MANDR
Date: 12/04/2016

The Sharia Report of
AL Masaken International Real estate Development Co
Fatwa and Shariah Supervisory Board
For the period from 01/01/2015 to 31/12/2015

The Shareholders of AL Masaken International Real-estate Development Company.

Peace, mercy and blessings of Allah be upon you.

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

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

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

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

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

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

Peace, mercy and blessings of Allah be upon you.

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

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

شركة المشورة والراية للاستشارات المالية الإسلامية ش.م.ك (مقفلة) - س.ت : 330309 رأس المال المدفوع 2.000.000 د.ك

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE DEVELOPMENT COMPANY - K.S.C. (PUBLIC)

AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

WITH
INDEPENDENT AUDITORS' REPORT

AL-MASAKEN INTERNATIONAL FOR REAL ESTATE
DEVELOPMENT COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

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The Shareholders
Al-Masaken International for Real Estate Development Co. - K.S.C. (Public)
State of Kuwait

- **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Al-Masaken International for Real Estate Development Company -K.S.C. (Public) (the Parent Company) and its subsidiaries (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**

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 whether the consolidated financial statements are free from material misstatement.

- **Auditors' responsibility**

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

n audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al-Masaken International for Real Estate Development Company - K.S.C. (Public) and its subsidiaries (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.

- **Report on other Legal and Regulatory Requirements**

Also in our 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 we obtained the information we required to perform our 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 us, there were no contraventions during the financial 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 Parent Company's Memorandum of Incorporation and Articles of Association which might have materially affected the Group's financial position or results of its operations.

Ahmed M. Al-Rasheed
Licence No. 39-A
Al-Dar International
Member of DFK International

Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
March 27, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31,2015

(All amounts are in Kuwaiti Dinars)

Assets:	Note	2015	2014
Cash and cash equivalent	3	326,871	191,400
Accounts receivable and other debit balances	4	364,173	374,603
Advance payments to purchase properties	5	-	1,920,282
Due from related parties	6	9,164,480	576,697
Properties held for trading	7	15,563,095	10,247,529
Financial assets available for sale	8	1,026,652	1,613,778
Investment in associate	9	-	9,675,409
Investment properties	10	12,746,850	13,440,900
Property and equipment		7,285	7,758
Total assets		39,199,406	38,048,356
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and other credit balances	11	1,348,370	3,681,131
Due to customers for contract work	12	58,790	32,630
Murabaha payable	13	7,317,523	1,470,044
Finance lease obligation	14	5,441,463	4,535,575
Due to related parties	6	1,320,454	2,421,573
Provision for end of service indemnity		116,420	97,275
Total liabilities		15,603,020	12,238,228
Equity:			
Share Capital	15	20,000,000	20,000,000
Statutory reserve	16	954,090	954,090
Voluntary reserve	17	950,536	950,536
Treasury shares	18	(189,374)	(369)
Foreign currency translation adjustments		(84,936)	(6,826)
Cumulative changes in fair value		345,098	319,283
Effect of change in other comprehensive income of associate		-	450,024
Retained earnings		1,476,668	3,004,602
Equity attributable to parent company's shareholders		23,452,082	25,671,340
Non-controlling interests		144,304	138,788
Total equity		23,596,386	25,810,128
Total liabilities and equity		39,199,406	38,048,356

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

Adel A. Al-Mukhaizeem
Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31,2015

(All amounts are in Kuwaiti Dinars)

	Note	2015	2014
Operating income	19	**4,367,796**	7,048,389
Operating costs	19	**(4,033,587)**	(6,391,858)
Real estate income	20	**882,175**	565,517
Gain from sale of investment properties	6	**245,000**	-
Gross profit from operations		**1,461,384**	1,222,048
General and administrative expenses	21	**(552,206)**	(440,872)
Marketing expenses		**(19,182)**	(24,201)
Impairment loss for properties held for trading	7	**(1,080,608)**	-
Net (loss) profit from operations		**(190,612)**	756,975
Group's share of results from associate	9	**(813,536)**	517,406
Gain on acquisition of additional shares in an associate	9	**-**	242,536
Gain on sale of associate	9	**924,759**	-
Net investment (loss) income	22	**(24,918)**	80,866
Finance charges		**(261,079)**	(90,233)
Other income		**42,908**	22,207
(Loss) profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST) and contribution to Zakat and Board of directors' remuneration		**(322,478)**	1,529,757
Contribution to KFAS		**-**	(13,778)
Contribution to NLST		**-**	(25,561)
Contribution to Zakat		**-**	(10,224)
Board of Directors' remuneration	23	**-**	(14,000)
Net (loss) profit for the year		**(322,478)**	1,466,194
Attributable to:			
Parent company's shareholders		**(327,994)**	1,467,278
Non-controlling interests		**5,516**	(1,084)
Net (loss) profit for the year		**(322,478)**	1,466,194
		Fils	Fils
(Loss) earnings per share attributable to Parent Company's shareholders	24	**(1.64)**	7.34

