

Consolidated financial statements and independent auditors' report
Arzan Financial Group for Financing and Investment – KPSC
and its Subsidiaries
Kuwait

31 December 2015

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Independent auditors' report

To the shareholders of
Arzan Financial Group for Financing and Investment - KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arzan Financial Group for Financing and Investment - Kuwaiti Public Shareholding Company (“the parent company”) and its subsidiaries (collectively “the group”), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

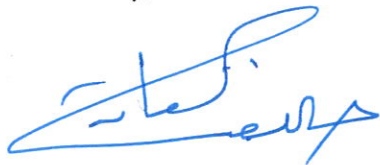
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Arzan Financial Group for Financing and Investment – KPSC and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year ended 31 December 2015 in accordance with International Financial Reporting Standards as adopted for use in the State of Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and the executive regulations of Law No. 25 of 2012 and by the parent company's memorandum of incorporation and articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law and the executive regulations or of the parent company's memorandum of incorporation and articles of association, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business or financial position of the parent company, except for the matter discussed in note (1) to the consolidated financial statements with respect to the separation of the powers of the chief executive officer and the chairman.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2015.

We further report that, during the course of our audit, we have not become aware of any material violations, during the year ended 31 December 2015, of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.



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of Grant Thornton – Al-Qatami, Al-Aiban & Partners



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Kuwait
29 March 2016

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue			
Income from instalment credit debtors	7	2,877,350	1,446,213
Rental income		175,179	153,676
Interest income		253,066	276,254
Profit on sale of investments at fair value through profit or loss		17,584	425,007
Change in fair value of investments at fair value through profit or loss		(954,137)	(367,103)
(Loss)/profit on sale of available for sale investments		(357,943)	408,677
Profit on sale of properties held for trading		-	223,283
Loss on disposal of subsidiaries	6.1	(102,494)	-
Share of results of associates	18	1,377,871	(237,382)
Profit on sale of investment in associate		-	406,143
Dividend income	8	2,705,198	1,866,189
Brokerage income		535,135	452,472
Advisory fees		1,486,759	963,804
(Loss)/gain on foreign currency exchange		(124,281)	205,753
Reversal of provision for instalment credit debtors – net	13	-	4,661,703
Other income		364,854	494,425
		8,254,141	11,379,114
Expenses and other charges			
Staff costs		(2,601,604)	(2,279,178)
General and administrative expenses		(1,514,648)	(1,643,704)
Finance costs	9	(1,016,472)	(996,773)
Depreciation		(290,332)	(205,360)
Provision for instalment credit debtors	13	(549,168)	-
Impairment of available for sale investments	17	(7,267,257)	(692,314)
Impairment of investment in real estate under development	19	(657,270)	-
Impairment of associate		-	(597,529)
		(13,896,751)	(6,414,858)
(Loss)/profit for the year before provisions for contribution to KFAS, National Labour Support Tax, Zakat and directors' remuneration		(5,642,610)	4,964,256
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(34,934)
Provision for National Labour Support Tax (NLST)		-	(92,809)
Provision for Zakat		-	(19,173)
(Loss)/profit for the year		(5,642,610)	4,817,340
Attributable to:			
Shareholders of the parent company		(6,998,370)	3,608,053
Non-controlling interests		1,355,760	1,209,287
		(5,642,610)	4,817,340
Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company (Fils)	10	(8.783)	4.527

The notes set out on pages 10 to 68 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
(Loss)/profit for the year	(5,642,610)	4,817,340
Other comprehensive (loss)/income:		
<i>Items that will be reclassified subsequently to consolidated statement of profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(730,177)	(984,935)
Share of other comprehensive loss of associates	-	(214)
Available for sale investments:		
- Net change in fair value arising during the year	(3,707,557)	(12,550,598)
- Transferred to consolidated statement of profit or loss on sale	(191,218)	(523,174)
- Transferred to consolidated statement of profit or loss on impairment	7,267,257	692,313
Total other comprehensive income/(loss) for the year	2,638,305	(13,366,608)
Total comprehensive loss for the year	(3,004,305)	(8,549,268)
Attributable to:		
Shareholders of the parent company	(3,825,089)	(8,764,621)
Non-controlling interests	820,784	215,353
	(3,004,305)	(8,549,268)

The notes set out on pages 10 to 68 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
Assets			
Cash and cash equivalents	12	7,307,640	9,566,645
Instalment credit debtors	13	13,494,741	14,549,898
Investments at fair value through profit or loss	14	6,720,274	5,640,753
Accounts receivable and other assets	15	6,780,171	6,200,635
Due from related parties	32	676,801	1,002,023
Properties held for trading	16	1,313,947	1,510,290
Available for sale investments	17	91,573,129	87,044,475
Investment in associates	18	50,604,203	53,143,043
Investment in real estate under development	19	4,108,650	-
Investment properties	20	1,832,060	1,891,123
Property and equipment	21	3,396,711	3,155,709
Total assets		187,808,327	183,704,594
Liabilities and equity			
Liabilities			
Due to banks	22	1,661,901	2,683,248
Accounts payable and other liabilities	23	7,814,601	7,119,902
Due to related parties	32	295,257	424,547
Term loans	24	12,770,000	11,660,000
Murabaha payable	25	10,823,538	5,200,000
Provision for employees' end of service benefits		805,014	721,432
Total liabilities		34,170,311	27,809,129
Equity			
Share capital	26	80,288,257	80,288,257
Share premium	26	27,142,826	27,142,826
Treasury shares	27	(559,233)	(557,080)
Legal reserve	28	375,497	375,497
Voluntary reserve	28	375,497	375,497
Foreign currency translation reserve		(182,484)	12,717
Fair value reserve		5,552,670	2,184,188
(Accumulated losses)/retained earnings		(4,090,547)	2,923,699
Total equity attributable to the shareholders of the parent company		108,902,483	112,745,601
Non-controlling interests		44,735,533	43,149,864
Total equity		153,638,016	155,895,465
Total liabilities and equity		187,808,327	183,704,594



