AQARAT

عقارات

ANNUAL REPORT 2015

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

H.H Sheikh Nawaf
Al-Ahmed Al-Jaber Al-Sabah
Crown Prince

H.H. Sheikh Jaber
Al-Mubarak Al-Hamad Al-Sabah
Prime Minister

CONTENTS

Chairman's Message

Honorable Shareholders,

Greetings to All.

It gives me great pleasure to present to you the Annual Report of Kuwait Real Estate Company for the year 2015, highlighting the most important achievements during the year.

Financial Performance:

The company realized a profit of KD 4.2 million in 2015, compared to a profit of KD 7.1 million in 2014, which is equivalent to 4.69 fils per share in 2015, compared to 7.87 fils in the previous year.

Income from leasing operations rose to KD 13.6 million in 2015, up from KD 13.5 million in 2014, primarily due to the high occupancy rates across all our properties.

The company's assets grew to KD 235 million in 2015, as against KD 225 million dinars in the previous year, reflecting a growth of 4.4%.

Operational expenses increased from KD 8 million in 2013 to KD 9 million in 2014 as a result of the increased expenditure towards the renovation of Souq Al Kuwait and Souq Al Kabir as per the contract signed with the Ministry of Finance.

Shareholders' equity rose to KD 127.2 million in 2015, as compared to KD 126.9 million in 2014, bringing the book value per share to 140 fils.

At the beginning of the year 2016, the company signed a contract to reschedule and increase the limit of its credit facilities, with one of the local banks, from KD 22.6 million to KD 33 million whereby these facilities will be used to increase the real estate portfolio of the company.

Local Market:

In line with the ambitious plans of the Board of Directors, it was decided to divest some of the company's lower yielding assets. The Hilali and Fisheries Building in the Sharq area were sold for a total amount of KD 8.75 million, thereby realizing a profit of KD 1.85 million as mentioned in our Income Statement of 2015.

We have also come a long way in the renovation of both the Souk Al Kuwait and Souk Al Kabeer buildings, whereby both these buildings are being restored to their former glory. This is most likely to be completed in this year.

In order to develop the Real Estate portfolio of the company, we have, in the beginning of 2016, acquired Arabella Entertainment Complex in Bida'a fully, by reaching an agreement to purchase Al Freej Real Estate Company, which owns this complex in its entirety. As a result, Kuwait Real Estate Company is now the owner of both the land and the entertainment complex. The acquisition is expected to yield a return of up to 8%.

Gulf Region:

Kuwait Real Estate Co. owns a variety of real estate assets comprising apartments, villas and land plots in Lebanon, Dubai, Sharjah and Manama, and we anticipate to sell these assets at lucrative prices and reinvest the proceeds in higher yielding assets. These investments are evaluated on a periodic basis.

International Market:

During 2015, the company increased its investment in Multifamily Student Housing properties and the "Yotel" brand of hotels. These projects are expected to achieve a good return in the coming years.

Future plans for 2016:

As per the plans set up by the Board of Directors, the company has developed specific goals, to invest in income-producing assets and the development of the existing assets, both inside and outside Kuwait.

In order to guarantee the maintenance of the basic income-generating assets locally, the company continues its renovations and developments, ensuring the quality of these assets for the long term.

Based on the success of the Arabella Complex, the company is currently building a new restaurant complex in the Dasman area, which is expected to open in early 2017. Furthermore, the company is currently working on studying several projects to be added to the portfolio of company-owned real estate.

At the global level, the development processes, being done through the brand "Yotel" and Student Housing properties in the United States of America (mainly in Miami - Florida - San Francisco - California - New York), as well as in London (in Canary Wharf) will ensure the presence of the company in a variety of markets hedging against risk and volatility in the local markets. These projects cover a wide range of sectors, including residential buildings, offices, retail and hotels.

In conclusion, I would like to thank you all, our esteemed board members, our valued employees and everyone who has contributed to the development of our company towards a more prosperous and progressive future.

Thank you one and all,

Ibrahim Saleh Al Tharban

Chairman of the Board of Directors

AQARAT

Board Members

Ibrahim Saleh Al Therban
Chairman

Ahmad Faisal Al Qatami
Board Member

Issam Mohamed Al Bahar
Vice Chairman

Khaled Saeed Esbaitah
Board Member

Othman Ahmad Al Sumait
Board Member

Marzouq Jassim Al Bahar
Board Member

Mishari Abdullah Al Dakhil
Board Member

Mishari Ahmed Al Ajeel
Board Member

Executive Management

Emad Abdullah Al-Essa
Chief Executive Officer

Eng. Naser Mohammed Al-Bader
Vice President
Facilities

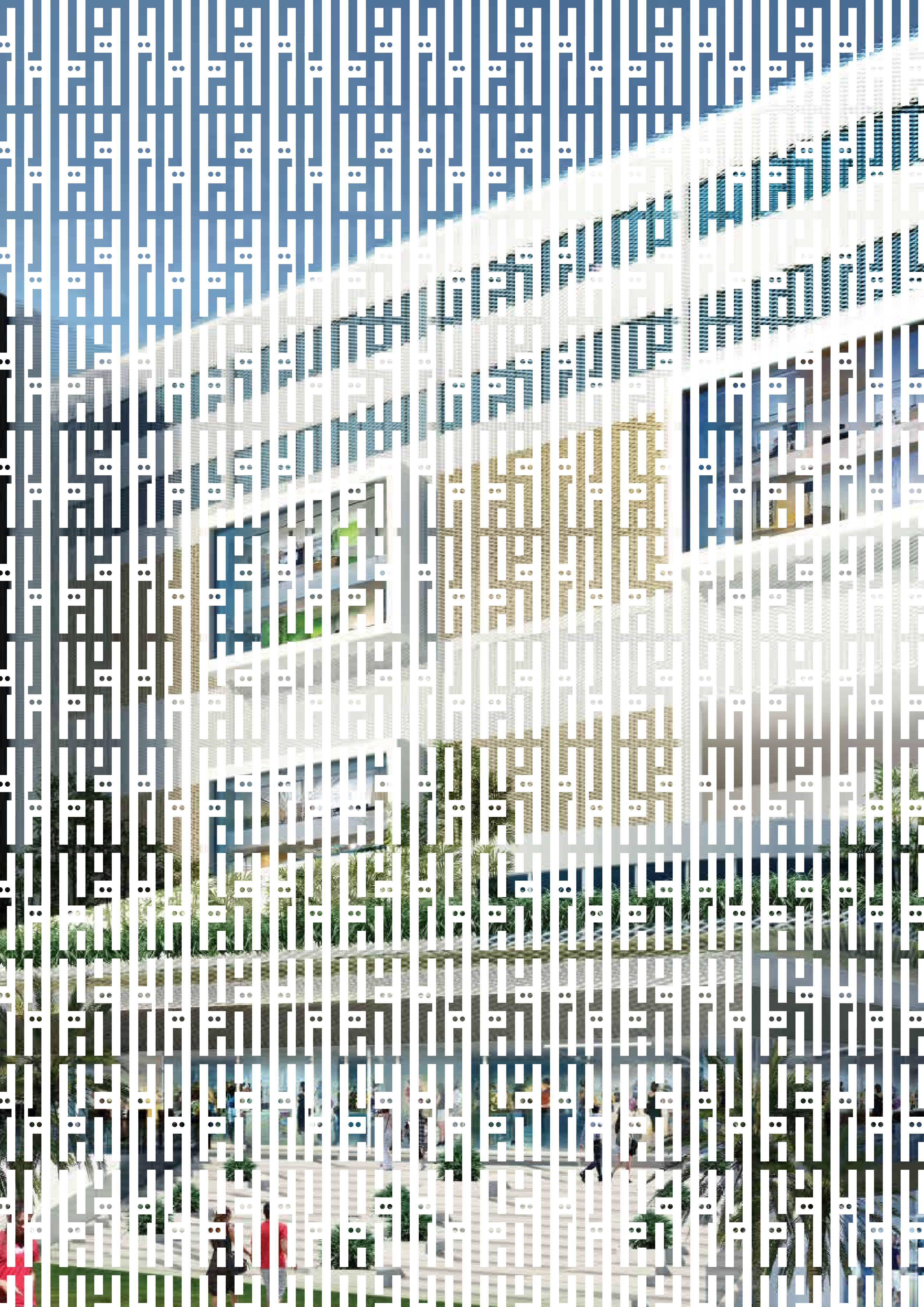
Fahad Husam Al-Shamlan
Vice President
Investments & Acquisitions

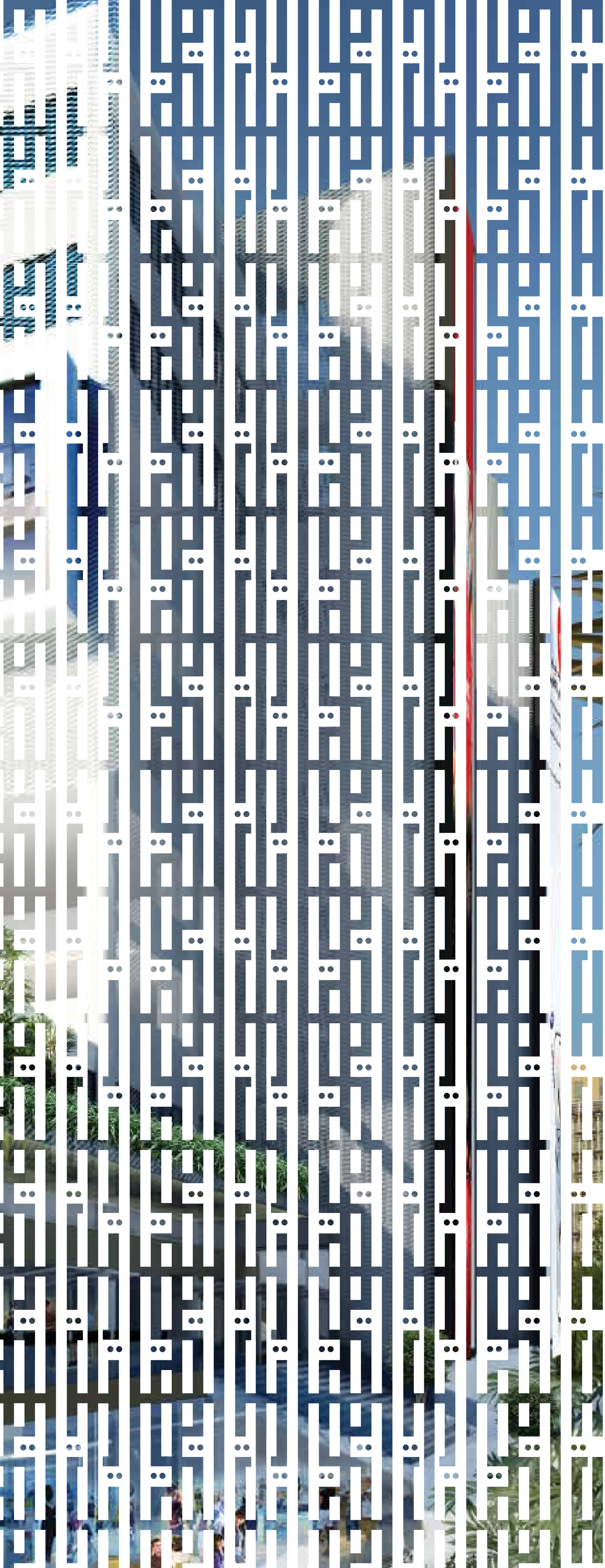
Hamad Saad Al-Mulaifi
Sales & Marketing
Manager

Eng. Abdul Aziz Abdul Razzak Al-Meajel
Vice President
Real Estate Design
& Development

Jayram Viswanathan
Financial Controller

Mohammed Nouri Al-Hamad
Human Resources
& Administration Manager





Investment

PAST

Kuwait Real Estate Company's history as a pioneer in the Kuwait real estate market is one that evokes a sense of immense pride among our team and stakeholders. Since its inception in 1972, the company has been at the forefront of a number of innovative developments both locally and internationally, including the development of Kuwait City's first mixed use development, its the first luxury seafront residential compound, as well as the country's first public/private real estate partnership.