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31,2015

(All amounts are in Kuwaiti Dinars)

	Note	2015	2014
Net (loss) profit for the year		**(322,478)**	1,466,194
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets available for sale	8	**25,815**	77,477
Reversal of change in fair value of financial assets available for sale as a result of impairment loss in value	22	-	201,264
Share of other comprehensive income from associate	9	-	197,840
Reversal of change in other comprehensive income of an associate due to sale	9	**(450,024)**	-
Exchange differences on translating foreign operations		**(78,110)**	(108,963)
Other comprehensive (loss) income for the year		**(502,319)**	367,618
Total comprehensive (loss) income for the year		**(824,797)**	1,833,812
Attributable to:			
Parent company's shareholders		**(830,313)**	1,834,896
Non-controlling interests		**5,516**	(1,084)
Total comprehensive (loss) income for the year		**(824,797)**	1,833,812

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

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										
	Share Capital	Statutory reserve	Voluntary reserve	Treasury shares	Foreign currency translation adjustments	Cumulative changes in fair value	Effect of change in other comprehensive income of associate	Retained earnings	Sub total	Non-controlling interests	Total
Balances as of December 31, 2013	20,000,000	801,006	797,452	(369)	102,137	40,542	252,184	3,043,432	25,036,384	151,733	25,188,117
Cash dividends 6 % (Note 25)	-	-	-	-	-	-	-	(1,199,940)	(1,199,940)	-	(1,199,940)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(11,861)	(11,861)
Total (comprehensive loss) income for the year	-	-	-	-	(108,963)	278,741	197,840	1,467,278	1,834,896	(1,084)	1,833,812
Transferred to reserves	-	153,084	153,084	-	-	-	-	(306,168)	-	-	-
Balances as of December 31, 2014	20,000,000	954,090	950,536	(369)	(6,826)	319,283	450,024	3,004,602	25,671,340	138,788	25,810,128
Treasury shares (Note 18)	-	-	-	(189,005)	-	-	-	-	(189,005)	-	(189,005)
Cash dividends 6 % (Note 25)	-	-	-	-	-	-	-	(1,199,940)	(1,199,940)	-	(1,199,940)
Total (comprehensive loss) income for the year	-	-	-	-	(78,110)	25,815	(450,024)	(327,994)	(830,313)	5,516	(824,797)
Balances as of December 31, 2015	**20,000,000**	**954,090**	**950,536**	**(189,374)**	**(84,936)**	**345,098**	**-**	**1,476,668**	**23,452,082**	**144,304**	**23,596,386**

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,2015

(All amounts are in Kuwaiti Dinars)

	Note	2015	2014
Cash flows from operating activities:			
(Loss) profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax (NLST) and contribution to Zakat and Board of directors' remuneration		(322,478)	1,529,757
Adjustments:			-
Gain from sale of investment properties		(245,000)	-
Impairment loss for properties held for trading		1,080,608	-
Change in fair value of investment properties		(554,300)	(150,000)
Depreciation		3,980	3,602
Group's share of results from associate		813,536	(517,406)
Gain on acquisition of additional shares in an associate		-	(242,536)
Gain on sale of associate		(924,759)	-
Net investment (loss) income		24,918	(80,866)
Finance charges		261,079	90,233
Provision for end of service indemnity		19,757	16,004
		157,341	648,788
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		15,152	3,105,459
Due from related parties		1,071,830	149,184
Properties held for trading		(4,527,658)	1,324,810
Accounts payable and other credit balances		(2,525,219)	(640,754)
Due to customers for contract work		26,160	(1,188,529)
Due to related parties		(1,101,119)	491,962
Cash (used in) generated from operations		(6,883,513)	3,890,920
Payment for end of service indemnity		(612)	(6,998)
Net cash (used in) generated from operating activities		(6,884,125)	3,883,922
Cash flows from investing activities:			
Proceeds from sale of financial assets available for sale		20,417	-
Paid for purchase investment in associate		(10,000)	(568,191)
Net movement in investment properties		1,493,350	(4,055,887)
Advance payments to purchase properties		-	(1,920,282)
Paid for purchase of property and equipment		(3,507)	(10,756)
Dividend income received		60,874	37,764
Tawaroq income received		-	244,366
Cash dividends received from associate		-	479,520
Net cash generated from (used in) investing activities		1,561,134	(5,793,466)
Cash flows financing activities:			
Cash dividends paid		(1,033,826)	(677,584)
Net movement in murabaha payable		5,847,479	(43,693)
Net movements on finance lease obligation		905,888	-
Finance charges paid		(261,079)	(63,937)
Net cash generated from (used in) financing activities		5,458,462	(785,214)
Effect of consolidation of a subsidiary		-	9,651
Net increase (decrease) in cash and cash equivalent		135,471	(2,694,758)
Cash and cash equivalent at the beginning of the year		191,400	2,876,507
Cash and cash equivalent at the end of the year (Note 3)		326,871	191,400