Jassem Hasan Zainal
Chairman and Chief Executive Officer

The notes set out on pages 10 to 68 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings/ (accumulated losses) KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2015	80,288,257	27,142,826	(557,080)	375,497	375,497	12,717	2,184,188	2,923,699	112,745,601	43,149,864	155,895,465
Purchase of treasury shares	-	-	(2,153)	-	-	-	-	-	(2,153)	-	(2,153)
Disposal of partial interests in subsidiaries (note 6.1)	-	-	-	-	-	-	-	-	-	749,009	749,009
Effect of change in ownership percentage of subsidiary (note 6.1)	-	-	-	-	-	-	-	(15,876)	(15,876)	15,876	-
Transactions with shareholders	-	-	(2,153)	-	-	-	-	(15,876)	(18,029)	764,885	746,856
(Loss)/profit for the year	-	-	-	-	-	-	-	(6,998,370)	(6,998,370)	1,355,760	(5,642,610)
Other comprehensive (loss)/income:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(195,201)	-	-	(195,201)	(534,976)	(730,177)
Available for sale investments:											
- Net change in fair value arising during the year	-	-	-	-	-	-	(3,707,557)	-	(3,707,557)	-	(3,707,557)
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	-	(191,218)	-	(191,218)	-	(191,218)
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	-	-	-	7,267,257	-	7,267,257	-	7,267,257
Total other comprehensive (loss)/income for the year	-	-	-	-	-	(195,201)	3,368,482	-	3,173,281	(534,976)	2,638,305
Total comprehensive (loss)/income for the year	-	-	-	-	-	(195,201)	3,368,482	(6,998,370)	(3,825,089)	820,784	(3,004,305)
Balance at 31 December 2015	80,288,257	27,142,826	(559,233)	375,497	375,497	(182,484)	5,552,670	(4,090,547)	108,902,483	44,735,533	153,638,016

The notes set out on pages 10 to 68 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	(Accumulated losses)/ retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2014	80,288,257	32,950,027	(597,141)	6,977,142	-	3,718	14,565,861	(12,709,887)	121,477,977	16,619,629	138,097,606
Purchase of treasury shares	-	-	(220,950)	-	-	-	-	-	(220,950)	-	(220,950)
Sale of treasury shares	-	(74,456)	261,011	-	-	-	-	-	186,555	-	186,555
Write off of accumulated losses	-	(5,732,745)	-	(6,977,142)	-	-	-	12,709,887	-	-	-
Disposal of partial interests in subsidiaries	-	-	-	-	-	-	-	66,640	66,640	26,314,882	26,381,522
Transactions with shareholders	-	(5,807,201)	40,061	(6,977,142)	-	-	-	12,776,527	32,245	26,314,882	26,347,127
Profit for the year	-	-	-	-	-	-	-	3,608,053	3,608,053	1,209,287	4,817,340
Other comprehensive income/(loss):											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	8,999	-	-	8,999	(993,934)	(984,935)
Share of other comprehensive loss of associates	-	-	-	-	-	-	(214)	-	(214)	-	(214)
Available for sale investments:											
- Net change in fair value arising during the year	-	-	-	-	-	-	(12,550,598)	-	(12,550,598)	-	(12,550,598)
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	-	(523,174)	-	(523,174)	-	(523,174)
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	-	-	-	692,313	-	692,313	-	692,313
Total other comprehensive income/(loss) for the year	-	-	-	-	-	8,999	(12,381,673)	-	(12,372,674)	(993,934)	(13,366,608)
Total comprehensive income/(loss) for the year	-	-	-	-	-	8,999	(12,381,673)	3,608,053	(8,764,621)	215,353	(8,549,268)
Transfer to reserves	-	-	-	375,497	375,497	-	-	(750,994)	-	-	-
Balance at 31 December 2014	80,288,257	27,142,826	(557,080)	375,497	375,497	12,717	2,184,188	2,923,699	112,745,601	43,149,884	155,895,465

The notes set out on pages 10 to 68 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
OPERATING ACTIVITIES			
(Loss)/profit for the year		(5,642,610)	4,817,340
Adjustments:			
Interest income	8	(253,066)	(276,254)
Dividend income		(2,705,198)	(1,866,189)
Loss on disposal of subsidiaries	6.1	102,494	-
Impairment of available sale investments	17	7,267,257	692,314
Impairment of investment in real estate under development		657,270	-
Impairment of associate		-	597,529
Loss/(profit) on sale of available for sale investments		357,943	(408,677)
Profit on sale of investment in an associate		-	(406,143)
Share of results of associates	18	(1,377,871)	237,382
Profit on sale of properties held for trading		-	(223,283)
Reversal of provision for instalment credit debtors - net	13	-	(4,661,703)
Provision for instalment credit debtors		549,168	-
Finance costs		1,016,472	996,773
Depreciation		290,332	205,360
Provision for employees' end of service benefits		256,986	203,867
		519,177	(91,684)
Changes in operating assets and liabilities:			
Instalment credit debtors		505,989	(433,929)
Investments at fair value through profit or loss		(1,079,521)	2,479,440
Accounts receivable and other assets		(3,402,726)	(1,184,257)
Due from / to related parties		195,932	(739,616)
Accounts payable and other liabilities		694,699	(372,228)
Employees' end of service benefits paid		(173,404)	(62,291)
Net cash used in operating activities		(2,739,854)	(404,565)
INVESTING ACTIVITIES			
Purchase of property and equipment	21	(472,270)	(576,374)
Proceeds from sale of properties held for trading		-	544,600
Purchase of available for sale investments	17	(23,357,632)	(26,300,377)
Proceeds from sale of available for sale investments		14,572,261	2,564,591
Purchase of investment in associates		-	(4,611,600)
Proceeds from sale of investment in an associate		-	2,715,097
Proceeds from held to maturity investment		-	283,050
Dividend income received		2,705,198	1,866,189
Dividend from associate	18	1,596,731	1,579,162
Interest income received		253,066	276,254
Net cash used in investing activities		(4,702,646)	(21,659,408)