The company was also a vanguard for Kuwaiti investment abroad, having successfully completed transactions abroad in locations such as the United Kingdom and the United States as early as the 1970s and 1980s.

It is through this sense of pride and accomplishment that the company, in 2009, set about formulating a plan to ensure its continued success and guarantee a bright future into the coming decade and beyond. With the introduction of a new CEO and management team, the company went about initiating a strategic plan that would serve as the foundation for the company's growth for the coming years. A decision was made to streamline the company's balance sheet and refocus our efforts to concentrate on our core activities, namely the development and management of for-sale and income-producing real estate assets.

Over the past several years, the company has made significant improvements to our business, offering a more contemporary and consistent experience to our stakeholders and clients alike, with innovation in investment and development that has kept the company among the leaders in the real estate sector both locally and regionally.

Strategic Goals:

- Restructure the company's existing debt
- Maintain and enhance the company's core assets locally
- Grow the company's real estate asset base
- Divest of non-core underperforming assets
- Diversify the company's holdings by asset type and geography

Appointment of new management

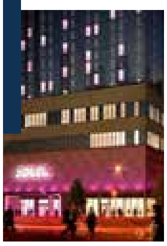
2009 June

Increase of financing facilities to KD 58 Million

2010 May

Acquisition of Yotel New York

2010 Dec

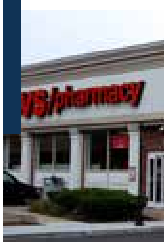


Sale of California farm portfolio

2011 Sep

Acquisition of Single Tenant Net-Leased Pharmacy Portfolio, USA

2012 Mar



PRESENT

The beginning of the implementation of the management's strategic vision began the following year. Among the tenants of the company's renewed vision was the retention and enhancement of "core" assets locally, both wholly owned as well as BOT projects leased from the government.

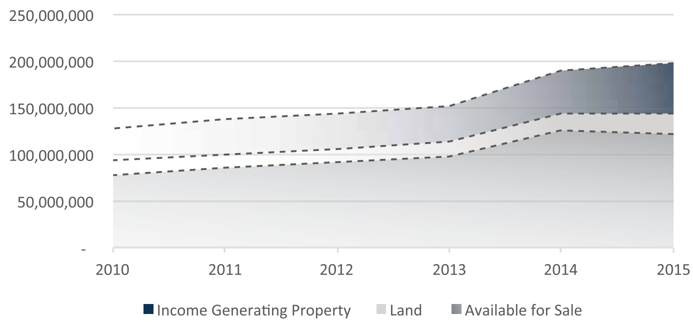
The first step in achieving this goal was the refurbishment of AQARAT's oldest asset, Pearl Marzouq. A comprehensive redevelopment plan was put into place with the stated purpose of returning the building to its original grandeur and reclaiming its position as one of the country's most luxurious residential developments.

In line with the company's goal to diversify its holdings internationally, in 2011, Kuwait Real Estate Company acquired a stake in the recently completed Yotel New York. The investment represented the company's first foray into the hospitality sector following a lengthy hiatus lasting more than a decade.

The following year, the company continued to focus on the expansion of its real estate asset base and its diversification internationally. A decision was made to divest of a long-held, relatively low-yielding portfolio of Almond farms in the state of California. Proceeds from the sale were then utilized in the acquisition of a portfolio of income-generating, single tenant retail assets, leased out to credit rated tenants. The investment proved fruitful as the assets were subsequently sold in 2014 achieving a significant return.

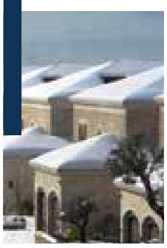
By 2013, as local real estate prices continued sustained recovery, following the company's stated policy, the

Real Estate Assets Breakdown



Completion of Al Abadiyah Hills Residences , Lebanon

2013 Mar



Investment in L'oreal Warehouse, UK

2013 Mar

Successful bid of Souk Al Kabir and Souk Al Kuwait BOT for 10 years

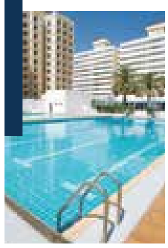
2013 Feb - Mar

Sale of Wahaj Commercial Complex, Salmiya, Kuwait

2013 Sep

Opening of Durrar Social and Athletic Club

2014 Jan



management embarked on the divestment of certain local assets that were deemed “non-core” or underperforming.

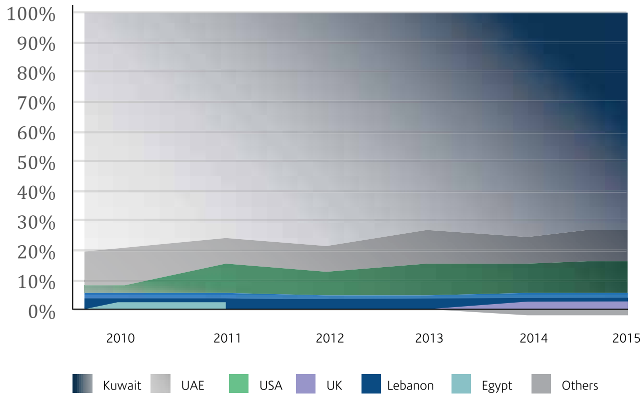
In the same year, seeing as our business had grown and evolved, the company underwent a significant rebranding, which included the complete revitalization of its corporate identity. We refreshed our logo to reflect who we are today and symbolize our dynamic future.

Among the guiding principles in the transformation of the brand was for the new look of the company to say as much about its future as it does about its long and storied past. Perhaps the most striking change made in regards to the rebranding was the focus on the new trade name of “AQARAT”. As many of you know, the name “AQARAT” has long been associated with Kuwait Real Estate Company within Kuwait’s marketplace.

As part of an important link from the past to the future, as AQARAT’s two BOT joint ventures were put up for auction by the Kuwaiti government, the management prioritized the retention of the assets. Fortunately, the company was able to secure both properties for an additional term of 10 years, maintaining the company’s foothold on what is considered the heart of Kuwait City and the foreseeable future.

To go along with cementing our link to the past with the future, AQARAT opened one of Kuwait’s premier restaurant retail developments, Arabella. Since it’s opening, the development has been a rousing success, attracting a diverse mix of food & beverage operators catering to a wide array of clientele.

Investments - Georgraphic Breakdown



AQARAT Rebranding

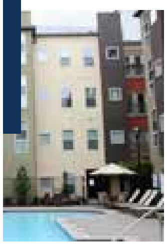
2014 Mar

Sale of L’oreal Warehouse, UK at an IRR of 16%

2014 Jun

Acquisition of Flats at Atlantic Station , Multi Family Student Housing Property

2014 Jul

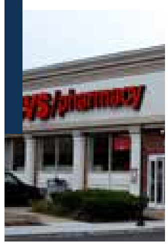


Acquisition of stake in Crossharbour Strategic Investment, Canary Wharf, London

2014 Jul

Sale of Single Tenant Net-Leased Pharmacy Portfolio, USA

2014 Aug



FUTURE

As part of our commitment to the secure future of the company, AQARAT has set out specific goals to invest in a mix of income-producing and development assets, both locally and abroad.

While maintaining the company's core income-producing asset base locally, we have continued to make marked improvements to those assets in the form of significant renovations that will ensure the assets' viability into the future. Additionally, we continue to be involved in new developments showcasing the company's expertise in various real estate sectors locally.

Drawing on the success of the Arabella restaurant complex, the company is currently developing a new restaurant-retail facility in the Dasman area of Kuwait, due to be open in early 2017. Also, plans are underway for a new development in Riggae, adding to the company's significant portfolio in the area.

Internationally, the-on going developments in Miami, FL., San Francisco, CA., Williamsburg, N.Y., and Canary Wharf in London will ensure the company's presence in a wide array of markets for the foreseeable future. These projects will encompass a wide array of property segments, including condominium residential, multi-family rental residential, office, retail and hospitality.

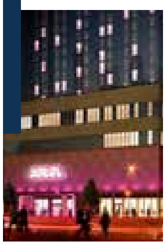
Diversification of Assets - Growth in Assets In US and UK

Sale of Reem Center, Kuwait

2014 Nov

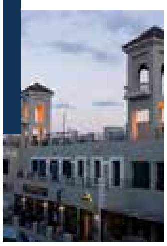
Established Joint Venture with Aria Development Group to develop mixed-use Yotel hotel & Residences in Downtown Miami

2014 Nov



Acquisition of Arabella land

2014 Dec

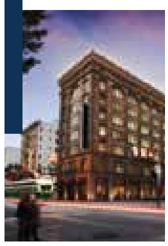


Refinancing of facilities to KD 75 Million

2014 Dec

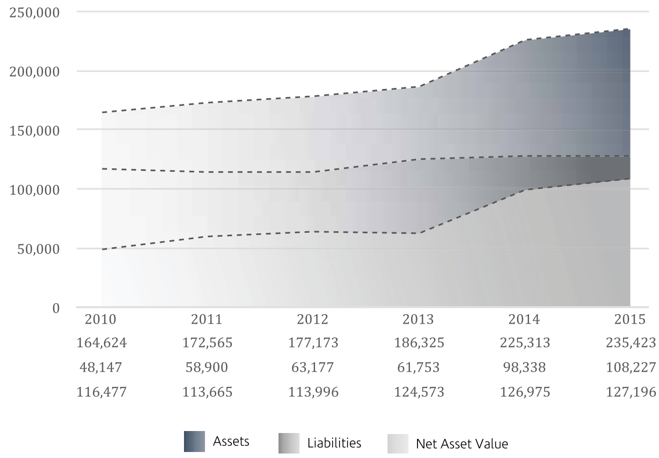
Established Joint Venture with Synapse Development Group to convert a historic building in downtown San Francisco to a 200+key Yotel

2015 Mar



We have entered into joint venture partnerships with established local developers in those markets that will serve as a platform for additional developments in the coming years. That, along with the acquisition of income producing assets in Atlanta, GA., and Berkeley, CA., will continue to provide a hedge against any potential upheaval regionally such as what has been witnessed in recent years as well as provide healthy growth for the company in the coming years.