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

1- Incorporation and activities

Al-Masaken International for Real Estate Development Company K.S.C. (Public) (the Parent Company) is a Kuwaiti public shareholding company registered in state of Kuwait. and was incorporated based on Artcile of Incorporation Ref. No. 7137 - Vol. 1 dated October 7, 2006 and its subsequent amendments, the latest of which was notarized in the commercial register under Ref. No.44733 dated June 11, 2014. The Parent Company is listed on the Kuwait Stock Exchange.

The objectives, for which the Parent Company is incorporated, are as follows:

1- Acquiring, selling and buying real estates and lands and developing them in favor of the Company inside and outside the state of Kuwait, also managing properties for others without violating the articles stipulated in the existing laws that prohibit the trading in private residential plots as stipulated in those laws.

2- Acquiring, buying and selling shares and bonds of real estate companies for the benefit of the Company only inside and outside Kuwait.

3- Preparing studies and offer consultations in all kinds of real estates aspects if only the required conditions are met concerning the parties that perform such services.

4- Acquiring, managing, renting and leasing hotels, health clubs and touristic utilities.

5- Performing maintenance works related to buildings and real estates owned by the Company and others including maintenance work, execution of civil, mechanical, electrical, elevators, and air conditioning work to ensure the protection and safety of the buildings.

6- Managing, operating, investing, renting and leasing hotels, clubs, motels, accommodation houses, rest houses, parks, gardens, exhibits, restaurants, cafeterias, residential, touristic and health complexes, entertainment and sports projects and outlets. These activities shall be conducted at different categories and levels including all needs to carry out those activities.

7- Organizing real estate exhibitions related to the Company's real estate projects according to the ministry's rules.

8- Organizing real estates auctions according to Ministry rules.

9- Acquiring commercial markets and residential complexes and managing it.

10-Investing surplus funds in investment portfolios managed by specialized companies and parties.

11-Direct contribution in the infrastructure of districts and residential, commercial and industrial projects through Building, Operating and Transferring System (BOT)

The Parent Company conducts its activities in accordance with Islamic Sharia.

The Parent Company is registered in the commercial registry under Ref. No. 44733 dated December 23, 2006.

The address of the Parent Company is Sharq – Ahmed Al - Jaber Street, Raed Center, 1st Floor, P.O. Box 24079, Safat, 13101 – State of Kuwait.

The Parent Company's number of employees is 27 as of December 31, 2015 (2014 - 33 employees).

The new Companies Law No. 1 of 2016 was issued on January 24, 2016 and was published in the Official Gazette on February 1, 2016, which replaced the Companies Law No 25 of 2012 and its amendments. According to Article No. 5, the new Law will be effective from November 26, 2012 and the executive regulations of Law No. 25 of 2012 will continue until a new set of executive regulations are issued. The adoption of the new Companies Law is not expected to have any effect on the reporting entity.

The consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company on March 27, 2016. The Shareholders' 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) issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. 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 financial assets available for sale and investment property that 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(y).

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 IFRS 8 Operating Segments

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

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

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

The amendments to these standards which are effective for annual periods beginning on or after 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, an entity 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 (i.e., property, plant and equipment)), is used to determine if the transaction is the purchase of an asset or a business combination.

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

Standards and Interpretations issued but not effective

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not yet 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.
- 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 IAS 1 – Disclosure Initiative

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

- Materiality, where it clarifies that, information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and 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 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 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.