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
FINANCING ACTIVITIES			
Net change in due to banks		(1,021,347)	308,593
Net movement in term loans		1,110,000	(4,340,000)
Murabaha obtained/(repaid)		5,623,538	(1,600,000)
Purchase of treasury shares		(2,153)	(220,950)
Sale of treasury shares		-	186,555
Capital contribution by non-controlling interests		749,009	26,314,882
Finance costs paid		(1,016,472)	(996,773)
Net cash from financing activities		5,442,575	19,652,307
Net decrease in cash and cash equivalents		(1,999,925)	(2,411,666)
Foreign currency adjustment		(259,080)	(83,835)
Cash and cash equivalents at beginning of the year		9,566,645	12,062,146
Cash and cash equivalents at end of the year	12	7,307,640	9,566,645
Non-cash transaction (note 19):			
Investment in real estate under development		4,765,920	-
Accounts receivable and other assets		(2,165,920)	-
Investment in associates		(2,600,000)	-
Partial sale of subsidiary		-	(5,421,080)
Increase in investment in associates		-	4,611,600
Increase in available for sale investment		-	876,120
Gain on partial sale of subsidiary		-	(66,640)

The notes set out on pages 10 to 68 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Arzan Financial Group for Financing and Investment – KPSC (the “parent company”) was incorporated in Kuwait on 15 April 1980 in accordance with the Companies Law under the name of International Transport Equipment Company – KSC (Closed). On 14 December 1996 an extraordinary general assembly resolved to change the name of the parent company to International Murabaha Company – KSC (Closed). Later, on 24 April 2002 an extraordinary general assembly resolved to change the name of the parent company to International Finance Company – KPSC and to expand its permitted activities.

The extraordinary general assembly held on 24 July 2013 approved to change the name of the parent company from International Finance Company – KSCC to Arzan Financial Group for Financing and Investment – KPSC which has been registered in the commercial register under No. 29629 on 11 November 2013.

The parent company is listed on the Kuwait Stock Exchange and is governed under the directives of Central Bank of Kuwait and Capital Markets Authority.

The group comprises the parent company and its subsidiaries (together referred as “the group”).

The details of the subsidiaries are noted in note (6).

The extraordinary general assembly held on 26 June 2014 approved the amendment of the parent company’s objectives to become as follows:

- Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the company’s objectives for its account and for the account of third parties inside or outside the State of Kuwait.
- Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait.
- Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account.
- Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukuks and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities.
- Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait.
- Provide economic advice related to investment and hold courses, issue brochures of various investment activities for individuals, local and foreign companies and institutions.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

- Prepare and provide technical, economic and assessment studies and consultations and prepare feasibility studies for various investment activities and other studies, examining the technical, financial and administrative aspects related to these activities for its account or for the account of third parties inside or outside the State of Kuwait.
- Establish and manage the collective investment systems and local and foreign investment funds of all kinds and contribute to their establishment for the account of the company and for the account of third parties in accordance with the regulating laws, rules and conditions specified by the competent regulatory authorities; put its stakes or units to subscription so that the company's contributions to the share capital of the collective investment system or the investment fund shall not be less than the minimum limit specified by the regulatory authorities; sell or purchase stakes or units in the local or foreign collective investment systems or investment funds for its account and for the account of third parties or market same, provided the necessary approvals are obtained from the competent regulatory authorities; act as investment custodian, investment monitor and investment advisor in general for the investment funds inside or outside the State of Kuwait in accordance with the regulating laws.
- Invest funds for its account and for the account of third parties in the various aspects of investment inside or outside the State of Kuwait and acquire movable and immovable assets.
- Act as the issuance manager for the securities issued by the local and foreign government and private companies, institutions and bodies and act as the subscription agent, listing advisor, investment custodian and monitor, including publications management and commitments of subscription operations management, receiving applications and covering subscription thereto.
- Perform all advisory services that help develop and strengthen the ability of financial and monetary market in the State of Kuwait and meet its requirements within the limits of the law and the decisions or instructions issued by the competent regulatory authorities (after obtaining the necessary approvals from those authorities), provided this does not result in granting funding by the company in any way.
- Mediate in financing operations, structure and manage the financing arrangements of the local and international companies, institutions, bodies and projects in the various economic sectors in accordance with the rules and conditions specified by the competent regulatory authorities.
- Carry out all the works related to the activities for the arrangement and management of consolidation, acquisition and separation operations for the local and foreign government and private companies, institutions and bodies.
- Trade in transportation means and related heavy equipment.
- Finance the purchases of capital goods, durable and non-durable goods.
- Lease capital and durable goods.
- Grant short and medium term loans to natural and judicial persons.
- Perform real estate investment operations aiming at the management and development of residential lands and building of residential and commercial units and complexes for the purpose of selling them in cash or on installments or leasing same.
- Manage all kinds of financial portfolios, invest and develop funds by employing them locally and internationally for the account of the company or for the account of its clients, in addition to lending and borrowing operations.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

- Mediate in the operations of lending, borrowing, brokerage and warrantees against commission or pay.
- Finance and mediate in international and local trade operations.
- Manage and create mutual investment funds according to the law and after approval by the competent authorities.
- Mediate in investment in the international instruments and securities.
- Invest in real estate, industrial and agricultural sectors and other economic sectors, whether directly or through contribution to the incorporation of specialized companies or purchase of the shares of these companies.
- Sell and purchase foreign currencies and trade in precious metals only for the account of the company.
- Conduct researches and studies for private and public real estate projects and for the employment of funds for its account or for the account of third parties.
- Trade in securities such as shares and investment certificates and the like.