Asset, Liabilites and Net Asset Value
KWD ('000s)



Signed JV agreement with Synapse Development Group and acquired a stake in SDG-KREC US OPCO LLC to acquire, develop and manage projects in the US

2015 Jun

Acquisiton of property in Williamsburg, New York

2015 Jun

Acquisition of remaining 51% in Arabella Complex, Al Bedaa' Kuwait

2015 Nov

Sale of Hilali and Fisheries Building, Sharq, Kuwait City

2015 Dec

Financial Statements

KUWAIT REAL ESTATE COMPANY K.P.S.C. AND SUBSIDIARIES
STATE OF KUWAIT

Independent auditors' report

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Independent auditors' report to the shareholders of Kuwait Real Estate Company K.P.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kuwait Real Estate Company K.P.S.C. (the "Parent Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, its financial performance and its cash flows for the financial year then ended in accordance with IFRSs.

KUWAIT REAL ESTATE COMPANY K.P.S.C. AND SUBSIDIARIES
STATE OF KUWAIT

Independent auditors' report

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Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, the Executive Regulation, and by the Parent Company's Memorandum and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, the Executive Regulation, nor of the Parent Company's Memorandum and Articles of Association as amended, have occurred during the financial year ended 31 December 2015 that might have had a material effect on the business of the Group or its consolidated financial position.

Qais M. Al Nisf
Licence No. 38 "A"
BDO Al Nisf & Partners

Abdullatif M. Al-Aiban (CPA)
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Grant Thornton – Al-Qatami,
Al-Aiban & Partners

Kuwait
31 March 2016

AQARAT

KUWAIT REAL ESTATE COMPANY K.P.S.C. AND ITS SUBSIDIARIES
STATE OF KUWAIT

Consolidated statement of financial position

As at 31 December 2015

	Notes	2015 KD	2014 KD
ASSETS			
Non-current assets			
Property and equipment		590,637	103,847
Investment properties	8	142,651,795	142,888,171
Properties under development		227,715	96,907
Investment in associates	9	8,331,734	7,759,667
Available for sale investments	10	58,299,847	53,033,787
		210,101,728	203,882,379
Current assets			
Due from related parties	11	11,104,431	8,601,830
Accounts receivable and other debit balances	12	3,992,834	4,102,875
Investments at fair value through profit or loss		72,543	106,900
Time deposits	13	98,448	1,309,197
Cash and cash equivalents	14	10,053,360	7,309,351
		25,321,616	21,430,153
Total assets		235,423,344	225,312,532
EQUITY AND LIABILITIES			
Equity			
Share capital	15	90,671,294	90,671,294
Share premium	15	3,425,191	3,425,191
Treasury shares	16	(208,149)	(208,149)
Treasury shares reserve		2,298,155	2,298,155
Statutory reserve	17	14,345,083	13,900,951
Voluntary reserve	17	2,188,928	1,744,796
Fair value reserve		6,628,352	6,489,217
Foreign currency translation reserve		468,245	32,713
Retained earnings		7,378,937	8,547,997
Total equity attributable to shareholders of the Parent Company		127,196,036	126,902,165
Non-controlling interests		19	72,612
Total equity		127,196,055	126,974,777
LIABILITIES			
Non-current liabilities			
Credit facilities	18	76,335,754	58,242,500
Term loans	19	642,200	4,390,174
Provision for lease contracts commitment	20	2,297,432	5,129,538
Employees' end of service benefits		998,256	792,557
		80,273,642	68,554,769
Current liabilities			
Due to related parties	11	946,512	156,151
Credit facilities	18	1,250,000	6,250,000
Term loans	19	3,771,000	582,000
Provision for lease contracts commitment	20	7,109,438	7,109,438
Accounts payable and other credit balances	21	10,171,560	15,685,397
Due to bank	14	4,705,137	-
		27,953,647	29,782,986
Total liabilities		108,227,289	98,337,755
Total equity and liabilities		235,423,344	225,312,532

Ibrahim Saleh Al-Tharban
Chairman

The notes set out on pages 24 to 57 form an integral part of these consolidated financial statements.

KUWAIT REAL ESTATE COMPANY K.P.S.C. AND ITS SUBSIDIARIES
STATE OF KUWAIT

Consolidated statement of income

As at 31 December 2015

	Notes	2015 KD	2014 KD
Revenue			
Real estate rental income		13,646,105	13,508,312
Operating costs		(9,081,130)	(7,928,194)
Net rental income		4,564,975	5,580,118
Gain on sale of investment properties	8	1,898,328	4,439,349
Change in fair value of investment properties	8	3,520,575	5,300,527
Group's share in associates' results	9	657,666	153,212
Gain on sale of available for sale investments		188,015	293,200
Impairment of available for sale investments	10	(5,102,068)	(5,178,066)
Loss on investments at fair value through profit or loss		(34,357)	(81,765)
Dividend income		521,042	425,637
Foreign exchange gain		204,617	174,680
Interest income		33,376	83,202
Net (loss)/gain arising from recovery of Parent Company debt	22	(209,769)	1,001,800
Reversal of provisions no longer required	23	2,000,000	-
Gain from liquidation of a subsidiary	6.1	791,250	-
Other income		383,338	253,251
		9,416,988	12,445,145
Expenses			
General and administrative expenses		1,264,482	1,185,789
Finance costs		3,404,150	3,466,933
Provision for doubtful debt from a related party	11	307,038	268,057
		4,975,670	4,920,779
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors remuneration		4,441,318	7,524,366
Contribution to KFAS		(39,972)	(67,747)
NLST		(111,033)	(188,187)
Zakat		(44,413)	(75,275)
Board of Directors remuneration	25	-	(70,000)
Profit for the year		4,245,900	7,123,157
:Attributable to			
Shareholders of the Parent Company		4,245,900	7,126,273
Non-controlling interests		-	(3,116)
Profit for the year		4,245,900	7,123,157
Basic and diluted earnings per share attributable to the sharehold-(ers of the Parent Company (fils	24	4.69	7.87

The notes set out on pages 24 to 57 form an integral part of these consolidated financial statements.

KUWAIT REAL ESTATE COMPANY K.P.S.C. AND ITS SUBSIDIARIES
STATE OF KUWAIT

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	2015	2014
	KD	KD
Profit for the year	4,245,900	7,123,157
Other comprehensive income items		
Items that may be reclassified subsequently to the consolidated statement of income:		
Available for sale investments:		
Change in fair value	(4,930,975)	(4,777,400)
Transferred to consolidated statement of income on sale	(31,958)	(658,594)
Transferred to consolidated statement of income on impairment	5,102,068	5,178,066
Foreign currency translation difference	435,532	(12,076)
Other comprehensive income/(loss) for the year	574,667	(270,004)
Total comprehensive income for the year	4,820,567	6,853,153
Attributable to:		
Shareholders of the Parent Company	4,820,567	6,856,269
Non-controlling interests	-	(3,116)
Total comprehensive income for the year	4,820,567	6,853,153

The notes set out on pages 24 to 57 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2015	90,671,294	3,425,191	(208,149)	2,298,155	13,900,951	1,744,796	6,489,217	32,713	8,547,997	126,902,165	72,612	126,974,777
Profit for the year	-	-	-	-	-	-	-	-	4,245,900	4,245,900	-	4,245,900
Other comprehensive income	-	-	-	-	-	-	139,135	435,532	-	574,667	-	574,667
Total comprehensive income for the year	-	-	-	-	-	-	139,135	435,532	4,245,900	4,820,567	-	4,820,567
Transfer to reserves	-	-	-	-	444,132	444,132	-	-	(888,264)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(72,593)	(72,593)
Dividends (note (25	-	-	-	-	-	-	-	-	(4,526,696)	(4,526,696)	-	(4,526,696)
At 31 December 2015	90,671,294	3,425,191	(208,149)	2,298,155	14,345,083	2,188,928	6,628,352	468,245	7,378,937	127,196,036	19	127,196,055
At 1 January 2014	90,671,294	3,425,191	(208,149)	2,298,155	13,148,203	992,048	6,747,145	44,789	7,453,916	124,572,592	-	124,572,592
Profit for the year	-	-	-	-	-	-	-	-	7,126,273	7,126,273	(3,116)	7,123,157
Other comprehensive loss	-	-	-	-	-	-	(257,928)	(12,076)	-	(270,004)	-	(270,004)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(257,928)	(12,076)	7,126,273	6,856,269	(3,116)	6,853,153
Transfer to reserves	-	-	-	-	752,748	752,748	-	-	(1,505,496)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	75,728	75,728
Dividends	-	-	-	-	-	-	-	-	(4,526,696)	(4,526,696)	-	(4,526,696)
At 31 December 2014	90,671,294	3,425,191	(208,149)	2,298,155	13,900,951	1,744,796	6,489,217	32,713	8,547,997	126,902,165	72,612	126,974,777

The notes set out on pages 24 to 57 form an integral part of these consolidated financial statements.