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 subsidiaries (together the "Group"):

Name of Subsidiary	Principal activities	Country of incorporation	Percentage of ownership (%)	
			2015	2014
Masaken Al-Khiran For General Trading and Contracting W.L.L.	General Trading and Contracting	State of Kuwait	50	50
Global Masaken Company W.L.L.	Real Estates	State of Kuwait	99	99
Housing Real Estate Management Company – W.L.L.	Real Estates	State of Kuwait	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 Parent Company considers all relevant facts and circumstances in assessing whether or not the Company'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 parent company, other vote holders or other parties;

• rights arising from other contractual arrangements;

• any additional facts and circumstances that indicate that the parent Company 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 acquiree, 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 provision 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 and cash equivalent, receivables, due from related parties, financial assets available for sale, payables, murabaha payable, finance leases obligation and due to related parties .

• Financial assets:

1) Cash and cash equivalent:

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2) Accounts receivable:

Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and 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.

3) Financial investments:

Initial recognition and measurement

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

Financial assets available for sale

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 investment within 12 months from the end of the reporting period.

Purchases and sales of financial asset are recognized on trade date – the date on which an asset is delivered to or by the Group. Investments 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 asset are based on current bid prices. If the market for an 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 an financial assets 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

An 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 date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as financial assets 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 statement of 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 financial asset available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

- **Financial liabilities:**

1) Accounts payable:

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

2) Borrowings:

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates

3) Murabaha payable:

Murabaha payable represents the amounts due to receive for financed assets for others on deferred basis as per Murabaha facility agreements. Murabaha balances are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

d) Properties under development:

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at cost. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

e) Properties held for trading:

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost or net realizable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognized in consolidated statement of profit or loss on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading is charged to other operating expenses.

f) Associates:

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group share of the results and assets and liabilities of associates under the equity method of accounting 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 for under 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's 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.

g) Business combinations:

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain or loss is included in the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39: "Financial Instruments: Recognition and Measurement". If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

h) 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.

i) 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 year 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 lives of other property and equipment which is 5 years.

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.

j) Impairment of assets:

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the

Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in 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 (or 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 (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in 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.

k) Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease:

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

Finance Lease:

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

l) Gross amount due to customers for contract work:

The gross amount due to customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Cost comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities.

m) 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 and the applicable labor laws in the countries where the subsidiaries operate. 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.

n) Dividend distribution to stakeholders:

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

o) Share 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.

p) Treasury shares:

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

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

q) 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.

- Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the physical percentage of completion. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

- Sale of properties under development:

When the agreement is within the scope of IAS 11 – construction contracts and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11 – construction contracts.

When the agreement is within the scope of IAS 18 – Revenue, Group recognizes revenue at time of completion, when the significant risks and rewards of ownership of real estate are being transferred from Group at single time.

If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognize revenue by reference to the percentage of completion method.

If there is a doubt about the future economic benefits flowing to the Group, the Group recognizes revenue based on the installment percentage.

- Revenue on sale of property

Revenue on sale of property 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 acommitment 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.
- 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.

- Revenue on sale of apartments and villas

Revenue on sale of apartments and villas is recognized on the basis of percentage of completion based on internal surveys of work performed as and when all the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit and, in certain cases, in the event of the non-enactment of pending legislation regarding freehold title and immigration visas. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for these reasons is remote.
- The aggregate sales proceeds and costs can be reasonably estimated.

- Rental income

Rental income is recognized, when earned, on a time apportionment basis.

- 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.

- Dividend income

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

- Other income

Other income are recognized on accrual basis.

r) 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.

s) 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 Company before contribution to KFAS, National Labor Support Tax, Zakat and Board of Directors' remuneration, and after deducting the Company's share of income from shareholding associates and transfer to statutory reserve. No KFAS has been provided for the year ended December 31, 2015 since there was no eligible profit on which KFAS could be calculated.

t) National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences, NLST, Zakat and Board of Directors' remuneration, and after deducting the cash dividends received from companies listed in Kuwait Stock Exchange in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations. No NLST has been provided for the year ended December 31, 2015 since there was no taxable profit on which NLST could be calculated.

u) Contribution to Zakat

Zakat is calculated at 1% on the consolidated profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associates, and 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. No Zakat has been provided for the year ended December 31, 2015 since there was no financial profit on which Zakat could be calculated.

v) 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 translated 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 settlements of monetary items or on the retranslation of monetary items are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments classified as available for sale are included in "cumulative changes in fair value" in the consolidated statement of other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

w) Contingencies:

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

x) Segment reporting:

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

y) Critical accounting estimates, judgments, and assumptions:

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.