The company may have an interest or participate in any aspect with the companies, institutions and bodies performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The company may also open branches inside and outside the State of Kuwait in such a way that does not contradict with the company's law and the instructions of the competent regulatory authorities.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new executive regulations.

At 31 December 2015, the parent company has not complied with the requirement of the Companies Law relating to the separation of the powers between the chief executive officer and the chairman. The parent company will hold a board of directors meeting to comply with this requirement.

The address of the parent company's registered office is PO Box 26442, Safat 13125, State of Kuwait.

The parent company's board of directors approved these consolidated financial statements for issue on 29 March 2016. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies

3.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 19 Defined Benefit Plans: Employee Contributions -Amendments	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment did not have any material impact to the group's consolidated financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) *Amendments to IFRS 3*-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of profit or loss.

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

(iii) *Amendments to IFRS 8*- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

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

(v) *Amendments to LAS 24*- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

The amendments did not have any material impact to the group's consolidated financial statements.

Annual Improvements 2011-2013 Cycle

(i) *Amendments to IFRS 1*-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

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

Annual Improvements 2011-2013 Cycle (continued)

The same version of each IFRS must be applied to all periods presented.

(ii) *Amendments to IFRS 3* - IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(iii) *Amendments to IFRS 13* - the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

iv) *Amendments to IAS 40* - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property

The amendments did not have any material impact to the group's consolidated financial statements.

3.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 July 2016

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognized on the group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income. This will affect the group's investment amounting to KD33,246,800 (see note 17) if still held on 1 January 2018.
- if the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group's own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue-related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

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

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

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

The group's management has yet to assess the impact of IFRS 15 on these consolidated financial statements.

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

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

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

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

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

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 27 Equity Method in Separate Financial Statements - Amendments

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

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

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

Annual Improvements to IFRSs 2012-2014 Cycle

(i) *Amendments to IFRS 5* - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

(ii) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in consolidated financial statements

(iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

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

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

Notes to the consolidated financial statements (continued)

4 Significant accounting policies

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

4.1 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the parent company and are prepared under the historical cost convention, except for certain investments at fair value through profit or loss and available for sale investments that are measured at fair value.

The group has elected to present the "statement of profit or loss and other comprehensive income" in two statements: the "statement of profit or loss" and "statement of profit or loss and other comprehensive income".

4.2 Basis of consolidation

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

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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

4.3 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.3 Business combinations (continued)

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

4.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.

Revenue arises from rendering of services and is measured by reference to the fair value of consideration received or receivable, excluding taxes, rebates, and trade discounts. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue:

4.5.1 *Income from instalment credit debtors*

Interest on instalment credit facilities is calculated at the time of a contract with the customer. The customer repays the total amount due (including interest) by equal instalments over the period of the contract. The interest is allocated over the life of the agreement using the "effective interest" method. Interest relating to outstanding instalments is considered as deferred income and is included in the consolidated statement of financial position as a deduction from instalment credit debtors.

4.5.2 *Interest income*

Interest income is recognised using the effective interest method.

4.5.3 *Rental income*

Rental income is recognised on a straight-line basis over the period of the rental contracts.

4.5.4 *Dividend income*

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

4.5.5 *Fee income from providing transaction services*

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

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.6 Operating expenses

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

4.7 Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance of borrowing payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

4.8 Taxation

4.8.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group attributable to the shareholders of the parent company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.8.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the group attributable to the shareholders of the parent company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

4.8.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the group attributable to the shareholders of the parent company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

4.9 Segment reporting

The group has four operating segments: instalment credit, investments, financial brokerage and real estate. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.10 Investment in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The group's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment and the consolidated statement of profit or loss reflects the group's share of the results of operations of associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the parent company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity. Changes in the group's share in associate's equity are recognised immediately in the consolidated statement of changes in equity.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

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

4.11 Financial instruments

4.11.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.11 Financial instruments (continued)

4.11.1 Recognition, initial measurement and derecognition (continued)

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

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
 - (a) the group has transferred substantially all the risks and rewards of the asset or
 - (b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

4.11.2 Classification and subsequent measurement of financial assets

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

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

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

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

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

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.11 Financial instruments (continued)

4.11.2 Classification and subsequent measurement of financial assets (continued)

The group categorises loans and receivables into following categories:

- *Cash and cash equivalents*
Cash and cash equivalents comprise cash on hand, balances with banks and other financial institutions and short term deposits due within three months which are subject to an insignificant risk of changes in value.
- *Instalment credit debtors*
Instalment credit debtors are stated in the consolidated financial position at amortised cost, net of specific and general provisions. Specific provisions are made to reduce impaired receivables to their estimated recoverable amount and general provisions are made at a rate of 1% on instalment credit debtors for which no specific provisions were made, to provide for losses known from experience to exist, but not yet specifically identifiable, in accordance with the Central Bank of Kuwait instructions in that respect. The recoverable amounts are based on estimated future cash flows discounted at the original effective interest rate on a portfolio basis for groups of similar debtors.
- *Accounts receivable and other assets*
Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred
- *Due from related parties*
Due from related parties are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.
- *Financial assets at FVTPL*
Classification of investments as financial assets at FVTPL depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are classified as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.
- *AFS financial assets*
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.11 Financial instruments (continued)

4.11.2 Classification and subsequent measurement of financial assets (continued)

- *AFS financial assets (continued)*

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.11.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include due to banks, accounts payable and other liabilities, due to related parties, term loans and murabaha payable.

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

- *Financial liabilities other than at fair value through profit or loss*

These are stated using effective interest rate method. Due to banks, accounts payable and other liabilities, due to related parties, term loans and murabaha payable are classified as financial liabilities other than at FVTPL.

Term loans and due to banks

All term loans and due to banks are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Payables and other liabilities

Payables and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

Due to related parties

Due to related parties are financial liabilities arising in the normal courses of the business and are not quoted in an active market.