AQARAT

KUWAIT REAL ESTATE COMPANY K.P.S.C. AND ITS SUBSIDIARIES
STATE OF KUWAIT

Consolidated statement of cash flows

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Operating activities			
Profit for the year		4,245,900	7,123,157
Adjustment for:			
Depreciation		38,920	51,895
Gain on disposal of property and equipment		-	(1,137)
Provision for lease contracts commitment	20	4,277,332	4,277,332
Gain on sale of investment properties	8	(1,898,328)	(4,439,349)
Gain on sale of available for sale investments		(188,015)	(293,200)
Change in fair value of investment properties	8	(3,520,575)	(5,300,527)
Impairment of available for sale investments	10	5,102,068	5,178,066
Loss on investments at fair value through profit or loss		34,357	81,765
Group's share in associates' results		(657,666)	(153,212)
Dividend income		(521,042)	(425,637)
Reversal of provisions no longer required	23	(2,000,000)	-
Interest income		(33,376)	(83,202)
Net loss/(profit) arising from recovery of Parent Company debt		209,769	(1,001,800)
Provision for doubtful debt from a related party	11	307,038	268,057
Gain from liquidation of a subsidiary	6.1	(791,250)	-
Provision for employees' end of service benefits		230,696	126,941
Finance costs		3,404,150	3,466,933
		8,239,978	8,876,082
Changes in working capital:			
Due from related parties		(3,036,847)	(1,572,735)
Accounts receivable and other debit balances		1,400,272	(614,056)
Due to related parties		790,361	69,839
Accounts payable and other credit balances		(6,197,043)	6,146,877
Lease contracts commitment paid		(7,109,438)	(2,297,437)
Employees' end of service benefits paid		(24,997)	(5,461)
Net cash flows (used in)/from operating activities		(5,937,714)	10,603,109
Investing activities			
Purchase of property and equipment		(532,460)	(37,106)
Proceeds from disposal of property and equipment		6,750	2,299
Purchase of investment properties		(1,088,149)	(28,096,956)
Proceeds from disposal of investment properties	8	8,981,868	10,545,290
Paid for properties under development		(1,552,906)	(2,874,114)
Purchase of shares in an associate		-	(152,500)
Dividends received from associates		303,451	284,080
Purchase of available for sale investments		(12,046,743)	(12,234,307)
Proceeds from sale of available for sale investments		1,807,793	2,328,879
Purchase of investments at fair value through profit or loss		-	(47,881)
Net movement in time deposits		1,210,749	3,689,140
Proceeds from liquidation of a subsidiary	6.1	791,250	-
Dividend income received		521,042	425,637
Interest income received		33,376	83,202
Acquisition of non-controlling interests in a subsidiary		(72,593)	-
Net cash flows used in investing activities		(1,636,572)	(26,084,337)
Financing activities			
Net change in credit facilities		13,093,254	28,159,167
Net change in term loans		(558,974)	37,174
Finance costs paid		(3,404,150)	(3,466,933)
Dividends paid	25	(3,843,490)	(4,189,885)
Net cash flows from financing activities		5,286,640	20,539,523
Net foreign currency exchange difference		326,518	3,625
Net (decrease)/increase in cash and cash equivalents		(2,287,646)	5,058,295
Net cash arising from acquisition of a subsidiary		-	835,070
Cash and cash equivalents at the beginning of the year	14	7,309,351	1,412,361
Cash and cash equivalents at the end of the year	14	5,348,223	7,309,351
Non-cash transactions:			
Receipt of share in a local investment property against settling a debt from a related party	8	812,563	-
Receipt of shares in an associate against waiver of an investment portfolio	9	217,852	-

The notes set out on pages 24 to 57 form an integral part of these consolidated financial statements.

1. INCORPORATION AND ACTIVITIES OF THE PARENT COMPANY

Kuwait Real Estate Company "Parent Company" was incorporated in 1972 as a Kuwaiti public shareholding company in accordance with the provisions of the Companies Law.

The principal activities of the Parent Company are:

- Undertaking various real estate activities with the target to generate profit i.e. selling, purchase, rental and lease of land and buildings, establishing buildings and preparing the studies of private and public real estate projects and executing them either directly by the company or by third party inside or outside Kuwait.
- Carry out various building works and related works whether for its account or for the account of others as well as importing and trading in all materials related to real estate or necessary thereto.
- Invest in companies' shares or projects similar to the activities of the Parent Company or the management of such companies and direct them for the interest of the Parent Company.
- Building houses whether for citizens, state employees or official or private bodies in return for obtaining their value from them either in cash or in installments.
- Carry out all contracting activities in general, either directly or in partnership with other contracting companies or representing them.
- Managing the properties of others inside and outside Kuwait.
- Erect private and public buildings and projects, including malls, entertainment centers, touristic utilities and implement them directly or through third parties in Kuwait or abroad and rent out or sell the same in cash or on installments after approval by the competent authorities.
- Create, manage or share third parties in real estate investment funds only whether in Kuwait or abroad to employ and invest funds on behalf of others after approval by the competent authorities.
- Undertaking various real estate activities with the target to generate profit i.e. acquiring, selling and purchase of land and real estate, development of the same in favor of the Parent Company inside Kuwait and abroad and rental, lease and establishing of buildings thereon.
- Preparing studies and providing consultancy in real estate sector in all its types provided that meeting the required terms as for who carries out this profession.
- Own, sell, and purchase the shares and bonds of companies or projects which are similar to the purposes of the Parent Company or the management of such companies and direct them for the interest of the Parent Company.
- Acquisition of movables and properties necessary for the Parent Company to practice its activities pursuant to the limits prescribed by law and in line with its objectives.
- Maintenance activities related to buildings and real estate owned by the Parent Company and other parties, including maintenance works; civil, mechanical, and electrical works; elevators and air conditioning works in a way that ensures safety of buildings.
- Organising real estate exhibitions related to the Parent Company's real estate projects.
- Arranging real estate auctions.
- Utilise the financial surpluses of the Parent Company by investing them in portfolios by specialised companies and entities in Kuwait and abroad.
- Direct contribution in the infrastructure of residential and commercial areas and projects through partnership between public and private sectors or other partnership systems and management of real estate facilities under the (BOT) system.

The Parent Company may practice the above activities inside the state of Kuwait and abroad either in its own name or by proxy.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad. The Parent Company may also incorporate, purchase and/or participate in incorporation of such entities or affiliate them.

The Parent Company is listed on the Kuwait Stock Exchange.

The address of the Parent Company is P.O. Box 1257, Safat 13013, State of Kuwait.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (together referred to as the "Group") (Note 6).

KUWAIT REAL ESTATE COMPANY K.P.S.C. AND ITS SUBSIDIARIES
STATE OF KUWAIT

Notes to the consolidated financial statements
For the year ended 31 December 2015

The Kuwait Companies Law issued on 24 January 2016 by Decree Law No. 1 of 2016 (the "Companies Law"), which was published in the Official Gazette on 1 February 2016, cancelled the Companies Law No. 25 of 2012, as amended. This Law shall be applicable retrospectively as of 26 November 2012.

Minister of Commerce and Industry shall issue the executive regulations of this law, along with the required resolutions for its implementation within two months as of the date of its publication in the official gazette. Other regulatory bodies shall issue, during the mentioned period, their resolutions required to be issued by them, in accordance with the provisions of this law. Effectiveness of the executive regulations of Decree Law No. 25 of 2012, as amended, shall be continued until commencement of this Law executive regulations effectiveness. The executive regulations shall specify rules and controls of regularizing companies' current affairs in accordance with provisions of the new law.

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issuance by the Parent Company's Board of Directors on 31 March 2016 and are subject to the approval of the General Assembly of shareholders. The Parent Company's shareholders have the right to amend these consolidated financial statements in the Annual General Assembly.

1. BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Group have been prepared under historical cost convention except for investment properties, available for sale investments and investments at fair value through profit or loss, that have been measured at fair value as shown in the accounting policies below.

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

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of the consolidated financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The significant judgments and estimates that have been made in preparing the consolidated financial statements and their effect are disclosed in Note 5.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2015

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:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered. But if those contributions depend on the number of years of service, those contributions must be allocated to the periods of service using the same attribution method as used for the gross benefit.

These amendments became effective on 1 July 2014. These amendments had no impact on the Group.

Annual improvements to IFRS 2012 – 2010 Cycle:

Amendments to IFRS 2 Share–based Payment

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify the definition of 'vesting conditions' by separately defining a 'performance condition' and a 'service condition'. Those clarifications include the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition

If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

Amendments to IFRS 3 Business Combinations

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

Amendments to IFRS 8 Operating Segments

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

- An entity 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 1 July 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 1 July 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 3 Business Combinations

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception only applies to the financial statements of the joint venture or the joint operation itself.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

a) New standards, interpretations and amendments effective from 1 January 2015 (continued)

Amendments to IFRS 13 Fair Value Measurement

The amendments to this standard which are effective for annual periods beginning on or after 1 July 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 1 July 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 improvements are effective from 1 July 2014 and did not have a material impact on the Group.

b) Standards and interpretations issued but not effective

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

IFRS 9 - Financial Instruments
The standard, effective for annual periods beginning on or after 1 January 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.
The directors of the Parent Company anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations
The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business requiring the acquirer to apply all the principles on business combinations accounting in IFRS 3 and other IFRSs. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact to the Group.

IFRS 14 – Regulatory Deferral Accounts
This standard, effective for an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous accounting standards, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. Since the Company is an existing IFRS preparer, this standard would not apply.

IFRS 15 - Revenue from contracts with customers
The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:
- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- Statement of financial position and statement of profit or loss and other comprehensive income, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

These amendments are not expected to have any material impact to the Group.

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

The amendments, effective prospectively for annual periods beginning on or after 1 January 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 amortise intangible assets. These amendments are not expected to have any material impact to the Group.

Amendments to IAS 16 & IAS 41 – Agriculture: Bearer Plants

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 require that bearer plants (a subset of biological assets used solely to grow produce over several periods) should be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing, unlike all other biological assets related to agricultural activity which are measured at fair value less cost to sell. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41, and the produce growing on bearer plants will remain within the scope of IAS 41. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27 – Equity method in separate financial statements

The amendment, effective for annual periods beginning on or after 1 January 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments are not expected to have any material impact to the Group.

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

The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact to the Group.

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

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

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

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities. These amendments are not expected to have any material impact to the Group.

Annual Improvements to IFRS 2012-2014 Cycle:
These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

b) Standards and interpretations issued but not effective (continued)

Amendments to IFRS 5 – Non Current Assets Held for Sale & Discounted Operations
When an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

Amendments to IFRS 7 – Financial Instruments: Disclosures
Specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. Additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

Amendments to IAS 19 – Employee Benefits
When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

Amendment to IAS 34 – Interim Financial Reporting
What is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

2. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of consolidation

Subsidiaries
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (including structured entities) that are subject to control of the Parent Company and its subsidiaries. Control exists when the company has: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Parent Company revaluates whether it has a control over the investee or not, if the events and circumstances refer to existence of changes in one of the three elements of control mentioned above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses such control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

When the Parent Company loses control over a subsidiary; profits and losses are recognized in the consolidated statement of income, and is accounted for by difference between (a) aggregate of the fair value of the consideration received and the fair value of any retained interests, and (b) previous carrying value of assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in respect of that subsidary are accounted for as if the Parent Company had directly disposed of the related assets or liabilities related to the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified / allowed by relevant IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost, is the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, and the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in consolidated statement of income as a bargain purchase gain.

Business combinations (continued)

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to all of the Group's cash-generating units (or a group of cash-generating units) expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss in the goodwill is recognized directly in the profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of related cash-generating units, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Basis of consolidation (continued)

4.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Such expenditure is capitalized in situations where it is clearly demonstrated that it has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance.

Depreciation is computed on the straight-line method based on estimated useful lives of related assets except land. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each financial statements period end, with the effect of any changes in estimate accounted for on prospective basis. Gains or losses on disposals are determined by the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

4.3 Investment properties

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

Investment property is measured initially at cost including transaction costs. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties.

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

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

4.4 Properties under development

Incurred costs are charged to construction or production of capital assets under properties in progress till construction or production of these assets is complete, at which time it is reclassified as plant, equipment and investment property, or trading properties. Costs include all direct costs and other costs attributable on reasonable basis.

4.5 Investment in associates

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

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

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

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

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

4.6 Impairment of non-financial assets

At the end of each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any objective evidence 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).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are attributable to the acquisition or issue of financial asset and financial liability (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial asset and financial liability on initial recognition. Transaction costs attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised directly the consolidated statement of income.

Financial assets
Financial assets are classified into the following specified categories: 'available for sale (AFS) financial assets' 'loans and receivables' and 'financial assets at fair value through profit or loss". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Available for sale investments
Available for sale financial assets include equity and debt securities. AFS investments are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to need for liquidity or in response to changes in the market conditions.