(i) 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.

(ii) Determination of contract cost:

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Classification of lands:

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:

- **Properties under development**

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

- **Work in progress**

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

- Properties held for trading

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

- 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.

(iii) 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.

(iv) 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", "available for sale" or "held to maturity".

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. The Group classifies financial assets as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other financial assets are classified as financial assets "available for sale".

(v) Impairment of financial assets:

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity instruments 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.

(vi) Application of IFRIC 15 – Agreements for the construction of real estate:

The determination whether the agreements within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue require significant judgment.

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.

(i) Fair value of unquoted financial assets:

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.

(ii) Long term contracts:

Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iii) Provision for doubtful debts:

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is 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 and inventory are subject to management approval.

(iv) Valuation of investment properties:

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

a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

b) 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'.

c) 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.

(v) Valuation of properties held for trading

Properties are stated at the lower of cost and net realizable value. NRV for completed properties are assessed by reference to market conditions and prices existing at the reporting date and are determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment. NRV in respect of properties under construction are assessed with reference to market prices at the reporting date for similar completed properties, less estimated costs to complete construction, estimated costs to sell the properties, and an estimate of the time value of money to the date of completion.

(vi) Impairment of non-financial assets:

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- Cash and cash equivalent

	2015	2014
Cash on hand and at banks	326,871	173,900
Short term bank deposit	-	17,500
	326,871	191,400

The effective interest rate on short term bank deposit for the year ended December 31,2014 range from 1% to 1.5% per annum, this deposit has an average maturity of 30 days there are no any short term bank deposit as of December 31,2015.

4- Accounts receivable and other debit balances

	2015	2014
Contract receivables (a)	36,052	58,363
Provision for doubtful debts	(22,410)	(22,410)
	13,642	35,953
Tawaroq receivable	146,991	123,010
Advance rental payments	67,099	76,982
Staff receivables	20,014	12,485
Prepaid expenses	21,919	11,276
Deposits held with others	9,377	9,338
Others	85,131	105,559
	364,173	374,603

a) During the year, the Group contracted with a related party to sell an investment property amounting to KD 1,950,000 which resulted in a gain of KD 245,000. Also, sold properties held for trading with an amount of KD 1,195,832 which resulted in a net gain of KD 139,835.

a) Contract receivables

Contract receivables are non interest bearing. The aging analysis of these contract receivables is as follows:

	Neither past due nor impaired	Past due but not impaired		Impaired	Total
		180 – 365 days	More than 365 days		
2015	-	-	13,642	22,410	36,052
2014	-	-	35,953	22,410	58,363

As of December 31, 2015, contract receivables amounting to KD 13,642 (2014 - KD 35,953) were past due for more than one year but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Contract receivables resulted from sale of apartments and villas developed by the Group. The title deed of the apartments or villas sold is not transferred in the name of the buyer until the full sale price is paid and therefore management believes that there is no need to provide a provision for those customers' balances.

b) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. the Group does not hold any collateral as security, for accounts receivable and other debit balances.

5- Advance payments to purchase properties

During the year ended on December,31,2015, the Group transferred advance payment to purchase properties to properties held for trading (Note 7).

6- Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, Board of Directors, key management personnel, associate and entities under common control 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 transactions and balances are as follows:

Balances included in the consolidated statement of financial position:	Major shareholders	Entities under common control	Other related parties	2015	2014
Due from related parties	**8,961,904**	**150,802**	**51,774**	**9,164,480**	576,697
Due to related parties	-	**1,245,454**	**75,000**	**1,320,454**	2,421,573
Accounts receivable and other debit balances	-	-	-	-	13,185
Accounts payable and other credit balances	-	**714,636**	-	**714,636**	2,355,059
Transactions included in the consolidated statement of profit or loss					
Net operating income (a)	-	-	**139,835**	**139,835**	-
Gain from sale of investment properties (a)	-	-	**245,000**	**245,000**	-
Rental income	**168,150**		-	**168,150**	168,150
Construction contract costs	-	-	**1,234,638**	**1,234,638**	3,738,086
Gain from sale of associate	**924,759**		-	**924,759**	-

a) During the year, the Group contracted with a related party to sell an investment property amounting to KD 1,950,000 which resulted in a gain of KD 245,000. Also, sold properties held for trading with an amount of KD 1,195,832 which resulted in a net gain of KD 139,835.

