

Consolidated financial statements and independent auditor's report
Kuwait Capital Investment Company – KSC (Closed) and Subsidiary
Kuwait

31 December 2015

Contents

	Page
Independent auditor's report	1 and 2
Consolidated statement of profit or loss	3
Consolidated statement of profit or loss and other comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6 and 7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9 to 35



Grant Thornton

Al-Qatami, Al-Aiban & Partners

An instinct for growth™

Souq Al-Kabeer Building
Block A - 9th Floor
P.O. BOX 2986 Safat 13030
State Of Kuwait
T +965-22443900/9
F +965-22438451
www.gtkuwait.com

Independent auditor's report

To the Shareholders of
Kuwait Capital Investment Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Capital Investment Company (A Kuwaiti Shareholding Company) and its subsidiary, 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 is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted for use in the State of Kuwait and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 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 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 Kuwait Capital Investment Company and its subsidiary as at 31 December 2015, and their financial performance and cash flows for the year ended 31 December 2015 in accordance with International Financial Reporting Standards, as adopted for use in the State of Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, and the executive regulations of Law No. 25 of 2012 and by the Parent Company's Articles of Association and Memorandum of Incorporation, 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 and of the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Parent Company.

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

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

Kuwait
24 April 2016

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue			
Rental income	7	1,097,721	-
Management fees and similar income	8	71,752	117,533
Change in fair value of investments at fair value through profit or loss		(4,210)	-
Change in fair value of investment property	10	-	1,062,719
Dividend income		800	480
Other income		11,621	9,668
		1,177,684	1,190,400
EXPENSES AND OTHER CHARGES			
General and administrative expenses		(101,383)	(76,054)
Staff costs		(176,986)	(113,174)
		(278,369)	(189,228)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat		899,315	1,001,172
Provision for KFAS		(8,094)	(9,011)
Provision for Zakat		(9,007)	(10,012)
Profit for the year		882,214	982,149

The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Profit for the year	882,214	982,149
Other comprehensive income:		
<i>Items that will be reclassified subsequently into the statement of profit or loss:</i>		
Available for sale investments:		
- Change in fair value arising during the year	(1,136,315)	1,440
Total other comprehensive (loss)/income	(1,136,315)	1,440
Total comprehensive (loss)/income for the year	(254,101)	983,589

The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
Assets			
Cash and cash equivalents		287,771	12,274
Accounts receivable and other assets		11,552	10,487
Due from related party	15	646,721	-
Investments at fair value through profit or loss		76,196	-
Available for sale investments	9	4,196,800	5,333,115
Investment property	10	14,260,413	14,260,413
Equipment		-	8,176
Total assets		19,479,453	19,624,465
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	11	291,052	184,137
Provision for employees' end of service benefits		9,650	7,476
Total liabilities		300,702	191,613
Equity			
Share capital	12	15,000,000	15,000,000
Legal reserve	13	997,194	907,262
Voluntary reserve	13	997,194	907,262
Fair value reserve		(1,131,366)	4,949
Retained earnings		3,315,729	2,613,379
Total equity		19,178,751	19,432,852
Total liabilities and equity		19,479,453	19,624,465



Dirrar Abdullah Ali Al-Nassar
Vice Chairman

The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital KD	Legal reserve KD	Voluntary reserve KD	Fair value reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2015	15,000,000	907,262	907,262	4,949	2,613,379	19,432,852
Profit for the year	-	-	-	-	882,214	882,214
Other comprehensive income:						
Available for sale investments:						
- Change in fair value arising during the year	-	-	-	(1,136,315)	-	(1,136,315)
Total other comprehensive loss	-	-	-	(1,136,315)	-	(1,136,315)
Total comprehensive (loss)/income for the year	-	-	-	(1,136,315)	882,214	(254,101)
Transfer to reserves	-	89,932	89,932	-	(179,864)	-
Balance at 31 December 2015	15,000,000	997,194	997,194	(1,131,366)	3,315,729	19,178,751

Consolidated statement of changes in equity (continued)