Available for sale financial assets are re-measured at fair value. Fair value is determined in the manner described in (Note 7).

Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of changes in fair value reserve. At disposal of investment or assurance of its impairment, profit and loss previously accumulated in investment revaluation reserve are reclassified in the consolidated statement of income. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the consolidated financial statements' period.

Dividends on AFS equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other consolidated statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is eliminated where the effect of discounting is immaterial. Due from related parties, accounts receivable and other debit balances of the Group are in this category of financial assets.

Time deposits

Time deposits represent deposits with banks due within three months or more from the placement date and earn interest.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand and at banks, short term deposits with an original maturity of less than three months and cash in investment portfolios managed by others.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the consolidated statement of income. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (Note 7).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each consolidated financial statements period end. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

When an AFS financial assets are considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of income in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity instruments, impairment losses previously recognized through the consolidated statement of income are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less impairment loss on that investment previously recognised in the consolidated statement of income.

De-recognition
The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount, the consideration received, receivables and the cumulative gain or loss that had been recognised in the consolidated other comprehensive income and accumulated in other equity related to the asset is recognised in the consolidated statement of income.

Impairment of financial assets (continued)

Financial liabilities
The Group's financial liabilities include credit facilities, loans (term loans and due to bank), due to related parties, accounts payable and other credit balances.

All financial liabilities are recognised initially at fair value, as for loans and borrowings, plus directly attributable transaction costs. The subsequent measurement of financial liabilities depends on its classification as follows:

Credit facilities
Credit facilities represent murabaha finance payables in the amounts to be paid on the basis of deferred payment of the purchased assets under murabaha agreements. Murabaha finance payables are stated in the total amount due less cost of deferred finance. Cost of deferred finance is recorded within expenses on a time proportion basis taking into consideration its related gearing ratio and the outstanding balance.

Loans
Loans are initially recognized at fair value less the incurred transaction costs. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest rate method.

Accounts payable and other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Trade payables and other payables are measured subsequently at amortised cost using the effective interest method.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognization of the original liability and the recognition of a new liability. The difference between the carrying amounts relevant to that are recognized in the consolidated statement of income.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Treasury shares

The Parent Company's holding in its own shares is accounted for as treasury shares. Such shares are stated at cost as a deduction within equity and no cash dividends are distributed on these shares.

Gains resulting from the sale of treasury shares are taken directly to equity under "treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained earnings then reserves. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained earnings equal to the loss previously charged to these accounts. 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.

4.9 Foreign currency translation

Functional and presentation currency
The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to consolidated statement of income and are recognised as part of the gain or loss on disposal.

4.10 Provisions, contingent assets and liabilities

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

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

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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4.11 Employees' end of service benefits

The Group extends employees' end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. This provision, which is unfunded, has been computed as the amount payable to each employee as a result of involuntary termination of their services at the reporting date.
With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

4.12 Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other lease contracts are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee
Assets held under finance leases are initially recognised as assets in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

4.13 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payments are being made. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rental income
Rental income from operating leases is recognised on a straight-line basis over the term of the lease contract.

Dividends
Dividend income is recognised when the shareholders right to receive the payment is established.

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

Gain or loss on sale of properties
Gain or loss on sale of properties is recognised on completion of the sale process, which is finalised when all risks of ownership are transferred to the buyer.

4.14 Finance costs

Finance costs are calculated and recognised on a time proportionate basis taking into account the principal outstanding and the yield/cost rate applicable.

4.15 Taxes and deductions

Taxes and deductions are represented in:
- Income taxes on subsidiaries.
- Contribution to Kuwait Foundation for the Advancement of Sciences due from the Parent Company.
- Tax due from the Parent Company as per law No. 19 of 2000 concerning support of national labour and encourage them to work in non-governmental bodies.
- Zakat as per law No. (46) of 2006.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Segment reporting

Segment is a separate part from the Group works in business activities that result in gaining revenues or incurring expenses. Operating segments are disclosed based on the internal reports reviewed by chief operating decision maker, who is in charge for distributing the resources, assessing the performance and taking strategic decisions regarding the operating segments.

5. SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

Significant management judgments

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

Useful lives of tangible assets
The Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition.

Classification of financial assets as assets determined by fair value through profit or loss depends on how management monitors the performance of these financial assets. The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as designated at fair value through profit or loss.
Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

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

The Group classifies properties as properties under development if they are acquired with the intention of development.

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

Impairment of available for sale investments
The Group determines impairment of equity instruments classified as available for sale when there is long-term or material impairment in the fair value of such investments. The determination of what is "significant" or "prolonged" requires considerable judgment by the management. The Group valuates, among other factors, the usual fluctuation of listed shares prices, expected cash flows and discount rates of unquoted investments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as sector performance, changes in technology and other operational and financing factors related to cash flows.

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Control assessment

In determining the control, the management considers whether the Group has the practical ability to direct the activities related to the investee by itself to produce returns for itself. Assessment of related activities and the ability to use its power to affect the variable returns requires significant judgments.

Estimation uncertainty

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

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. Group management determines the appropriate valuation techniques and inputs for measuring the fair value. When valuating the fair value of an asset or a liability, the management uses observable market data to the extent available. In case there is no observable market data, The Group shall appoint external qualified valuator to conducts the valuation. Information regarding the valuation techniques and inputs used to determine the fair value of the various assets and liabilities is disclosed in (Note .(7

Impairment of non-financial assets

The Group reviews the value of the tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Impairment of investment in associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associate companies, at each reporting date based on existence of any objective evidence that the investment in the associates is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in "Group's share of associates' business results" in the consolidated statement of income.

Impairment of loans and receivables

The Group reviews defaulted loans and advances and on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. Considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ from what is estimated resulting in future changes to such provisions.

Valuation of investment properties

The Group records its investment properties at fair value where changes in the fair value are recognised in the consolidated statement of income, three basic methods are used for determining the fair value of the investment properties.

- Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.
- Income capitalisation: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of return from the property as per market inputs, which is known as capitalisation rate.

- Comparative analysis: which base on estimations made by an independent real estate valuator by reference to new actual deals done among other parties for similar properties in location and condition and relying on expertise of such independent real estate valuator.

Revenue recognition

The Group uses the time proportion method in accounting for services. Using the time proportion method in accounting for the revenues requires the Group to estimate the services provided to the clients to date according to the provisions of the Group's activities. The Group takes into consideration retaining provisions necessary for any expected doubtful receivables resulting from these services.

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6. SUBSIDIARIES

6.1 Formation of the Group

Details of subsidiaries owned by the Group are set out below:

Subsidiary name	Voting rights and equity (%) interest 2015	2014	Activity	Country of incorporation
Kuwait Industrial Marble Manufacturing – K.S.C.(Closed)	-	%56.73	Producer of industrial marble	Kuwait
Harbara Pearl Farm Company – American Shareholding Company (B below)	%100	%100	Investment	United States of America
Al-Aqdain Real Estate Company – K.S.C. (Closed)	96%	96%	Real Estate	Kuwait
Kuwait Financial Group Company – K.S.C. (Holding)	99.99%	%89.54	Investment	Kuwait
KREC Debt Company Limited (A below)	100%	-	Investment	Cayman Islands
KREC Equity Company Limited (A below)	100%	-	Investment	Cayman Islands
KREC Meeker Debt Company Limited (A below)	100%	-	Investment	Cayman Islands
KREC Meeker Equity Company Limited (A below)	100%	-	Investment	Cayman Islands
KREC Yotel Miami Debt Company Limited (A below)	100%	-	Investment	Cayman Islands
KREC Yotel Miami Equity Company Limited (A below)	100%	-	Investment	Cayman Islands

A. The Parent Company consolidated these subsidiaries based on management accounts for the year ended 31 December 2015.

B. The Parent Company consolidated this subsidiary based on management accounts for the nine month period ended 30 September 2015.

During the year, the Group has agreed to voluntary liquidate Kuwait Industrial Marble Manufacturing Company – K.S.C. (Closed) (formerly a subsidiary). As a result, the Group has received an amount of KD 791,250 representing its share of the liquidation proceeds. And since the Parent Company had previously recorded impairment for all its investment in the subsidiary (Kuwait Industrial Marble Manufacturing Company – K.S.C. (Closed)) in prior years, (where the investment was carried in the Parent Company's books at KD 1, the full amount received from the liquidation was recorded as gain from liquidation of a subsidiary in the consolidated statement of income.

During the year, the Parent Company acquired additional stake of %10.45 in Kuwait Financial Group Company – K.S.C. (Holding). The acquisition of the additional stake did not result in any goodwill or gain.

During the year, the Parent Company established the following subsidiaries which are fully owned by the Group. These subsidiaries commenced their investment activities during the year.

Subsidiary name	Paid-up capital KD	Country of incorporation
KREC Debt Company Limited	1,324,440	Cayman Islands
KREC Equity Company Limited	828,624	Cayman Islands
KREC Meeker Debt Company Limited	799,802	Cayman Islands
KREC Meeker Equity Company Limited	266,601	Cayman Islands
KREC Yotel Miami Debt Company Limited	1,180,800	Cayman Islands
KREC Yotel Miami Equity Company Limited	295,776	Cayman Islands

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6.2 Non-controlling interests
The Group does not have subsidiaries with significant non-controlling interests.

7. FAIR VALUE ESTIMATION

The fair value represents the amount through which an asset is exchangeable or a liability can be settled. In the opinion of the Group's management, except for the available for sale investments stated at cost for the reasons stated in Note 10, the carrying value of the financial assets and liabilities as at 31 December approximates its fair value.