Murabaha payable

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

All the profit-related charges are included within finance costs.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.12 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.13 Trade and settlement date accounting

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

4.14 Offsetting of financial instruments

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

4.15 Fair value of financial instruments

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

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

4.16 Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of profit or loss. Impairment is determined as follows:

- i) For assets carried at fair value, impairment is the difference between cost and fair value;
- ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- iii) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals are recognised in the consolidated statement of profit or loss to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Impairment reversals in respect of equity instruments classified as available for sale are recognised in fair value reserve.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.17 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.18 Properties held for trading

Properties held for trading are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

4.19 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the cost model. Investment properties are initially measured at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self constructed investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Gains and losses arising from the sale of investment properties are included in the consolidated statement of profit or loss.

The estimated useful life for the calculation of depreciation, excluding land, is 25 years using straight line method. The carrying amounts are reviewed at each reporting date on an individual basis to assess whether they are recorded in excess of their recoverable amount. Provision for impairment losses, if any, are made where carrying values exceed the recoverable amount.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.19 Investment properties (continued)

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

4.20 Property and equipment

Land is stated at cost less any impairment losses based upon the reports of independent professional valuers.

Capital expenditure on assets in the course of construction are classified as assets under construction. Such costs are subsequently charged to the consolidated statement of profit or loss if the project is abandoned, or, if the project is completed, are capitalised and transferred to the appropriate property and equipment category, from which time depreciation is charged using the rate applicable to the category concerned. Interest incurred on funds specifically obtained to finance construction activities are capitalised using the actual interest rate incurred during construction.

Other property and equipment assets are stated at cost less accumulated depreciation. The group depreciates these assets using the straight-line method at rates estimated to fully depreciate the cost of the property and equipment over their expected useful lives.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property. In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

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

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

4.21 Provisions, contingent assets and contingent liabilities

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there is 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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.22 Equity, reserves and dividend payments

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the parent company's memorandum of incorporation and articles of association, as amended.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into KD.
- Fair value reserve – comprises valuation gains and losses relating to available for sale financial assets.

Retained earnings include all current and prior period retained profits and losses.

All transactions with owners are recorded separately within equity.

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

4.23 Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

When the treasury shares are reissued, gains are recorded directly in "treasury shares reserve" in the shareholders' equity. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and legal reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

4.24 Related parties transactions

Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the group's management.

4.25 End of service benefits

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.25 End of service benefits (continued)

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.

4.26 Foreign currency translation

4.26.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (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.

4.26.2 Foreign currency transactions and balances

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

4.26.3 Foreign operations

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

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

4.27 Fiduciary assets

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

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.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments

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

5.1.1 Classification of financial instruments

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

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of 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.

5.1.2 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

5.1.3 Control assessment

When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5.2 Estimates uncertainty

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

5.2.1 Impairment of assets with definite lives

At the financial position date, the group's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value in use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

5.2.2 Impairment of associates

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

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.3 Impairment of available for sale investments

The group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment.

5.2.4 Impairment of receivables

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

5.2.5 Classification of real estate property

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

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

The group classifies property as property under development if it is acquired with the intention of development.

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

5.2.6 Useful lives of depreciable assets

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

5.2.7 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

5.2.8 Fair value of financial instruments

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

5.2.9 Significant influence

Significant influence exists when the size of an entity’s own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

Notes to the consolidated financial statements (continued)

6 Subsidiaries

6.1 Composition of the group

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

Company name	Voting capital held as at 31 December		Place of incorporation	Principal activities	Reporting date
	2015	2014			
Al-Addan Real Estate Co. – SPC (6.1.1)	100%	97%	Kuwait	Trading in all real estate activities	31 December 2015
Arzan CC for Collection Co. – SPC (6.1.1)	100%	80%	Kuwait	Trading in real estate activities and collecting money on behalf of others	31 December 2015
Kuwait Invest Real Estate Co.– WLL	51%	51%	Kuwait	Real estate services	31 December 2015
International Finance Company – SAL	100%	100%	Lebanon	Finance services including financing, management and brokerage	30 September 2015
IFA Securities Brokerage Co.- SAE (6.1.2)	84.55%	74.67%	Egypt	Brokerage services	30 September 2015
International Financial Advisers Company – WLL	65.20%	65.20%	Jordan	Brokerage services	30 September 2015
Saudi Invest Real Estate Co. – WLL	100%	100%	Saudi Arabia	Real estate services	31 December 2015
Lot 67 Zimbali South Africa Investments (Pty) Ltd (6.1.3)	-	100%	South Africa	Investments activities	-
Arzan Wealth (DIFC) Co. Limited	100%	100%	United Arab Emirates	Financial advisory services	30 September 2015
Arzan VC for Projects Management – WLL	99%	99%	Kuwait	Projects management	31 December 2015
Arzan VC I Ltd. (6.1.4)	100%	-	United Arab Emirates	-	31 December 2015
Hilltop 1 UK Limited (6.1.6)	6.61%	9.44%	United Kingdom	Real estate	30 September 2015
Hilltop 2 UK Limited (6.1.5)	-	33.79%	United Kingdom	Real estate	-
Hilltop 3 UK Limited (6.1.6)	17.52%	32.39%	United Kingdom	Real estate	30 September 2015
Hilltop 4 UK Limited (6.1.6)	9.95%	11.73%	United Kingdom	Real estate	30 September 2015
Hilltop 5 UK Limited	30.89%	21.87%	United Kingdom	Real estate	30 September 2015
Hilltop Norway Limited	10.14%	10.14%	Norway	Real estate	30 September 2015
Hilltop Germany Limited (6.1.6)	7.52%	10.24%	Germany	Real estate	30 September 2015
HI Equity Company Ltd.	99.29%	99.29%	Cayman Islands	Real estate	30 September 2015
HI Debt Company Ltd.	99.29%	99.29%	Cayman Islands	Real estate	30 September 2015