Compensation to key management personnel

	2015	2014
Short term benefits	**30,907**	32,227
Termination benefits	**2,792**	2,413
Board of directors' remuneration	-	14,000

7- Properties held for trading

	Properties for trading	Lands under development	Projects under construction	2015	2014
Balance at the beginning of the year	528,244	2,501,196	7,218,089	**10,247,529**	11,572,339
Transferred from project under construction	3,464,450	-	(3,464,450)	-	-
Additions	-	-	7,656,480	**7,656,480**	1,313,521
Transferred from advance payments to purchase properties (Note 5)	-	-	1,920,282	**1,920,282**	-
Disposals	(1,760,952)	(1,231,196)	(136,674)	**(3,128,822)**	(2,636,908)
Impairment loss	(128,267)	(70,000)	(882,341)	**(1,080,608)**	-
Foreign currency translation adjustments	-	-	(51,766)	**(51,766)**	(1,423)
Balance at the end of the year	2,103,475	1,200,000	12,259,620	**15,563,095**	10,247,529

- Properties held for trading , lands under development and projects under construction with carrying value amounting to KD 2,103,475 are registered in the names of related parties, however, the Group has the right to sell and dispose the properties according to waiver from the owners.

- Properties held for trading with carrying value of KD 12,259,620 are pledged as a guarantee against murabaha payable (Note 13).

8- Financial assets available for sale

	2015	2014
Quoted equity securities	**656,533**	615,195
Unquoted equity securities	**151,549**	-
Portfolios	**218,570**	233,165
Funds	-	765,418
	1,026,652	1,613,778

The movement during the year is as follows:

	2015	2014
Balance at the beginning of the year	**1,613,778**	1,536,301
Additions during the year	**172,893**	-
Disposals during the year	**(785,834)**	-
Change in fair value	**25,815**	77,477
Balance at the end of the year	**1,026,652**	1,613,778

It was not possible to reliably measure the fair value of unquoted securities amounting to KD 151,549 (December 31, 2014 – KD Nil) 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 .

9- Investment in associate

The investment in associate consists of the following:

Name of the associate	Country of Incorporation	Principal activities	Ownership Percentage %			
			2015	2014	2015	2014
Al - Masaken United Real Estate Company K.S.C. (Closed)	State of Kuwait	**Real Estates**	-	43,51	-	9,675,409
					-	9,675,409

The movement during the year is as follows:

	2015	2014
Balance at the beginning of the year	**9,675,409**	8,628,956
Acquisition of additional shares in an associate	**10,000**	568,191
Group's share of results from associate	**(813,536)**	517,406
Group's share of other comprehensive income from associate	-	197,840
Gain resulted from acquisition of additional shares in an associate	-	242,536
Cash dividends received from associate	-	(479,520)
Disposals during the year (a)	**(8,871,873)**	-
Balance at the end of the year	-	9,675,409

(a)During the year ended December 31, 2015 , the Group sold its investment in an associate (Al - Masaken United Real Estate Company - K.S.C. (Closed)) to a related party and this resulted a gain from sale amounting to KD 924,759 which is as follows:

	Kuwaiti Dinar
Total sale price	9,346,608
Carrying value of investment in an associate	(8,871,873)
Reversal of change in other comprehensive income of an associate due to sale	450,024
Gain from sale of investment in associate	924,759

10- Investment properties

	2015	2014
Balance at the beginning of the year	13,440,900	5,515,013
Additions during the year	528,650	8,276,700
Disposals during year	(1,777,000)	(500,813)
Change in fair value (Note 20)	554,300	150,000
Balance at the end of the year	12,746,850	13,440,900

Certain investment properties with fair value amounting to KD 445,000 are registered in the name of related parties and it was recorded based on waivers in the favor of the parent company.

The fair value of the investment properties as of December 31, 2015 had been arrived at based on the lowest valuation carried out by independent valuers. Management of the Group had complied with Capital Markets Authority decision with respect to guidelines for valuation of investment properties

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

Class of investment property	Valuation technique	Level 2	Level 3	Total
Residential buildings	Income capitalization and market sales method	445,000	3,031,000	3,476,000
Open land	Market sales method	9,270,850	-	9,270,850
Total		9,715,850	3,031,000	12,746,850

There were no transfers between level 2 and level 3 during the year.

