company.

c) Advance payments represent as follows:

	<u>2015</u>	<u>2014</u>
Advance payments to purchase financial assets available for sale	607,090	-
Advance payments to purchase property and equipment	58,200	-
	<u>665,290</u>	<u>-</u>

5. Related party disclosures

The Group has entered into various transactions with related parties, i.e. the ultimate parent company and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

<u>Balances included in the consolidated statement of financial position</u>	Ultimate parent company	Other related parties	<u>2015</u>	<u>2014</u>
	-	6,647	6,647	5,703
Accounts receivable and other debit balances				
Due from ultimate parent company	160	-	160	2,101,267

Transactions included in the consolidated statement of profit or loss

	Ultimate parent company	Other related parties	<u>2015</u>	<u>2014</u>
Net investment income	113,737	-	113,737	-

Key management compensation

	<u>2015</u>	<u>2014</u>
Short term benefits	94,014	301,465
Post - employment benefits	7,933	24,346

6. Murabaha receivables

	<u>2015</u>	<u>2014</u>
Murabaha receivables	693,590	1,592,191
Less: provision for impairment	<u>(693,590)</u>	<u>(702,652)</u>
	<u>-</u>	<u>889,539</u>

Movement in provision for impairment of murabaha receivables is as follows:

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	702,652	9,433
Provision charge for the year	-	702,652
Provision no longer required	<u>(9,062)</u>	<u>(9,433)</u>
Balance at the end of the year	<u>693,590</u>	<u>702,652</u>

The provision for impairment for Murabaha receivables complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all credit facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision.

7. Financial assets available for sale

	<u>2015</u>	<u>2014</u>
Quoted equity securities	2,579,556	2,200,412
Unquoted equity securities	6,607,053	6,271,920
Funds and portfolios	856,135	4,246,532
	<u>10,042,744</u>	<u>12,718,864</u>

It was not possible to reliably measure the fair value of unquoted equity securities amounting to KD 6,607,053 (December 31, 2014 – KD 6,271,920) due to non-availability of a reliable method that could be used to determine the fair value of such financial assets. Accordingly, they were stated at their cost less impairment losses.

The movement during the year is as follows:

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	12,718,864	14,536,614
Effect of sale of a subsidiary	-	(3,002,074)
Additions (a)	8,345,068	10,529,451
Disposals (b)	<u>(11,000,886)</u>	<u>(9,442,067)</u>
Transfer from investment in a subsidiary	-	91,585
Change in fair value	65,831	101,467
Impairment loss	<u>(86,133)</u>	<u>(96,112)</u>
Balance at the end of the year	<u>10,042,744</u>	<u>12,718,864</u>

a) Additions include investment which the Group purchased during the year from the ultimate parent company for an amount of KD 1,967,000.

b) Disposals include amount of KD 2,169,195 represent financial assets disposed to the ultimate parent company and resulting in a gain of KD 113,737.

Financial assets available for sale are demonstrated in the following currencies:

	<u>2015</u>	<u>2014</u>
Currency:		
Kuwait Dinar	5,123,710	8,178,914
US Dollar	3,205,636	1,194,963
Bahrain Dinar	465,400	479,941
GBP	1,247,998	906,724
Other currency	-	1,958,322
	<u>10,042,744</u>	<u>12,718,864</u>

8. Investment in associates

Name of associate	Country of incorporation	Principal activities	Ownership percentage %		2015	2014
			2015	2014		
Ta'azur for Insurance Takaful Company - K.S.C. (Closed)	State of Kuwait	Insurance	30	-	2,167,569	-
Estidamah Holding Company - K.S.C. (Holding)	State of Kuwait	Holding	28.5	21.77	157,861	124,134
					<u>2,325,430</u>	<u>124,134</u>

The movement during the year was as follows:

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	124,134	1,825,049
Effect of sale of subsidiary	-	(1,812,336)
Additions (a)	2,452,256	124,134
Share of results from associates	65,316	(12,713)
Group's share of associates' other comprehensive income	47,310	-
Impairment loss for the associates	(363,586)	-
Balance at the end of the year	<u>2,325,430</u>	<u>124,134</u>

- a) Additions include purchase of investment in an associate (Ta'azur for Insurance Takaful Company - K.S.C. (Closed)) by 30% from the ultimate parent company for an amount of KD 2,289,756, also impairment loss for investment in associate of KD 258,343 recorded in consolidated statement of profit or loss.

Summarized financial information for material associate is as follows:

a) **Ta'azur for Insurance Takaful Company - K.S.C. (Closed)**

Summarized statement of financial position:

	<u>2015</u>
Assets:	
Current assets	5,964,817
Non-current assets	1,265,814
Total assets	<u>7,230,631</u>
Liabilities:	
Current liabilities	5,402
Total Liabilities	<u>5,402</u>
Net Assets	<u>7,225,229</u>

The following adjustments on financial statements above were done to arrive the carrying value for the Group's share in Ta'azur for Insurance Takaful Company - K.S.C. (Closed) included in the consolidated financial statements.