	Share capital KD	Legal reserve KD	Voluntary reserve KD	Fair value reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2014	15,000,000	807,145	807,145	3,509	1,831,464	18,449,263
Profit for the year	-	-	-	-	982,149	982,149
<i>Other comprehensive income:</i>						
Available for sale investments:						
- Change in fair value arising during the year	-	-	-	1,440	-	1,440
Total other comprehensive income	-	-	-	1,440	-	1,440
Total comprehensive income for the year	-	-	-	1,440	982,149	983,589
Transfer to reserves	-	100,117	100,117	-	(200,234)	-
Balance at 31 December 2014	15,000,000	907,262	907,262	4,949	2,613,379	19,432,852

The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
OPERATING ACTIVITIES		
Profit for the year	882,214	982,149
Adjustments:		
Depreciation	20,249	4,923
Dividend income	(800)	(480)
Change in fair value of investment property	-	(1,062,719)
Provision for employees' end of service benefits	6,625	1,305
	908,288	(74,822)
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	(76,196)	-
Accounts receivable and other assets	(1,065)	46,301
Due from related party	(646,721)	-
Accounts payable and other liabilities	106,915	(17,372)
Due to related party	-	(280)
Employee' end of service benefits paid	(4,451)	(767)
Net cash from/(used in) operating activities	286,770	(46,940)
INVESTING ACTIVITIES		
Purchase of equipment	(12,073)	-
Dividend income received	800	480
Net cash (used in)/ from investment activities	(11,273)	480
Increase/(decrease) in cash and cash equivalents	275,497	(46,460)
Cash and cash equivalents at the beginning of the year	12,274	58,734
Cash and cash equivalents at the end of the year	287,771	12,274
Non-cash transaction:		
Partial sale of investment property	-	11,802,306
Decrease in accounts payable and other liabilities	-	(11,802,306)

The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Watheeqa Capital Company KSC (Closed) (the “parent company”) is a Kuwaiti Shareholding Company incorporated on 30 June 2008. The parent company was registered as an investment company with the Central Bank of Kuwait (“CBK”) on 15 September 2008 and is governed under the directives of the Central Bank of Kuwait and Capital Markets Authority of Kuwait.

The general assembly held on 19 June 2014 approved to change the trade name of the company from Watheeqa Capital Company – KSC (Closed) to Kuwait Capital Investment Company – KSC (Closed) and this was registered in the commercial registry on 16 July 2014.

The group comprises the parent company and its 99% owned subsidiary Watheeqa United Real Estate Company – WLL (Kuwait).

The parent company’s activities are:

- Investment in real estate, industrial and agricultural sectors through contribution to incorporation of specialised companies or purchase of the shares and bonds of these companies.
- Manage the funds of public and private institutions and investment of these funds in various economic sectors, including management of financial and real estate portfolios.
- Provide and prepare studies and technical, economic and evaluation consultations, study of projects related to investment and prepare studies for third parties, mediation in financing operations.
- Perform the functions of the underwriters of the bonds issued by companies and organisations along with the functions of investment custodians, financing and mediation in international trade operations.
- Grant funding to third parties in various sectors taking into account the principles of financial soundness in granting funds and keep continuity of soundness of the parent company’s financial position in accordance with the conditions, rules and limits set by the Central Bank of Kuwait.
- Deal with and trade in the foreign exchange market and precious metals market inside and outside Kuwait only for the parent company’s account without prejudice to the prohibition established under the Ministerial Resolution promulgated for regulation of CBK’s supervision of the investment companies.
- Perform the operations for trading in securities such as purchase and sale of the shares and bonds of the governmental, local and international companies and organisations.
- Do all the services that assist in the development and support of the capacity of the financial and money market in Kuwait and meet its needs within the limits of the laws and CBK’s procedures or instructions.
- Mobilise resources for financing and leasing and arrange collective financing operations for leasing, particularly for small and medium institutions and it may not accept deposits.
- Invest its funds in the various aspects of investment approved by the Central Bank of Kuwait, mainly financing in the manner of leasing as required by the acquisition of movable and immovable assets and leasing same. This does not include financing of the purchase of consumables.
- Acquire industrial property rights, patents, trade and industrial marks, literary and intellectual property rights in software and literature and utilize and lease same to other parties.
- Generate investment funds for its account and for the account of others and present their units for public subscription and do the functions of the investment custodian or investment manager for the leased investment funds inside and outside in accordance with the laws and resolutions applicable in the State of Kuwait.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

- Manage the international portfolios, invest and develop funds in the leased operations for its account and for the account of third parties in accordance with the laws and resolutions applicable in the State of Kuwait after the approval of the Central Bank of Kuwait.