11- Accounts payable and other credit balances

	2015	2014
Trade payable	204,482	466,992
Payable for purchase of properties and lands	714,636	2,355,059
Provision for penalty	2,649	108,094
Accrued staff leave	45,004	41,573
KFAS payable	13,778	13,778
NLST payable	91,387	91,387
Zakat Payable	30,514	30,514
Board of directors' remuneration payable	-	14,000
Dividends payable	203,492	522,356
Others	42,428	37,378
	1,348,370	3,681,131

12- Due to customers for contract work

	2015	2014
Cost incurred to date plus recognized profit	988,695	1,528,944
Progress billings	(1,047,485)	(1,561,574)
	(58,790)	(32,630)

13- Murabaha payable

A subsidiary company obtained a finance from local bank secured by properties held for trading (Note 7) with interest rate ranging from 2.5% to 3% per annum plus discount rate of Libor and it is payable on December 10, 2018.

14- Finance lease obligation

	2015	2014
Finance lease contracts with promise for purchase	**5,502,096**	4,711,087
Deferred rental expense	**(60,633)**	(175,512)
	5,441,463	4,535,575

15- Share capital

The authorized, issued and paid up capital consist of 200,000,000 shares of 100 fils each and all shares are in cash.

16- 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 shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, contribution to Zakat and Board of Directors' remuneration is transferred to 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. Due to the loss for the year, there was no transfer to the statutory reserve.

17- Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, contribution to Zakat and Board of Directors' remuneration 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. Due to the loss for the year, there was no transfer to the voulantary reserve.

18- Treasury shares

	2015	2014
Number of shares	**3,325,929**	10,050
Percentage of issued shares	**1.66%**	0.005%
Market value (KD)	**179,600**	643
Cost (KD)	**189,374**	369

During the year ended December 31,2015, the parent company obtained 3,315,879 shares of the parent company shares due to liquidation of investment fund and it was recorded as treasury shares in the consolidated financial statements with cost of KD 189,005, which represent market value at the date of transfer.

Based on Capital Markets Authority resolution dated December 30, 2013, the Group's management has allotted an amount equal to treasury shares balance from the available retained earnings as of the consolidated financial statements date. Such amount will not be available for distribution during treasury shares holding period.

19- Operating income / costs

	2015			2014		
	Sales of Real Estates held for trading	Construction contracts	Total	Sales of Real estates held for trading	Construction contracts	Total
Operating income	**3,413,234**	**954,562**	**4,367,796**	3,145,079	3,903,310	7,048,389
Operating costs	**(3,128,822)**	**(904,765)**	**(4,033,587)**	(2,653,772)	(3,738,086)	(6,391,858)
Gross profit from operations	**284,412**	**49,797**	**334,209**	491,307	165,224	656,531

20- Real estate income

	2015	2014
Change in fair value of investment properties	554,300	150,000
Rental income	327,875	415,517
	882,175	565,517

21- General and administrative expenses

General and administrative expenses include staff cost amounting to KD 250,750 (2014 – KD 206,289).

22- Net investment (loss) income

	2015	2014
Dividend income	60,874	37,764
Realized loss from sale of financial assets available for sale	(76,007)	-
Impairment loss in value of investments available for sale	-	(201,264)
Tawaroq income	(9,785)	244,366
	(24,918)	80,866

23- Board of directors' remuneration

The Board of Directors' meeting proposed not to distribute Board of Directors' remuneration for the financial year ended December 31, 2015. This is subject to the approval of shareholders' ordinary General Assembly for the Parent Company. The board of directors' remuneration for the comparative year amount of KD 14,000 has been approved by the Parent Company shareholders' ordinary General Assembly held on May 7,2015.

24- (Loss) Earnings per share

There are no potential dilutive ordinary shares. The information necessary to calculate basic (loss) earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2015	2014
Net (loss) Profit for the year attributable to parent company's shareholders	(327,994)	1,467,278
Number of shares outstanding		
	Share	Share
Number of shares issued at the beginning of the year	200,000,000	200,000,000
Less: Weighted average number of treasury shares	(337,096)	(10,050)
Weighted average number of shares outstanding	199,662,904	199,989,950
	Fils	Fils
(Loss) earnings per share attributable to parent company's shareholders	(1.64)	7.34

25- General assembly and dividend distribution

The Board of Directors' of the parent company meeting held on 2016 , ____ recommend not to distribute cash dividends for the year ended December 31, 2015. This recommendation is subject to the approval of the Parent Company Shareholders' Annual General Assembly.

Shareholders› Annual General Assembly meeting held on May 7, 2015 approved the consolidated financial statements for the year ended 31 December 2014, and approved to distribute cash dividends of 6 Fils per share.