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

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
2015	KD	KD	KD	KD
Financial assets:				
Available for sale investments	57,429,826	870,021	-	58,299,847
Due from related parties	-	-	11,104,431	11,104,431
Accounts receivable and other debit balances (excluding prepaid expenses)	-	-	3,937,035	3,937,035
Investments at fair value through profit or loss	72,543	-	-	72,543
Time deposits	-	-	98,448	98,448
Cash and cash equivalents	-	-	10,053,360	10,053,360
	57,502,369	870,021	25,193,274	83,565,664

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
2015	KD	KD	KD	KD
Financial liabilities:				
Credit facilities	-	-	77,585,754	77,585,754
Term loans	-	-	4,413,200	4,413,200
Provision for lease contracts commitment	-	-	9,406,870	9,406,870
Due to related parties	-	-	946,512	946,512
Accounts payable and other credit balances	-	-	10,171,560	10,171,560
Due to bank	-	-	4,705,137	4,705,137
	-	-	107,229,033	107,229,033

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7. FAIR VALUE ESTIMATION (CONTINUED)

2014	Carried at fair value	Carried at cost	Carried at amortised cost	Total
	KD	KD	KD	KD
Financial assets:				
Available for sale investments	52,163,766	870,021	-	53,033,787
Due from related parties	-	-	8,601,830	8,601,830
Accounts receivable and other debit balances (excluding prepaid expenses)	-	-	4,080,867	4,080,867
Investments at fair value through profit or loss	106,900	-	-	106,900
Time deposits	-	-	1,309,197	1,309,197
Cash and cash equivalents	-	-	7,309,351	7,309,351
	52,270,666	870,021	21,301,245	74,441,932
Financial liabilities:				
Credit facilities	-	-	64,492,500	64,492,500
Term loans	-	-	4,972,174	4,972,174
Provision for lease contracts commitment	-	-	12,238,976	12,238,976
Due to related parties	-	-	156,151	156,151
Accounts payable and other credit balances	-	-	11,335,397	11,335,397
	-	-	93,195,198	93,195,198

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels from one to three based on the degree to which the fair value is observable:

The fair values of financial assets and liabilities are estimated as follows:

- Level one: Quoted prices in active markets for financial instruments.
- Level two: Quoted prices in active markets for identical instruments. Quoted prices in non-active markets for identical assets or liabilities, or by using inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets are determined:

Financial assets	Fair value as at 2015	Fair value as at 2014	Valuation date	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	KD	KD					
Available for sale investments							
Local quoted securities	16,978,085	19,682,943	31 December	Level one	Bid prices	N/A	N/A
Local unquoted securities	9,356,838	9,836,291	31 December	Level three	Technical valuation	N/A	N/A
Unquoted foreign securities	27,621,493	22,528,514	31 December	Level three	Technical valuation	N/A	N/A
Debt instruments	3,398,477	-	31 December	Level three	Technical valuation	N/A	N/A
Managed funds	74,933	116,018	31 December	Level two	Declared net asset value	N/A	N/A
Investments at fair value through profit or loss							
Quoted securities	72,543	106,900	31 December	Level 1	Bid prices	N/A	N/A

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses.

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The carrying value of other financial assets and liabilities does not significantly differ from their fair values as at the consolidated financial statements date.

a) Quoted shares
All the listed equity securities are publicly traded on a recognised stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

b) Unquoted shares
Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

c) Managed funds
The underlying investments of managed funds primarily comprise of quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by Fund Managers. All significant inputs into the model are based on observable market prices.

Reconciliation of Level three fair value measurements:

	Unquoted available for sale investments	
	2015	2014
	KD	KD
Balance as at 1 January	32,364,805	18,945,428
Additions	11,857,837	11,411,976
Disposals	-	(644,910)
Change in fair value	(3,845,834)	2,652,311
Balance as at 31 December	40,376,808	32,364,805

8. INVESTMENT PROPERTIES

	2015	2014
	KD	KD
At 1 January	142,888,171	112,781,965
Additions during the year	1,900,712	28,096,956
Transfer from properties under development	1,422,098	2,840,709
Disposals during the year	(7,083,540)	(6,105,941)
Change in fair value	3,520,575	5,300,527
Foreign currency translation difference	3,779	(26,045)
At 31 December	142,651,795	142,888,171

Investment properties of KD 89,450,000 as at 31 December 31) 2015 December 2014: KD 92,857,957) are pledged against due to bank, credit facilities and term loans (Note 18 ,14 and 19).
During the year, the Group received a %3.706 share in a local property from a related party, with a total value of KD 812,563, against settling portion of the debt receivable from the related party (Note .(11This property represents a right of use of land located in Al Dubaiya area and leased from the Ministry of Finance in Kuwait. The Group has signed an agreement with the other

8. INVESTMENT PROPERTIES (CONTINUED)

joint-owners of the property to manage and develop the property through a real estate portfolio manager which is a specialised company in the field of real estate investments (a joint-owner of the property).

During the year, the Group sold investment properties with a total sale value of KD 31) 8,981,868 December 2014: KD 10,545,290) which resulted in a gain of KD 31) 1,898,328 December 2014: KD 4,439,349) that was recognised in the consolidated statement of income for the year.

Fair value of the local investment properties is valuated by an independent, licensed and external valuator and by a local bank. External investment properties were valuated by an independent, licensed and external valuators. Investment properties of KD 74,361 were not valuated as they were purchased recently and, management believes that the carrying amount of these investment properties approximately equals its fair value. Management used the lowest valuation for all its investment properties valuated on an individual basis by the independent valuators as at 31 December 2015 and 2014.

9. INVESTMENT IN ASSOCIATES

Details of the Parent Company's associates and its equity interest as at yearend are set out below:

Associate name	Voting rights and equity interest (%)		Country of incorporation	Measurement method	Activity
	2015	2014			
Kuwait Building Materials Manufacturing K.P.S.C. (A below)	24.58	24.58	Kuwait	Equity method	Industrial
National Slaughters Houses Company – K.P.S.C. (A below)	44.22	44.22	Kuwait	Equity method	Consumer goods
First Slaughters Company – K.S.C. (Closed) (C below)	20.51	20.51	Kuwait	Equity method	Consumer goods
ABC Real Estate Company W.L.L. (B below)	49	46	Kuwait	Equity method	Real Estate
IFA Hotels and Resorts Company S.A.L. (A below)	49	49	Lebanon	Equity method	Real Estate

A. The Group's share of results of these associates were recorded based on unaudited financial information for the nine month period ended 30 September 2015.

B. The Group's share of results of these associates were recorded based on management accounts for the nine month period ended 30 September 2015.

C. The Group's share of results of the associate was recorded based on audited financial statements for the financial year ended 31 December 2014.

During the year, the Parent Company received three additional units in its associate ABC Real Estate Company W.L.L as a result of waiving its ownership of an investment portfolio. The transfer of the additional units did not result in any goodwill or gain (Note 10).

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Summarised financial information of Group's material associate are set out below:

	ABC Real Estate Company W.L.L.	
	2015	2014
	KD	KD
Assets		
Current assets	3,045,472	4,122,658
Non-current assets	22,846,965	20,747,744
Total assets	25,892,437	24,870,402
Liabilities		
Current liabilities	6,558,221	4,987,549
Non-current liabilities	9,432,687	10,771,278
Total liabilities	15,990,908	15,758,827
Net assets attributable to the shareholders of the Parent Company	9,817,273	9,111,575
Non-controlling interests	84,256	53,543
Total equity	9,901,529	9,165,118
The Group's share of associate's net assets	4,810,464	4,191,325
Revenue	3,182,548	4,950,677
Expenses	2,363,587	4,764,384
Profit for the year	818,961	186,293
Total other comprehensive income for the year	-	-
Group's share in associate's results	401,291	83,832
Dividend received	-	-

The remaining associates are considered immaterial to the Group.

Summarised financial information of the Group's immaterial associates are set out below:

	2015	2014
	KD	KD
Aggregate share in immaterial associates' assets and liabilities:		
Assets	13,877,858	13,749,833
Group's share of net assets	3,521,270	3,568,342
Group's share in immaterial associates' results	256,375	69,380

During the year, the dividends received from immaterial associates' amounted to KD 31) 303,451 December 2014: KD 284,080).

10. AVAILABLE FOR SALE INVESTMENTS

	2015	2014
	KD	KD
Local quoted securities	16,978,085	19,682,943
Unquoted securities	9,669,609	10,149,062
Foreign unquoted securities	28,178,743	23,085,764
Debt instruments*	3,398,477	-
Managed funds	74,933	116,018
	58,299,847	53,033,787

* During the year, the Group invested in foreign unquoted companies through debt instruments issued by the following subsidiaries:

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10. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

Subsidiary name	Amount KD
KREC Debt Company Limited	1,342,421
KREC Meeker Debt Company Limited	809,656
KREC Yotel Miami Debt Company Limited	1,246,400
	3,398,477

Debt instruments represent promissory notes of KD 31) 3,398,477 December 2014: KD nil) issued to foreign companies. Effective interest rate ranges from %9 to 31) %11 December 2014: Nil).

Local and foreign unquoted securities include investments of KD 31) 870,021 December 2014: KD 870,021 carried at cost less impairment due to unavailability of financial information to arrive at a reliable measure of their fair value. The Group's management believes that the available information for those investments has not indicated any impairment in value.

Investments of KD 31) 2,628,745 December 2014: KD 3,126,426) managed by a related party (Note 11).

During the year, the Parent Company waived its ownership of an investment portfolio managed by a related party, to the same related party managing this portfolio. In return, the Parent Company received cash and shares in an associate (Note .(9This transaction resulted in a gain of KD 120,216 that was included in gain on sale of available for sale investments in the consolidated statement of income (Note 11).

During the year, the Group's management recognised an impairment of KD 31) 5,102,068 December 2014: KD 5,178,066) in the consolidated statement of income. Management has performed analysis of the remaining investments which indicated that there is no further impairment in value.

During the year, the Parent Company purchased available for sale investments of KD 31) 1,496,595 December 2014: KD 4,976,081) from related parties (Note 11).

Valuation techniques for available for sale investments are disclosed in (Note 7).

11. RELATED PARTY TRANSACTIONS

Related parties represent, major shareholders, directors and key management personnel of the Group, their close family members, and entities controlled, or significantly influenced by Parent Company. In the normal course of business, related party transactions during the year ended 31 December were carried out and approved by the Group's management.

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

Consolidated statement of financial position	2015 KD	2014 KD
Purchase of investment properties	-	946,700
Receipt of share in a local property against settling a debt from a related party (Note 8)	812,563	-
Receipt of shares in an associate against waiver of an investment portfolio (Note 9)	217,852	-
Purchase of available for sale investments (Note 10)	1,496,595	4,976,081
Available for sale investments managed by a related party (Note 10).	2,628,745	3,126,426
Due from related parties	11,104,431	8,601,830
Due to related parties	946,512	156,151
Board of Directors' accrued remuneration (Note 25)	-	70,000

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During the year, the Parent Company received a share in a local property with a value of KD 812,563 (Note 8) against settling a portion of the debt receivable from the related party of KD 1,080,699 as at 31 December 2014. Accordingly, the Parent Company reversed the provision for doubtful debts of KD 500,000 formed against that amount (Note 23). Management believes that the remaining balance is collectable and there is no need for forming a provision.

The transactions with related parties are subject to approval of the shareholders at the general assembly. Amounts due from/to related parties are non-interest bearing and are receivable/payable on demand.

	2015	2014
Consolidated statement of income	KD	KD
Operating costs	510,332	564,813
General and administrative expenses	205,000	231,500
Gain on sale of available for sale investments (Note 10)	120,216	-
Net (loss)/profit from settlement of recovery of Parent Company debt (Note 22)	(209,769)	1,001,800
Provision for doubtful debt from a related party	307,038	268,057
Write back of provision no longer required (Note 23)	500,000	-
Compensation of Key management personnel		
Salaries and other short-term benefits	143,077	205,076
End of service benefits	26,000	30,000
Board of Directors' remuneration	-	70,000

12. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2015	2014
	KD	KD
Accounts receivable	3,506,448	3,442,867
Less: provision for doubtful debts	(800,000)	(800,000)
	2,706,448	2,642,867
Prepaid expenses	55,799	22,008
Refundable deposits	35,484	27,010
Other debit balances	1,195,103	1,410,990
	3,992,834	4,102,875

In determining the recoverability of trade accounts receivable, the management considers any change in the credit quality of the trade accounts receivable from the date credit was initially granted up to the financial position date. Credit risk concentration is limited due to existence of a large number of clients. Accordingly, the management believes that there is no further provision required.