The parent company has the right to practice the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The parent company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The parent company may also establish or share or purchase these entities or affiliate them therewith in accordance with the provisions of the Islamic Shari'a.

The parent company has Fatwa and Shari'a Supervisory Board which consists of at least three members specialised in the Islamic Jurisprudence. The task of this Board is to express the legal opinion about the parent company's activities and operations and verify the parent company's commitment to the Islamic Shari'a principles and its resolutions shall be binding on the parent company's Board of Directors and executive body. The members of this Board are appointed based on the nomination of the Board of Directors and approval by the ordinary assembly of this nomination. The founders shall nominate the first Fatwa and Shari'a Supervisory Board, the members of which are presented to the constituent assembly for appointment. The Board of Directors later shall assume the nomination and presentation of the names of the members of the Board to the general assembly. Fatwa and Shari'a Supervisory Board shall verify adoption by the parent company's management of the provisions of the Islamic Shari'a in exercising its objectives and non-conflict of the parent company's business with these provisions. The Board shall present an annual report to the ordinary general assembly including its opinion about the extent of consistency of the parent company's business with the provisions of the Islamic Shari'a and state its comments, provided its report is included in the parent company's annual report in accordance with CBK's instructions issued to the investment companies that operate according to the provisions of the Islamic Shari'a.

The address of the parent company's registered office is Al-Nassar Tower: P.O. Box 21673, Safat 13077, State of Kuwait.

The board of directors approved these consolidated financial statements for issue on 24 April 2016 and are subject to the approval of the general assembly of the shareholders.

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.

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 property 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 group.

Notes to the consolidated financial statements (continued)

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 the International Accounting Standards Board (IASB), as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except for adoption of new accounting policies for rental income, investments at fair value through profit or loss, new standards, amendments to certain standards and interpretations 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 the relevant new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014

Annual Improvements to IFRSs 2010–2012 Cycle:

- (i) *Amendments to IFRS 3*-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of profit or loss.
- (ii) *Amendments to IFRS 13*- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.
- (iii) *Amendments to LAS 16 and LAS 38*- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.
- (iv) *Amendments to LAS 24*- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

The annual improvements 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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

Annual Improvements 2011-2013 Cycle (continued)

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 annual improvements did not have any material impact to the group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 'Disclosure Initiative' - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - 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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

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 trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income.
- 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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- specific issues, including –
 - non-cash consideration and asset exchanges
 - contract costs
 - rights of return and other customer options
 - supplier repurchase options
 - warranties
 - principal versus agent
 - licencing
 - breakage
 - non-refundable upfront fees, and
 - consignment and bill-and-hold arrangements.

The group's management has yet to assess the impact of this new standard on the group's consolidated 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.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The group's management has yet to assess the impact of these amendments on the group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 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).
- 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 an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The group's management has yet to assess the impact of these amendments on the group's consolidated financial statements.

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.

The group's management has yet to assess the impact of this new standard on the group's consolidated financial statements.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Disclosure Initiative – Amendments (continued)

- *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.

The group's management has yet to assess the impact of these amendments on the group's consolidated financial statements.

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.

The groups' management has yet to assess the impact of these amendments on the group's consolidated financial statements.

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.

The group's management has yet to assess the impact of these amendments on the group's consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

(i) *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 condensed interim financial statements

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

The group's management has yet to assess the impact of these annual improvements on the group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of 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 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 subsidiary 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 subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiary 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 profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiary between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiary 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 subsidiary that do not result in the group losing control over the subsidiary 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 subsidiary. 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 rendering of services and is measured by reference to the 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 Rendering of services

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Revenue recognition (continued)

5.2.1 *Rendering of services (continued)*

Fee income earned from services that are provided over a certain period of time

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

Fee income from providing transaction services

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

5.2.2 *Dividend income*

Dividend income, other than those from investment 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.