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.1 Composition of the group (continued)

- 6.1.1 During the year, the partners of Al-Addan Real Estate Co. – WLL and Arzan CC for Collection Co. – WLL decided to change the legal status of the two companies from limited liability companies to single person companies which were effectively wholly owned subsidiaries. Hence, there was no gain or loss.
- 6.1.2 During the year, the group participated in the share capital increase of IFA Securities Brokerage Company – SAE (Egypt) by way of transfer of KD634,701 from amount due from the subsidiary. Since the other shareholders waived their rights to participate in the increase of share capital of the investee, the ownership interest of the group increased from 74.67% to 84.55%. This change in ownership resulted in a loss of KD15,876 and is recognised in the shareholders equity.
- 6.1.3 During the year, the group sold one of its subsidiaries, Lot 67 Zimbali South Africa Investments (Pty) Ltd, for a total consideration of KD179,521 resulting into a loss of KD102,276. Because of the immateriality of the amounts involved, the group has not presented the disclosures required by IFRS 5. However, certain information relating to assets, liabilities, income, expenses and profits of the previous subsidiary are given below:

	As at 30 June 2015 KD	As at 31 Dec. 2014 KD
Total assets	190,195	198,177
Total liabilities	(317,756)	(317,723)
Total equity	(127,561)	(119,546)
	Six months ended 30 June 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	-	-
Expenses	(1,828)	(3,513)
Loss for the period/year	(1,828)	(3,513)

- 6.1.4 During the year, the group established a new subsidiary under the name of Arzan VC I Limited in the United Arab Emirates having a capital of KD255,012 representing its 100% ownership interest in the subsidiary.
- 6.1.5 Also, during the year, the group liquidated one of its subsidiaries, Hilltop2 UK Limited. The liquidation resulted into a loss of KD218.

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.1 Composition of the group (continued)

- 6.1.6 During the year, the group disposed of 2.83%, 14.87%, 1.78%, and 2.72% of its interests in Hilltop 1 UK Limited, Hilltop 3 UK Limited, Hilltop 4 UK Limited, and Hilltop Germany respectively, reducing its continuing interests to 6.61%, 17.52%, 9.95%, and 7.52%, respectively. The group continues to exercise control over these subsidiaries.

The proceeds on disposals were received in cash. The amounts received which represent the proportionate share of the carrying amount of the net assets of the subsidiaries disposed of have been transferred to non-controlling interests. The part disposals did not result into any gain or loss.

The group considers that it controls Hilltop 1 UK Limited, Hilltop 3 UK Limited, Hilltop 4 UK Limited, Hilltop 5 UK Limited, Hilltop Germany Limited and Hilltop Norway Limited even though it owns less than 50% ownership interests. As a result of contractual arrangement with the other investors in these entities, the group has the majority voting rights through class “A” shares in the respective companies, and its approval is required for all major operational decisions.

6.2 Subsidiaries with material non-controlling interests:

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

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	%	%	KD	KD	KD	KD
Kuwait Invest Real Estate Co. – WLL	49	49	(128,082)	(380)	5,292,616	5,420,698
Hilltop 1 UK Limited	93.39	90.56	209,048	225,927	3,014,468	2,792,984
Hilltop 3 UK Limited	82.48	67.61	672,709	232,869	9,881,957	7,760,346
Hilltop 4 UK Limited	90.05	88.27	148,441	454,879	7,951,700	7,897,465
Hilltop 5 UK Limited	69.11	78.13	(1,388)	-	5,562,952	5,752,798
Hilltop Norway Limited	89.86	89.86	244,544	-	6,513,728	6,535,663
Hilltop Germany Limited	92.48	89.76	189,002	-	6,758,960	6,574,554

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

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for subsidiaries with material non-controlling interests, before intergroup elimination is set out below:

a)		31 Dec. 2015 KD	31 Dec. 2014 KD
	Non-current assets	10,808,615	11,056,652
	Current assets	7,522	7,522
	Total assets	10,816,137	11,064,174
	Non-current liabilities	-	-
	Current liabilities	14,879	1,524
	Total liabilities	14,879	1,524
	Equity attributable to the shareholders of the parent company	5,508,642	5,641,952
	Non-controlling interests	5,292,616	5,420,698
		Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
	Revenue	(248,027)	(1,665,236)
	Expenses and other charges	(13,365)	(610,908)
	Loss for the year attributable to the shareholders of the parent company	(133,310)	(2,275,764)
	Loss for the year attributable to NCI	(128,082)	(380)
	Loss for the year	(261,392)	(2,276,144)
	Other comprehensive income for the year attributable to the shareholders of the parent company	-	-
	Other comprehensive income for the year attributable to NCI	-	-
	Total other comprehensive income for the year	-	-
	Total comprehensive loss for the year attributable to the shareholders of the parent company	(133,310)	(2,275,764)
	Total comprehensive loss for the year attributable to NCI	(128,082)	(380)
	Total comprehensive loss for the year	(261,392)	(2,276,144)
		Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
	Net cash flow from operating activities	-	-
	Net cash flow from investing activities	-	-
	Net cash flow from financing activities	-	-
	Net cash inflows	-	-

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

b) Hilltop 1 UK Limited

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	3,079,867	2,916,447
Current assets	158,930	167,678
Total assets	3,238,797	3,084,125
Non-current liabilities	10,831	-
Current liabilities	-	-
Total liabilities	10,831	-
Equity attributable to the shareholders of the parent company	213,498	291,141
Non-controlling interests	3,014,468	2,792,984
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	232,094	255,635
Expenses and other charges	(8,240)	(6,157)
Profit for the year attributable to the shareholders of the parent company	14,806	23,551
Profit for the year attributable to NCI	209,048	225,927
Profit for the year	223,854	249,478
Other comprehensive income for the year attributable to the shareholders of the parent company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income for the year attributable to the shareholders of the parent company	14,806	23,551
Total comprehensive income for the year attributable to NCI	209,048	225,927
Total comprehensive income for the year	223,854	249,478
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow (used in)/from investing activities	(9,578)	8,063
Net cash outflows	(9,578)	8,063