Shareholders› Annual General Assembly meeting held on May 5, 2014 approved the financial statements for the year ended 31 December 2013, and approved to distribute cash dividends of 6 Fils per share for the year ended 31 December 2013.

26- Segment reporting

The Group's activities are divided into the following business segments:

- Real estate operations: consisting of development, trading and leasing of real estate properties.

- Investments: consisting of real estate investment, financial investment and Tawaroq operations.

There are no inter-segmental transactions. The following are the detail of the above segments:

	December 31, 2015			December 31, 2014		
	Real estate operations	Investment	Total	Real estate operations	Investment	Total
Segment operating income	**4,367,796**	-	**4,367,796**	7,048,389	-	7,048,389
Segment operating expenses	**(4,604,975)**	-	**(4,604,975)**	(6,856,931)	-	(6,856,931)
Real estate income	**882,175**	-	**882,175**	565,517	-	565,517
Gain from sale of investment properties	**245,000**	-	**245,000**	-	-	-
Impairment loss of properties held for trading	**(1,080,608)**	-	**(1,080,608)**	-	-	-
(Loss) Profit from operations	**(190,612)**	-	**(190,612)**	756,975	-	756,975
Net investment income	-	**86,305**	**86,305**	-	840,808	840,808
Finance charges	**(261,079)**	-	**(261,079)**	(90,233)	-	(90,233)
Other income	**42,908**	-	**42,908**	22,207	-	22,207
Segment results	**(408,783)**	**86,305**	**(322,478)**	688,949	840,808	1,529,757
(Loss) profit for the year before contribution of Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax (NLST) and contribution to Zakat and Board of directors' remuneration	**(408,783)**	**86,305**	**(322,478)**	688,949	840,808	1,529,757
Total assets	**38,172,754**	**1,026,652**	**39,199,406**	26,759,169	11,289,187	38,048,356
Total liabilities	**15,603,020**	-	**15,603,020**	12,238,228	-	12,238,228

27- Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalent, receivables, due from related parties, financial assets available for sale , payables, murabaha payable and finance leases obligation and due to related parties and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets liabilities carrying floating interest rates. The effective interest 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, accounts receivable and due from related parties. The Group's cash at banks are placed with high credit rating financial institutions. Bonds are issued by either high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalent and accounts receivable and due from related parties.

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 Group is not currently exposed significantly to such risk.

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 bank deposits or other investments that are readily realizable. long with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities

Maturity Table for financial liabilities

2015 Financial liabilities	1 month	3-12 months	Above 12 months	Total
Accounts payable and other credit balances	203,492	1,144,878	-	1,348,370
Due to related parties	-	-	7,317,523	7,317,523
Murabaha payable	-	5,441,463	-	5,441,463
Obligation for finance lease	-	1,320,454	-	1,320,454
Total	203,492	7,906,795	7,317,523	15,427,810

2014 Financial liabilities	Till month	3-12 months	Above 12 months	Total
Accounts payable and other credit balances	536,356	3,144,775	-	3,681,131
Due to related parties	-	1,470,044	-	1,470,044
Murabaha payable	-	4,535,575	-	4,535,575
Obligation for finance lease	-	2,421,573	-	2,421,573
Total	536,356	11,571,967	-	12,108,323

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 shares. The equity price risk exposure arises from the Group's investment in equity securities classified as financial assets available for sale. 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 investments, to which the Group had significant exposure as of the date of consolidated financial statements :

Market Indices	2015		2014	
	Increase (decrease) against Kuwaiti Dinar	Effect on other comprehensive income (Kuwait Dinar)	Increase (decrease) against Kuwaiti Dinar	Effect on other comprehensive income (Kuwait Dinar)
KSE	±5%	±32,827	±5%	±30,760

28- Fair value of financial instruments

The Group measures financial assets such as financial assets available for sale investments 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 consolidated 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 financial instruments recorded at fair value by level of the fair value hierarchy.

2015	Level 1	Level 2	Total
Financial assets available for sale	**656,533**	**218,570**	**875,103**

2014	Level 1	Level 2	Total
Financial assets available for sale	615,195	998,583	1,613,778

At 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 (8). The management of the Group has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

For assets and liabilities that are recognized in the 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 Notes (10).

29- Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital 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 dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, or obtain additional loans.

30- Capital commitments

Capital commitments contracted for as the date of consolidated financial statements but not yet incurred are as follows

	2015	2014
Commitments to purchase properties	-	8,368,686