5.2.4 *Interest income*

Interest income is recognised on an accrual basis using the effective interest method.

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 Taxation

5.4.1 *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.

5.4.2 *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.

5.5 Equipment

Equipment are initially recognised at acquisition 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.5 Equipment (continued)

The following useful lives are applied:

- Vehicles, furniture and equipment: 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.

5.6 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. Subsequently, investment properties are revalued annually and are included in the consolidated 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 the consolidated statement of profit or loss within “change in fair value of investment properties” and “gain/loss on sale of investment properties”

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

5.7 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.

5.8 Financial instruments

5.8.1 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.8 Financial instruments (continued)

5.8.1 *Recognition, initial measurement and derecognition (continued)*

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;
- 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 the consolidated statement of profit or loss.

5.8.2 *Classification and subsequent measurement of financial assets*

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

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

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

• *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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.8 Financial instruments (continued)

5.8.2 Classification and subsequent measurement of financial assets (continued)

- *Loans and receivables (continued)*

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

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% is made on all cash facilities and 0.5% for non-cash facilities (net of certain categories of collateral) that are not provided for specifically.

The group categorises loans and receivables into following categories:

- *Accounts receivable and other assets*

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

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances, together with time deposit that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- *Due from related party*

Amounts due from transactions with related party and cash advances to related party are included under due from related party.

- *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 the 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.8 Financial instruments (continued)

5.8.2 Classification and subsequent measurement of financial assets (continued)

- *AFS financial assets (continued)*

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in the 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 the 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 the consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

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 the consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.8.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include accounts payable and other liabilities.

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.

5.9 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.

5.10 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 18.

5.12 Equity and reserves

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

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Fair value reserve – comprises gain and losses relating to available for sale financial assets.

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent company are recorded separately within equity.

5.13 Related party transactions

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

5.14 End of service indemnity

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.

5.15 Foreign currency translation

5.15.1 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.

5.15.2 Foreign currency transactions

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.16 Provisions

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.

5.17 Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the group and accordingly are not included in these consolidated financial statements.

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 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 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.

Notes to the consolidated financial statements (continued)

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

6.1 Significant management judgments (continued)

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.

6.2.1 *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.

6.2.2 *Impairment of receivables*

An estimate of the collectible amount of trade 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.

6.2.3 *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.

6.2.4 *Fair value of financial instruments*

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 18).

Notes to the consolidated financial statements (continued)

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

6.2 Estimates uncertainty (continued)

6.2.5 Revaluation of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The group engaged independent valuation specialists to determine fair value as at 31 December 2015 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual, prices that would be achieved in a arm's length transaction at the reporting date

7 Rental income

This represents group's share from gross amount of rental income which was earned during the year from renting it's investment property. The investment property renting is managed by a related party.

8 Management fees and similar income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Management fees on assets under management	5,552	21,533
Consulting fees	66,200	96,000
	71,752	117,533

Management fees and similar income relate to income arising from the group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory services.

9 Available for sale investments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Local quoted securities	16,800	13,120
Local unquoted securities	4,180,000	5,319,995
	4,196,800	5,333,115

Local unquoted securities include investment in Amar Holding Company amounting to KD 4,180,000 which was valued based on fair valuation performed by an independent valuer using Discounted Cash Flow methodology.

10 Investment property

	31 Dec. 2015 KD	31 Dec. 2014 KD
At 1 January	14,260,413	25,000,000
Settlement of outstanding liability against a 59% share in the property	-	(11,802,306)
Change in fair value during the year	-	1,062,719
	14,260,413	14,260,413

The investment property was revalued by an independent valuers as at 31 December 2015. (see note 18.3).