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

c) Hilltop 3 UK Limited

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	11,119,543	11,299,109
Current assets	862,691	180,504
Total assets	11,982,234	11,479,613
Non-current liabilities	-	-
Current liabilities	1,490	1,509
Total liabilities	1,490	1,509
Equity attributable to the shareholders of the parent company	2,098,787	3,717,758
Non-controlling interests	9,881,957	7,760,346
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	825,879	347,911
Expenses and other charges	(10,296)	(3,481)
Profit for the year attributable to the shareholders of the parent company	142,874	111,561
Profit for the year attributable to NCI	672,709	232,869
Profit for the year	815,583	344,430
Other comprehensive income for the year attributable to the shareholders of the parent company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income/(loss) for the year attributable to the shareholders of the parent company	142,874	111,561
Total comprehensive income/(loss) for the year attributable to NCI	672,709	232,869
Total comprehensive income/(loss) for the year	815,583	344,430
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow used in investing activities	(6,197)	(1,513)
Net cash outflows	(6,197)	(1,513)

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

d) Hilltop 4 UK Limited

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	7,848,790	8,922,120
Current assets	981,429	24,821
Total assets	8,830,219	8,946,941
Non-current liabilities	-	-
Current liabilities	-	-
Total liabilities	-	-
Equity attributable to the shareholders of the parent company	878,519	1,049,476
Non-controlling interests	7,951,700	7,897,465
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	197,997	530,973
Expenses and other charges	(33,156)	(15,646)
Profit for the year attributable to the shareholders of the parent company	16,400	60,448
Profit for the year attributable to NCI	148,441	454,879
Profit for the year	164,841	515,327
Other comprehensive income for the year attributable to the shareholders of the parent company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income for the year attributable to the shareholders of the parent company	16,400	60,448
Total comprehensive income for the year attributable to NCI	148,441	454,879
Total comprehensive income for the year	164,841	515,327
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow used in investing activities	(9,274)	(217,066)
Net cash outflows	(9,274)	(217,066)

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

e) Hilltop 5 UK Limited

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	8,311,301	7,314,640
Current assets	438,282	34,369
Total assets	8,749,583	7,349,009
Non-current liabilities	700,220	-
Current liabilities	-	-
Total liabilities	700,220	-
Equity attributable to the shareholders of the parent company	2,486,411	1,596,211
Non-controlling interests	5,562,952	5,752,798
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	64	-
Expenses and other charges	(2,072)	-
Loss for the year attributable to the shareholders of the parent company	(620)	-
Loss for the year attributable to NCI	(1,388)	-
Loss for the year	(2,008)	-
Other comprehensive income for the year attributable to the shareholders of the parent company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive loss for the year attributable to the shareholders of the parent company	(620)	-
Total comprehensive loss for the year attributable to NCI	(1,388)	-
Total comprehensive loss for the year	(2,008)	-
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow (used in)/from investing activities	(11,066)	34,369
Net cash (outflows)/inflows	(11,066)	34,369

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

f) Hilltop Norway Limited

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	7,077,363	7,077,363
Current assets	262,078	195,391
Total assets	7,339,441	7,272,754
Non-current liabilities	91,096	-
Current liabilities	-	-
Total liabilities	91,096	-
Equity attributable to the shareholders of the parent company	734,617	737,091
Non-controlling interests	6,513,728	6,535,663
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	435,964	-
Expenses and other charges	(163,841)	-
Profit for the year attributable to the shareholders of the parent company	27,579	-
Profit for the year attributable to NCI	244,544	-
Profit for the year	272,123	-
Other comprehensive income for the year attributable to the shareholders of the parent company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income for the year attributable to the shareholders of the parent company	27,579	-
Total comprehensive income for the year attributable to NCI	244,544	-
Total comprehensive income for the year	272,123	-
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow (used in)/from investing activities	(174,636)	195,391
Net cash (outflows)/inflows	(174,636)	195,391

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

g) Hilltop Germany Limited

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	7,150,572	7,150,572
Current assets	289,948	169,085
Total assets	7,440,520	7,319,657
Non-current liabilities	132,351	-
Current liabilities	-	-
Total liabilities	132,351	-
Equity attributable to the shareholders of the parent company	549,209	745,103
Non-controlling interests	6,758,960	6,574,554
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	372,004	-
Expenses and other charges	(167,644)	-
Profit for the year attributable to the shareholders of the parent company	15,358	-
Profit for the year attributable to NCI	189,002	-
Profit for the year	204,360	-
Other comprehensive income for the year attributable to the shareholders of the parent company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income for the year attributable to the shareholders of the parent company	15,358	-
Total comprehensive income for the year attributable to NCI	189,002	-
Total comprehensive income for the year	204,360	-
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow (used in)/from investing activities	(143,512)	169,085
Net cash (outflows)/inflows	(143,512)	169,085

6.3 Interests in unstructured entities:

The group has no interests in unstructured entities

Notes to the consolidated financial statements (continued)

7 Income from instalment credit debtors

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Interest income from instalment credit	977,172	1,165,153
Discount, commission and fees	570,370	270,625
Recovery of written off balances	1,329,808	10,435
	<u>2,877,350</u>	<u>1,446,213</u>

8 Dividend income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
From:		
Investments at fair value through profit or loss	263,505	304,455
Available for sale investments	2,441,693	1,561,734
	<u>2,705,198</u>	<u>1,866,189</u>

9 Finance costs

Finance costs relate to the group's borrowing activities including amounts due to banks, term loans and murabaha payable.

10 Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year excluding treasury shares.