13. TIME DEPOSITS

Time deposits represent deposits with local and foreign banks with maturity period over three months from the placement date. The average interest rate on time deposits ranges from %1 to 31) %2.25 December 2014: ranges from %1 to %2.25) per annum.

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14. CASH AND CASH EQUIVALENTS

	2015	2014
	KD	KD
Cash and bank balances	5,647,824	7,294,294
Cash at investment portfolios managed by others	5,536	15,057
Time deposits (maturing within 3 months from placement date)	4,400,000	-
Total cash and cash equivalents	10,053,360	7,309,351
Less: due to bank	(4,705,137)	-
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	5,348,223	7,309,351

Due to bank represents credit facilities (overdrafts) granted to the Group, during the year, from an Islamic banking institution operating in the State of Kuwait. These facilities carry an annual profit rate of 31) %1.75 December 2014: Nil) above the Central Bank of Kuwait discount rate. Due to bank is granted against mortgage of investment properties (Note 8).

15. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December, the Parent Company's authorised, issued and fully paid-up capital comprises of 906,712,940 shares of 100 fils each (31 December 2014:906,712,940 shares of 100 fils each). All shares are paid in cash.

Share premium is not available for distribution.

16. TREASURY SHARES

	2015	2014
Number of shares (share)	1,373,091	1,373,091
Percentage of issued shares (%)	0.151%	0.151%
Market value (KD)	72,774	97,489

The Parent Company is committed to retain reserves, share premium and retained earnings equivalent to the acquired treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

17. STATUTORY AND VOLUNTARY RESERVE

Statutory reserve
In accordance with the Companies Law, as amended and the Parent Company's Articles of Association, as amended, %10 of the profit for the year attributable to shareholders of the Parent Company before contributions to KFAS, NLST, Zakat and Board of Directors remuneration has been transferred to statutory reserve. The ordinary General Assembly of the Parent Company may resolve to discontinue such transfer when the reserve totals %50 of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of %5 of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary reserve
In accordance with the Parent Company's Articles of Association, as amended, %10 of the profit for the year attributable to shareholders of the Parent Company before contributions to KFAS, NLST, Zakat and Board of Directors remuneration has been transferred to voluntary reserve. There are no restrictions on the distribution of this reserve.

18. CREDIT FACILITIES

	2015 KD	2014 KD
Non-current portion	76,335,754	58,242,500
Current portion	1,250,000	6,250,000
	77,585,754	64,492,500

Credit facilities represent Islamic finance through murabaha agreements to be settled in installments and carry annual profit rate ranging from %1.75 to 31) %2.4 December %1.75 :2014 to %2.4) over the Central Bank of Kuwait discount rate. The credit facilities are granted against mortgage of investment properties (Note 8).

Details of credit facilities are as follows:

2015

Facility amount	Due amount	Current portion	Non-current portion	Maturity date	Mortgages offered
KD	KD	KD	KD		
35,000,000	34,835,754	-	34,835,754	31 December 2020	16 properties from the Group's properties in the State of Kuwait
19,500,000	19,500,000	-	19,500,000	31 December 2020	
24,500,000*	23,250,000	1,250,000	22,000,000	1 January 2024	Mortgage of a property in the State of Kuwait
79,000,000	77,585,754	1,250,000	76,335,754		

2014

Facility amount	Due amount	Current portion	Non-current portion	Maturity date	Mortgages offered
KD	KD	KD	KD		
35,000,000	34,992,500	-	34,992,500	31 December 2020	16 properties from the Group's properties in the State of Kuwait
19,500,000	5,000,000	5,000,000	-	31 December 2020	
24,500,000	24,500,000	1,250,000	23,250,000	1 January 2024	Mortgage of a property in the State of Kuwait
79,000,000	64,492,500	6,250,000	58,242,500		

* Subsequent to the reporting date, the Parent Company signed an agreement for restructuring and increasing the credit limit of its credit facilities to reach KD 33,000,000. The Parent Company received a grace period until June 2018 to settle the installments.

19. TERM LOANS

	2015 KD	2014 KD
Non-current portion	642,200	4,390,174
*Current portion	3,771,000	582,000
	4,413,200	4,972,174

Term loans are granted to the Group from foreign banks operating in Kuwait and abroad and carry an interest rate ranging from %4 to 31) %5 December %4 :2014 to %5) per annum. Term loans are granted to the Group against mortgage of investment properties (Note 8).
*During the year, the Parent Company corresponded with one of the banks lending the Group, relating to its intent of early settlement

19. TERM LOANS (CONTINUED)

of one of its loans. Consequently, all the amount due in respect of this loan was classified within current liabilities.

Subsequent to the reporting date, the full amount due was settled.

Details of term loans are as follows:

2015

Loan amount	Due amount	Current portion	Non-current portion	Maturity date	Mortgages offered
KD	KD	KD	KD		
5,226,000	3,771,000	3,771,000	-	30 June 2018	Two properties from the Group's properties in the State of Kuwait
642,200	642,200	-	642,200	1 November 2043	One property from the Group's properties in the United States of America.
5,868,200	4,413,200	3,771,000	642,200		

2014

Loan amount	Due amount	Current portion	Non-current portion	Maturity date	Mortgages offered
KD	KD	KD	KD		
5,226,000	4,353,000	582,000	3,771,000	30 June 2018	Two properties from the Group's properties in the State of Kuwait
619,174	619,174	-	619,174	1 November 2043	One property from the Group's properties in the United States of America.
5,845,174	4,972,174	582,000	4,390,174		

20. PROVISION FOR LEASE CONTRACTS COMMITMENT

This represents net rental amount payable by the Group for the buildings of Souq Alkuwait, and Souq Al-Kabeer as per agreements for managing and operating these buildings, entered into with Ministry of Finance – State Property Management Department.

Provision for lease contracts commitment for the current year of KD 31) 4,277,332 December 2014: KD 4,277,332) was included in operating costs.

During the year ended 31 December 2013, the Parent Company won a contract for the management, development, operation and maintenance of Souk Al-Kabeer and Souk Al-Kuwait real estate properties for a period of ten years. The final agreements for those properties have been signed on 1 October 2013, by which, the Parent Company shall pay annual rental amount of KD 4,812,000 that started on 1 January 2015.

The total rental amount has been charged to the full contract term beginning on the date of signing the agreements on 1 October 2013. Furthermore, The Parent Company had issued letters of guarantee of KD 7,049,120 as per these agreements (Note 29).

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21. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2015 KD	2014 KD
Accounts payable	4,116,788	5,360,632
Accrued expenses and leave	448,095	1,140,955
Kuwait Foundation for the Advancement of Sciences	39,972	67,747
National Labor Support Tax	2,719,297	2,608,264
Zakat	234,212	189,799
Dividends payable to shareholders	1,880,129	1,196,923
Payments received in advance on sale of investment properties*	-	4,350,000
Board of Directors accrued remuneration (Note 25)	-	70,000
Other credit balances	733,067	701,077
	10,171,560	15,685,397

* During the year, the Parent Company completed all procedures relating to the sale and transfer of ownership of (2) of its investment properties with total sale amount of KD 8,750,000. The sale process resulted in a gain of KD 1,850,000 that was included within gain on sale of investment properties in the consolidated statement of income (Note 8).

22. NET (LOSS)/GAIN ARISING FROM RECOVERY OF PARENT COMPANY DEBT

During the year ended 31 December 2014, the Parent Company received a credit advice of KD 1,001,800 from Kuwait International Investment Compan K.S.C. (Closed) in return for the amounts that the Parent Company settled against its debt to Kuwait International Investment Company K.S.C. (Closed), which was included in the consolidated statement of income for that year. During the financial year ended 31 December 2015, the Parent Company received a payment of KD 1,250,000 from Kuwait International Investment Company K.S.C. (Closed). The difference received (or KD 248,200) represents the accrued interests as calculated by the court for previous years on this debt. Subsequently, the Parent Company has settled its debts from the Kuwait International Investment Company K.S.C. (Closed) with Gulf bank and paid an amount of KD 457,969, which makes the net results of this settlement a loss of KD 31) 209,769 December 2014: profit of KD 1,001,800) that was included in the consolidated statement of income.

23. REVERSAL OF PROVISIONS NO LONGER REQUIRED

During the year, the Parent Company received an amount of KD 1,500,000 from Public Authority for Housing Welfare, representing the letter of guarantee amount issued to the Authority. The Parent Company issued this letter earlier for the tender of low-cost houses and the letter was liquidated later by the Authority. Consequently, the provision against this amount was reversed.

During the year, the Parent Company has reversed provision for doubtful debts of KD 500,000 against the amount due from a related party of KD 1,080,699 as at 31 December 2014 (Note 11).

21. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share attributable to the shareholders of the Parent Company are calculated by dividing profit for the year attributable to the shareholders of the Parent Company by the weighted average number of outstanding shares during the year as follows:

	2015	2014
Profit for the year attributable to the shareholders of the Parent Company (KD)	4,245,900	7,126,273
Weighted average number of outstanding shares (less treasury shares) (share)	905,339,849	905,339,849
Basic and diluted earnings per share (fils)	4.69	7.87

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25. SHAREHOLDERS GENERAL ASSEMBLY

The Board of Directors in their meeting held on 31 March 2016 proposed not to distribute dividends for the financial year ended 31 December 2015. The Board proposed a remuneration for the Board of Directors amounting to KD 80,000 for the financial year ended 31 December .2015This proposal is subject to approval of the Annual General Assembly of the shareholders.

The Parent Company's ordinary general assembly meeting held on 2 April 2015 approved the audited consolidated financial statements for the financial year ended 31 December 2014, and also approved the following:

- Distribution of cash dividends of %5 of paid up share capital less treasury shares of KD 4,526,696 for the financial year ended 31 December 2014.
- Board of Directors remuneration of KD 70,000 for the financial year ended 31 December 2014.

26. OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which separate financial information is available.

The Group conducts its activities through two main segments, they are as follows:

- Properties segment: represented in purchase, sale and rental of properties.
- Investment segment: represented in investments in local and foreign shares and funds managed by specialised companies.