Notes to the consolidated financial statements (continued)

11 Accounts payable and other liabilities

	31 Dec. 2015 KD	31 Dec. 2014 KD
Accrued expenses and leave	117,006	27,192
Kuwait Foundation for the Advancement of Sciences	79,756	71,662
Contribution to Zakat	94,290	85,283
	291,052	184,137

12 Share capital

	31 Dec. 2015 KD	31 Dec. 2014 KD
Authorised, issued and fully paid in cash for 150,000,000 shares of 100 Kuwaiti Fils each	15,000,000	15,000,000

13 Reserves

The Companies Law and the parent company's articles of association require that 10% of the profit for the year before KFAS and Zakat is transferred to the legal 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 requires that, 10% of the profit for the year before KFAS and Zakat is transferred to the voluntary reserve.

14 General assembly of shareholders

The directors propose not to distribute any dividend for the year ended 31 December 2015. This proposal is subject to the approval of the parent company's shareholders at the annual general assembly.

The general assembly of the shareholders held on 8 October 2015 approved the consolidated financial statements for the year ended 31 December 2014 and not to distribute any dividends for the year then ended.

15 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiary which is related party of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

Notes to the consolidated financial statements (continued)

15 Related party transactions (continued)

During the year, the group entities entered into the following transactions with related parties that are not members of the group:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Amounts included in consolidated statement of financial position		
Due from related party (under common management)	646,721	-
Amounts included in consolidated statement of profit or loss		
Consultancy income	66,200	96,000
General and administrative expenses	36,000	36,000
Key management compensation:		
Salaries and other short term benefits	110,406	49,510
End of service benefits	3,882	413
	114,288	49,923

16 Fiduciary assets

The group manages investment portfolios on behalf of others, mutual funds, and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management as at 31 December 2015 amounted to KD5,759,564 (31 December 2014: KD21,273,945). The group earned management fees of KD2,806 (31 December 2014: KD 21,533) from these activities.

17 Risk management objectives and policies

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

The board of directors are 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 which analyse exposures by degree and magnitude of risks. 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 are described below.

17.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Almost all transactions of the group are conducted in Kuwait Dinar and, therefore, the group is not significantly exposed to foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets and liabilities therefore the group is not significantly exposed to interest rate risk.

Notes to the consolidated financial statements (continued)

17 Risk management objectives and policies (continued)

17.1 Market risk (continued)

c) Price risk

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

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had been 2% (2014: 2%) higher/lower, the effect on the profit for the year and equity 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
Available for sale investments	-	-	±336	± 262
Investments at fair value through profit or loss	±1,524	-	-	-

The group's sensitivity to price risk in regards to its unquoted investments cannot be reliably determined due to numerous uncertainties and non availability of reliable information to determine future price of such investments.

17.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. 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 KD	31 Dec. 2014 KD
Accounts receivable and other assets	11,552	10,487
Due from related party	646,721	-
Cash and cash equivalents	287,771	12,274
	946,044	22,761

Cash and cash equivalents balances are maintained with high credit quality financial institutions. The group assets are all held in Kuwait.

17.3 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 regular basis.

Notes to the consolidated financial statements (continued)

17 Risk management objectives and policies (continued)

17.3 Liquidity risk (continued)

The table below summarises the discounted maturity profile of the group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the consolidated financial position date to the contractual maturity date. The maturity profile for available for sale investments is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities at 31 December 2015:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
2015					
Assets					
Cash and cash equivalents	287,771	-	-	-	287,771
Accounts receivable and other assets	-	5,760	5,792	-	11,552
Due from related party	-	646,721	-	-	646,721
Investments at fair value through profit or loss	-	-	76,196	-	76,196
Available for sale investments	-	-	-	4,196,800	4,196,800
Investment property	-	-	-	14,260,413	14,260,413
	287,771	652,481	81,988	18,457,213	19,479,453
Liabilities					
Provision for employees' end of service benefits	-	-	-	9,650	9,650
Accounts payable and other liabilities	5,668	94,279	191,108	-	291,052
	5,668	94,279	191,108	9,650	300,702

Maturity profile of assets and liabilities at 31 December 2014:

	Up to 1 month KD	1-3 Months KD	3-12 months KD	Over 1 year KD	Total KD
2014					
Assets					
Cash and cash equivalents	12,274	-	-	-	12,274
Accounts receivable and other assets	-	6,787	-	-	6,787
Due from related party	-	-	3,700	-	3,700
Available for sale investments	-	-	-	5,333,115	5,333,115
Investment property	-	-	-	14,260,413	14,260,413
Equipment	-	-	-	8,176	8,176
	12,274	6,787	3,700	19,601,704	19,624,465
Liabilities					
Provision for employees' end of service benefits	-	-	-	7,476	7,476
Accounts payable and other liabilities	4,931	12,374	166,832	-	184,137
	4,931	12,374	166,832	7,476	191,613

Notes to the consolidated financial statements (continued)

18 Fair value measurement

18.1 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 consolidated 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).

18.2 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	287,771	12,274
- Accounts receivable and other assets	11,552	10,487
- Due from related party	646,721	-
<i>Investments at fair value through profit or loss:</i>		
-At fair value	76,196	-
<i>Available for sale investments:</i>		
-At fair value	4,196,800	13,120
-At cost	-	5,319,995
	5,219,040	5,355,876
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
Accounts payable and other liabilities	291,052	184,137
	291,052	184,137

Management considers that the carrying amounts of loans and receivables and 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.

Notes to the consolidated financial statements (continued)

18 Fair value measurement (continued)

18.2 Fair value measurement of financial instruments (continued)

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 quoted securities	76,196	-	-	76,196
Available for sale investments				
Local quoted securities	16,800	-	-	16,800
Local unquoted securities	-	-	4,180,000	4,180,000
	92,996	-	4,180,000	4,272,996
31 December 2014				
Available for sale investments				
Local quoted securities	13,120	-	-	13,120
	13,120	-	-	13,120

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 on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

b) 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.

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:

	Available for sale investments Unquoted securities	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Opening balance	-	-
Transfer to level 3 previously measured at cost	5,319,995	-
Gains or losses recognised in:		
- Other comprehensive loss	(1,139,995)	-
Closing balance	4,180,000	-

Notes to the consolidated financial statements (continued)

18 Fair value measurement (continued)

18.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. 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 Level 3 are described below:

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 unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the consolidated statement of financial position date.

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

The impact on consolidated statement of profit or loss and 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%.

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.

18.3 Fair value measurement of non-financial assets

The following table shows the fair value hierarchy of non-financial assets measured at fair value:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2015				
Investment property				
- Building in Kuwait	-	-	14,260,413	14,260,413
			14,260,413	14,260,413
31 December 2014				
Investment property				
- Building in Kuwait	-	-	14,260,413	14,260,413
	-	-	14,260,413	14,260,413

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

Notes to the consolidated financial statements (continued)

18 Fair value measurement (continued)

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

Building in Kuwait

The building in Kuwait represents building categorised as “Investment Building”. The fair value of the building 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 building using the Yield Method. The other valuer who is a local reputable valuer has valued the building primarily by using market comparison. When the market comparison approach is used adjustments have been incorporated for factors specific to the building such as plot size, location current use rental yield, age of building and its general condition. 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:

31 December 2015

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building in Kuwait	Yield method and Market comparison approach	Estimated market price for building (per sqm)	KD 11,705 to KD 12,167	Higher the price per square meter, higher the fair value

31 December 2014

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building in Kuwait	Yield method and Market comparison approach	Estimated market price for building (per sqm)	KD 11,705 to KD 12,167	Higher the price per square meter, higher the fair value

The non-financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investment Property	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Opening balance	14,260,413	25,000,000
Settlement of outstanding liability against a 59% share in the property	-	(11,802,306)
Gains or losses recognised in consolidated statement of profit or loss:		
- Change in fair value of investment property	-	1,062,719
	14,260,413	14,260,413
Total amount included in profit or loss for unrealised gains on level 3 assets	-	1,062,719

Notes to the consolidated financial statements (continued)

19 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 consists 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 or issue new shares.

The group monitors its capital by way of return on equity. This is calculated by reference to profit for the year divided by total equity as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Profit for the year	882,214	982,149
Total equity	19,178,751	19,432,852
Return on equity	5%	5%