	<u>2015</u>
Net Assets of the associate	<u>7,225,229</u>
Group's ownership percentage in Ta'azur for Insurance Takaful Company - K.S.C. (Closed)	<u>30.00%</u>
Carrying value of Ta'azur for Insurance Takaful Company - K.S.C. (Closed)	<u><u>2,167,569</u></u>

Summarized Statement of profit or loss and other comprehensive income:

	<u>2015</u>
Other income	<u>300,798</u>
Other expenses	<u>(4,646)</u>
Net profit	<u>296,152</u>

9. Investment properties

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	<u>1,384,294</u>	-
Transfer from payments to purchase investment properties	-	932,928
Effect of sale of a subsidiary	-	(1,280,300)
Additions	-	1,280,300
Change in fair value	-	451,366
Balance at the end of the year	<u><u>1,384,294</u></u>	<u>1,384,294</u>

Management of the Group has complied with Capital Markets Authority decision with respect to guidelines for valuation of investment properties.

The fair value of investment properties is based on valuations performed by two accredited independent valuation experts using recognized valuation techniques and principles

In estimating the fair value of investment properties, the valuers had used the valuation techniques listed in the following schedule, and had considered the nature and usage of the investment properties:

<u>Class of investment property</u>	<u>Valuation technique</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Lands	Sales comparative	-	<u>1,384,294</u>	-
Total		-	<u><u>1,384,294</u></u>	-

10 Property and equipment

	Buildings	Computer	Tools and equipments	Furniture and fixtures	Vehicles	Total
Cost:						
As of December 31, 2014	738,280	153,405	24,923	19,496	20,550	956,654
Additions	-	100	278	-	-	378
Disposals	-	-	-	-	(12,550)	(12,550)
As of December 31, 2015	738,280	153,505	25,201	19,496	8,000	944,482
Accumulated depreciation:						
As of December 31, 2014	14,806	130,253	20,719	8,407	9,939	184,124
Charge for the year	29,531	10,191	3,357	3,888	2,428	49,395
Related to disposals	-	-	-	-	(8,767)	(8,767)
As of December 31, 2015	44,337	140,444	24,076	12,295	3,600	224,752
Net book value:						
As of December 31, 2015	693,943	13,061	1,125	7,201	4,400	719,730
As of December 31, 2014	723,474	23,152	4,204	11,089	10,611	772,530

The Group's buildings are registered in the name of the former subsidiary (Al Fouz Investment company – K.S.C (Closed)), and the Group is in the process of transferring the ownership of those buildings to the name of the Parent Company.

11. Accounts payable and other credit balances

	2015	2014
Accrued share'a Zakat	250,439	275,832
Amount due to a shareholder for capital decrease (a)	2,542,271	-
Accrued staff leave	31,693	71,878
Accrued staff bonus	21,000	100,000
Unearned management income	76,519	16,637
Accrued expenses	3,493	3,637
Accrued KFAS	2,079	7,644
Accrued Zakat	2,284	8,807
Other credit balances	29,716	41,305
	2,959,494	525,740

a) One of the Parent Company's shareholder had not yet collected his share amounting to KD 2,542,271 of the total amount of the Parent Company's capital decrease (Note 13) until the date of preparing the consolidated financial statements.

12. Provision for end of service indemnity

	2015	2014
Balance at beginning of the year	95,691	94,590
Charge for the year	44,297	70,182
Paid during the year	(86,736)	(69,081)
Balance at the end of the year	53,252	95,691

13. Capital

The authorized, issued and fully paid up capital consists of 150,000,000 shares with nominal value of 100 fils each and all shares are in cash.

The Parent Company Shareholders' Extraordinary General Assembly held on August 13, 2015 had approved the decrease in paid capital of the parent company from KD 24,937,593 to KD 15,000,000 authorized, issued and fully paid up capital has become KD 15,000,000. The above was notarized in the commercial register on November 1, 2015.

14. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

15. Voluntary reserve

As required by the Parent Company's Article of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

16. Net investment income

	<u>2015</u>	<u>2014</u>
Unrealized loss from financial assets at fair value through profit or loss	-	(66,576)
Realized gain from sale of financial assets at fair value through profit or loss	-	1,786
Realized gain from sale of financial assets available for sale	696,804	955,969
Dividend income	283,981	366,288
	<u>980,785</u>	<u>1,257,467</u>

17. General and administrative expenses

During the year ended December 31, 2015, staff costs which are included in general and administrative expenses amounted to KD 561,752 (December 31, 2014 - KD 1,067,124).