The segments results are reported to the senior executive management of the Group, as well as the revenues and results of the Group's business, assets and liabilities are reported in accordance with the geographical locations where the Group conducts its activities. Revenue, profit, assets and liabilities are measured according to the same accounting bases followed in preparation of consolidated financial statements. Segment analysis in line with internal reports submitted to management is as follows:

	Real estate	Investment	Undistributed	Total
2015	KD	KD	KD	KD
Total income	20,565,008	2,691,349	587,954	23,844,311
Profit/(loss) for the year	6,579,728	(3,461,882)	1,128,054	4,245,900
Total assets	147,462,981	66,704,124	21,256,239	235,423,344
Total liabilities	96,110,961	10,171,560	1,944,768	108,227,289
Net assets	51,352,020	56,532,564	19,311,471	127,196,055
2014				
Total income	23,248,188	1,875,286	427,931	25,551,405
Profit/(loss) for the year	11,853,061	(3,570,837)	(1,159,067)	7,123,157
Total assets	147,191,800	60,900,354	17,220,378	225,312,532
Total liabilities	81,703,650	15,685,397	948,708	98,337,755
Net assets	65,488,150	45,214,957	16,271,670	126,974,777

26.2 Geographic distribution of assets and liabilities

2015	Kuwait	Other Middle Eastern Countries	USA, Europe and other countries	Total
	KD	KD	KD	KD
Assets				
Property and equipment	590,637	-	-	590,637
Investment properties	120,191,985	21,507,887	951,923	142,651,795
Properties under development	227,715	-	-	227,715
Investments in associates	8,331,734	-	-	8,331,734
Available for sale investments	26,647,694	5,050,172	26,601,981	58,299,847
Due from related parties	7,104,587	3,756,644	243,200	11,104,431
Accounts receivable and other debit balances	3,959,026	-	33,808	3,992,834
Investments at fair value through profit or loss	23,353	-	49,190	72,543
Time deposits	98,448	-	-	98,448
Cash and cash equivalents	9,544,175	424,908	84,277	10,053,360
	176,719,354	30,739,611	27,964,379	235,423,344
Liabilities				
Credit facilities	77,585,754	-	-	77,585,754
Term loans	3,771,000	-	642,200	4,413,200
Provision for lease contracts commitment	9,406,870	-	-	9,406,870
Employees' end of service benefits	998,256	-	-	998,256
Due to related parties	946,512	-	-	946,512
Accounts payable and other credit balances	10,152,014	-	19,546	10,171,560
Due to bank	4,705,137	-	-	4,705,137
	107,565,543	-	661,746	108,227,289

2014	Kuwait	Other Middle Eastern Countries	USA, Europe and other countries	Total
	KD	KD	KD	KD
Assets				
Property and equipment	103,847	-	-	103,847
Investment properties	122,658,600	19,281,428	948,143	142,888,171
Properties under development	96,907	-	-	96,907
Investments in associates	7,759,667			7,759,667
Available for sale investments	29,755,506	4,720,865	18,557,416	53,033,787
Due from related parties	4,771,914	3,829,916	-	8,601,830
Accounts receivable and other debit balances	3,801,496	-	301,379	4,102,875
Investments at fair value through profit or loss	35,516	-	71,384	106,900
Time deposits	98,337	-	1,210,860	1,309,197
Cash and cash equivalents	4,719,932	297,005	2,292,414	7,309,351
	173,801,722	28,129,214	23,381,596	225,312,532
Liabilities				
Credit facilities	64,492,500	-	-	64,492,500
Term loans	4,353,000	-	619,174	4,972,174
Provision for lease contracts commitment	12,238,976	-	-	12,238,976
Employees' end of service benefits	792,557	-	-	792,557
Due to related parties	156,151	-	-	156,151
Accounts payable and other credit balances	15,685,397	-	-	15,685,397
	97,718,581	-	619,174	98,337,755

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27. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to market risks, equity price risks and liquidity risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. The Group's policy is to monitor business risks through the Group's strategic planning process. No changes were made on objectives, policies and procedures of the financial risk management during the financial years ended 31 December 2015 and 31 December 2014. Risk management policies of such risks are reviewed and approved by management of the Parent Company. Such policies are summarised as follows:

27.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market prices. Market risks include foreign currency risks, interest rate risks and equity price risks.

A) Foreign currency risk

Foreign currency risk is the risk of fluctuations in fair value or future cash flows of a financial instrument as a result of changes in the exchange rates of foreign currencies affecting the Group's cash flows or valuation of monetary assets and liabilities in foreign currencies.

The Group is exposed to foreign currency risk resulting primarily from dealing with financial instruments in foreign currencies.

The Group has set policies to manage foreign currency risks, which requires all companies of the Group to manage the

foreign exchange risk against their operational currency. The Group follows and manages such risks through:
- Follow up of changes in foreign exchange rates regularly.
- Set limits for dealing in foreign currencies, and for purposes of the Group's main activity.

The following are the net foreign currency positions as at the reporting date:

	2015	2014
	KD	KD
United States Dollars	29,310,922	22,620,688
Euro	525,851	77,959
Great Britain Pound	1,942,331	1,935,087
United Arab Emirates Dirham	20,306,408	22,145,715

The foreign currency sensitivity tests were made based on 31) %2 December %2 :2014) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened against the foreign currencies, assuming the above sensitivity, then this would have the following impact on the results for the year:

	2015	2014
	KD	KD
Profit for the year	449,395	455,383
Equity	592,316	590,327

If the Kuwaiti Dinar had weakened against the foreign currencies, assuming the above sensitivity, then the impact on the Group's results for the year would have been equally the reverse as disclosed above.

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

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B) Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group has no significant interest bearing assets other than fixed deposits. The Group is exposed to interest rate risk with respect to its borrowings, whether they are at fixed or floating interest rate.. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings. The Board of Directors has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Provisions are monitored on a regular basis and hedging strategies used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates on the Group's borrowings of %5+ and –31) %5 December %5+ :2014 and –%5) consecutively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition and rates.

		2015	2014
		KD	KD
Profit for the year	+5%	197,406	176,449

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

The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increases shown above.

C) Equity price risk
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the level of equity indices and the value of individual shares. The Group is exposed to such risks as the Group has investments classified in the consolidated financial statement as available for sale investments, or financial investments at fair value through profit or loss. The Group follows and manages such risks through:
- Managing the Group's investment through portfolios managed by specialised managers.
- Investment in shares of companies with good financial positions realising operating revenues and high cash dividends, and investment fund with good performance.
- Regular follow up of the market prices changes.

Effect on the sensitive financial assets of equity prices taking into consideration a change of %5 with all other factors held constant is shown below.

		Profit for the year		Equity	
		2015	2014	2015	2014
		KD	KD	KD	KD
Investments at fair value through profit or loss	%5+	3,627	5,345	-	-
Available for sale investments	%5+	-	-	2,871,491	2,608,188
		3,627	5,345	2,871,491	2,608,188

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

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown above.

27.2. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy regarding exposure to credit risk requires monitoring these risks on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of clients in specific locations or businesses through diversification of its activities. It also obtains security when appropriate.

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27. FINANCIAL RISK MANAGEMENT

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

	2015	2014
	KD	KD
Due from related parties	11,104,431	8,601,830
Accounts receivable and other debit balances (excluding prepaid expenses)	3,937,035	4,080,867
Time deposits	98,448	1,309,197
Cash and cash equivalents	10,053,360	7,309,351
	25,193,274	21,301,245

Geographic concentration of maximum exposure to credit risk

The maximum exposure to credit risk for financial assets at the reporting date by geographic region was:

2015	Kuwait	Other Middle Eastern Countries	USA, Europe and others	Total
	KD	KD	KD	KD
Due from related parties	7,104,587	3,756,644	243,200	11,104,431
Accounts receivable and other debit balances (excluding prepaid expenses)	3,936,358	-	677	3,937,035
Time deposits	98,448	-	-	98,448
Cash and cash equivalents	9,544,175	424,908	84,277	10,053,360
	20,683,568	4,181,552	328,154	25,193,274

2014	Kuwait	Other Middle Eastern Countries	USA, Europe and others	Total
	KD	KD	KD	KD
Due from related parties	4,771,914	3,829,916	-	8,601,830
Accounts receivable and other debit balances (excluding prepaid expenses)	3,779,488	-	301,379	4,080,867
Time deposits	98,337	-	1,210,860	1,309,197
Cash and cash equivalents	4,719,932	297,005	2,292,414	7,309,351
	13,369,671	4,126,921	3,804,653	21,301,245

27.3. Liquidity risk

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

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The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities.

The maturity profile of liabilities are as follows:

	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD
2015					
Liabilities					
Credit facilities	657,031	657,031	57,120,461	23,127,500	81,562,023
Term loans	-	3,940,695	-	671,099	4,611,794
Provision for lease contracts commitment	4,812,000	2,297,438	2,297,432	-	9,406,870
Due to related parties	57,846	888,666	-	-	946,512
Accounts payable and other credit balances	-	10,171,560	-	-	10,171,560
Due to bank	4,787,477	-	-	-	4,787,477
	10,314,354	17,955,390	59,417,893	23,798,599	111,486,236

	3-1 months	12-3 months	5-1 years	Over 5 years	Total
	KD	KD	KD	KD	KD
2014					
Liabilities					
Credit facilities	5,625,000	625,000	47,572,200	12,937,500	66,759,700
Term loans	-	582,000	3,940,695	647,037	5,169,732
Provision for lease contracts commitment	4,812,000	2,297,438	5,129,538	-	12,238,976
Due to related parties	-	156,151	-	-	156,151
Accounts payable and other credit balances	-	15,685,397	-	-	15,685,397
	10,437,000	19,345,986	56,642,433	13,584,537	100,009,956

28. CAPITAL RISK MANAGEMENT

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and other variables including risks related to the Group assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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28. CAPITAL RISK MANAGEMENT (CONTINUED)

The capital structure of the Group consists of the following:

	2015 KD	2014 KD
Credit facilities (Note 18)	77,585,754	64,492,500
Term loans (Note 19)	4,413,200	4,972,174
less: cash and cash equivalents and term loans (Note 13 and 14)	(5,446,671)	(8,618,702)
Net debt	76,552,283	60,845,972
Equity	127,196,055	126,974,777
Net debt to equity ratio	%60.18	%47.92

29. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2015 KD	2014 KD
Issued letters of guarantee	7,225,794	7,253,294
Capital commitments for maintaining, developing and operating the properties	3,861,738	5,583,669
	11,087,532	12,836,963

During the year ended 31 December 2013, the Parent Company won a contract for management, development and maintenance of Souk Al-Kabeer and Souk Al-Kuwait real estate properties for ten years. The final agreements have been signed on 1 October 2013 and the Parent Company has issued letters of guarantee of KD 7,049,120 as per these agreements (Note .(20

These agreements have resulted in capital commitments on the Parent Company for maintenance, development and operating the properties of KD 6,694,990 payable within three years from the date of signing the final agreements.

30. SUBSEQUENT EVENTS

Subsequent to the reporting date, the Parent Company agreed with the associate company ABC Real Estate Company W.L.L. to purchase all the units in Freej International Real Estate Company W.L.L. (subsidiary of the associate). In return, the Parent Company settled few balances due from the associate and paid additional amounts to the associate. Whereas Freej International Real Estate Company W.L.L. owns Arabella Complex –Bidaa area, hence the Parent Company becomes the only owner of Arabella land and Complex –Bidaa area.

31. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current year's presentation. The reclassification has no effect on the previously reported income for the year and equity.

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