18. Shareholders' General Assembly and Proposed dividends

The Board of Directors' meeting held on February 23, 2016 proposed not to distribute cash dividends for the year ended December 31, 2015, also not to distribute Board of Directors' remuneration. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly of the parent company.

The Shareholders' Annual General Assembly meeting held on August 13, 2015 approved not to distribute cash dividends and Board of Directors' remuneration for the year ended December 31, 2014.

19. Fiduciary assets

The aggregate value of assets held in a trust or fiduciary capacity by the Parent Company (Items off consolidated statement of financial position) as of December 31, 2015 amounted to KD 40,905,075 (December 31, 2014 - KD 44,827,894).

20. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, wakala investments, receivables, due from ultimate parent company, murabaha receivables, financial assets available for sale and payables and as a result, is exposed to the risks indicated below.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of return rate. The effective return rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes. The Group is not currently exposed significantly to such risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, wakala investments, receivables, due from ultimate parent company and murabaha receivables. The cash at banks and wakala placed with high credit rating financial institutions. Receivables are presented net of provision for doubtful debts. Murabaha receivables are presented net of provision as per the requirements of Central Bank of Kuwait.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, wakala investments, receivables, due from ultimate parent company and murabaha receivables.

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate used by the group against Kuwaiti Dinar:

	2015		2014	
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of comprehensive income (Kuwaiti Dinar)	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of comprehensive income (Kuwaiti Dinar)
US Dollar	±5%	±160,282	±5%	±59,748
Bahrain Dinar	±5%	±23,997	±5%	±23,997
GBP	±5%	±62,400	±5%	±45,336
Other currency	±5%	-	±5%	±97,916

d) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves.

Maturity Table for assets and liabilities as follow:

As of December 31, 2015

	Up to 1 month	1 - 3 months	3 - 12 months	1 – 5 Years	More than 5 Years	Total
Assets						
Cash on hand and at banks	3,246,690	-	-	-	-	3,246,690
Wakala investment	2,325,554	-	-	-	-	2,325,554
Account receivable and other debit balances	59,127	665,290	23,019	-	-	747,436
Due from ultimate parent company	-	160	-	-	-	160
Financial assets available for sale	-	-	-	10,042,744	-	10,042,744
Investment in associates	-	-	-	2,325,430	-	2,325,430
Investment properties	-	-	-	1,384,294	-	1,384,294
Property and equipments	-	-	-	719,730	-	719,730
Total assets	5,631,371	665,450	23,019	14,472,198	-	20,792,038
Liabilities						
Account payable and other credit balances	-	-	2,959,494	-	-	2,959,494
Provision for end of service indemnity	-	-	-	-	53,252	53,252
Total liabilities	-	-	2,959,494	-	53,252	3,012,746

As of December 31, 2014

	Up to 1 month	1 - 3 months	3 - 12 months	1 – 5 Years	More than 5 Years	Total
Assets						
Cash on hand and at banks	5,844,825	-	-	-	-	5,844,825
Wakala investment	40,760	-	-	-	-	40,760
Account receivable and other debit balances	-	4,114,951	-	-	-	4,114,951
Due from ultimate parent company	-	2,101,267	-	-	-	2,101,267
Murabaha receivable	-	-	889,539	-	-	889,539
Financial assets available for sale	-	-	-	12,718,864	-	12,718,864
Investment in associates	-	-	-	124,134	-	124,134
Investment properties	-	-	-	1,384,294	-	1,384,294
Property and equipments	-	-	-	772,530	-	772,530
Total assets	5,885,585	6,216,218	889,539	14,999,822	-	27,991,164
Liabilities						
Account payable and other credit balances	-	-	525,740	-	-	525,740
Provision for end of service indemnity	-	-	-	-	95,691	95,691
Total liabilities	-	-	525,740	-	95,691	621,431

e) **Equity price risk:**

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as financial assets available for sale arises from the Group's investment portfolio. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the reporting date:

	2015	
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
Market Indices		
Kuwait Stock Exchange	±5%	± 128,978
	2014	
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
Market Indices		
Kuwait Stock Exchange	±5%	±19,757
Other	±5%	±90,264

21. **Fair value measurement**

The Group measures financial assets such as financial assets available for sale and non – financial assets such as investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets			
Financial assets available for sale	2,579,556	856,135	3,435,691
	2,579,556	856,135	3,435,691
<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets			
Financial assets available for sale	2,200,412	4,246,532	6,446,944
	2,200,412	4,246,532	6,446,944

As of December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note (7). The management of the Group has assessed that fair value of its financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value details of investment properties are mentioned in Note 9.

22. Capital risk management

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

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividend paid to shareholders, paid up capital, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

23. Contingent liabilities

As of December 31, 2015, the Group is contingently liable in respect of the following:

Letters of guarantee	<u>2015</u>	<u>2014</u>
	19,579	20,402