The parent company had no outstanding dilutive potential shares

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
(Loss)/profit for the year attributable to shareholders of the parent company (KD)	(6,998,370)	3,608,053
Weighted average number of shares outstanding during the year (excluding treasury shares) – share	796,824,539	797,059,057
Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company – Fils	(8.783)	4.527

Notes to the consolidated financial statements (continued)

11 Net gain/(loss) on financial assets

Net gain/(loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Cash and cash equivalents	253,066	276,254
Instalments credit debtors	2,328,182	6,107,916
Investments at fair value through profit or loss	(673,048)	362,359
Held to maturity investment	-	15,304
Available for sale investments	(5,183,507)	1,278,097
Net realised and unrealised gain	(3,275,307)	8,039,930
Net unrealised loss recognised directly in equity	3,368,482	(12,381,673)
	93,175	(4,341,743)

12 Cash and cash equivalents

	31 Dec. 2015 KD	31 Dec. 2014 KD
Cash and bank balances	3,755,890	6,460,709
Term deposits – 1 to 3 months	3,551,750	3,105,936
	7,307,640	9,566,645

The term deposits carry effective interest rate of 1.35% (31 December 2014: 1.75%) per annum.

13 Instalment credit debtors

	31 Dec. 2015 KD	31 Dec. 2014 KD
Gross instalment credit debtors	16,725,069	17,168,587
Deferred income	(1,649,111)	(1,603,343)
	15,075,958	15,565,244
Specific provision for doubtful debts	(1,361,267)	(708,325)
General provision for doubtful debts	(219,950)	(307,021)
	13,494,741	14,549,898

Gross instalment credit debtors are repayable as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Within one year	7,944,698	8,434,343
More than a year	8,780,371	8,734,244
	16,725,069	17,168,587

Notes to the consolidated financial statements (continued)

13 Instalment credit debtors (continued)

The effective annual interest rate earned on instalment credit ranged from 2.5% to 8% per annum (31 December 2014: 2.5% to 8% per annum).

The movement in the provision for instalment credit debtors is as follows:

	31 December 2015			31 December 2014		
	Specific provision	General provision	Total	Specific provision	General provision	Total
	KD	KD	KD	KD	KD	KD
Opening balance	708,325	307,021	1,015,346	10,957,594	2,006,161	12,963,755
Foreign currency translation	15,862	13,641	29,503	-	12,350	12,350
Write off	(12,800)	-	(12,800)	(7,299,056)	-	(7,299,056)
Charge for the year	521,195	27,973	549,168	82,591	97,780	180,371
Transfer	128,685	(128,685)	-	-	-	-
Reversal during the year	-	-	-	(3,032,804)	(1,809,270)	(4,842,074)
Closing balance	1,361,267	219,950	1,581,217	708,325	307,021	1,015,346

The provision for doubtful debts is in agreement, in all material respect, with the specific provision requirements of the Central Bank of Kuwait and IFRS. Furthermore, a general provision of 1% on instalment credit balances, where no specific provision is made, is taken in accordance with the instructions of the Central Bank of Kuwait.

Included within the gross instalment credit debtors is an amount of KD309,996 (31 December 2014: KD1,144,873) in respect of related parties (note 32). This amount is secured by way of pledge of certain local and foreign shares.

14 Investments at fair value through profit or loss

	31 Dec. 2015 KD	31 Dec. 2014 KD
Local quoted shares	1,763,523	2,020,898
Foreign quoted shares	69,040	103,001
Investments in managed portfolios	4,887,711	3,516,854
	6,720,274	5,640,753

The investments in managed portfolios are pledged against term loans (note 24).

15 Accounts receivable and other assets

	31 Dec. 2015 KD	31 Dec. 2014 KD
Trade receivables	6,449,085	6,788,836
Provision for doubtful debts	(1,491,723)	(1,491,723)
	4,957,362	5,297,113
Staff loans receivable	2,005	6,829
Prepayments and refundable deposits	60,230	51,818
Advance payments towards purchase of investments	1,137,612	-
Other assets	622,962	844,875
	6,780,171	6,200,635

Notes to the consolidated financial statements (continued)

16 Properties held for trading

Properties held for trading represent the group's share of investments in properties outside Kuwait.

The movement in the properties held for trading is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	2,131,057	2,538,593
Sale	(196,343)	(407,536)
Provision for properties held for trading	1,934,714 (620,767)	2,131,057 (620,767)
Balance at 31 December	1,313,947	1,510,290

The movement in the provision for properties held for trading is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	620,767	689,264
Relating to sale	-	(68,497)
Balance at 31 December	620,767	620,767

17 Available for sale investments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Local quoted shares	26,030,807	27,309,384
Local unquoted shares	8,926,157	10,497,873
Foreign unquoted shares	44,346,229	34,938,968
Investments in managed portfolios	12,003,303	14,037,510
Investment funds	266,633	260,740
Balance at 31 December	91,573,129	87,044,475

The movement in the available for sale investments is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	87,044,475	75,973,784
Additions during the year	23,357,632	26,300,377
Sale during the year	(15,121,421)	(2,679,088)
Change in fair value	(3,707,557)	(12,550,598)
Balance at 31 December	91,573,129	87,044,475

Notes to the consolidated financial statements (continued)

17 Available for sale investments (continued)

The unquoted investments include investments having a carrying value of KD33,246,800 (31 December 2014: KD24,481,820) stated at cost due to the unavailability of reliable sources to determine their fair values. Management studies and cash flow expectations for these investments do not indicate any impairment for these investments.

Quoted and unquoted local shares and investments in managed portfolios with an aggregate carrying value of KD24,893,195 (31 December 2014: KD28,844,009) are pledged against due to banks, term loans and murabaha payable (notes 22, 24 and 25).

The investments in managed funds are carried at net asset value provided by the fund managers which represent the best estimate of fair value available for these investments.

During the year, the group recognised an impairment loss of KD7,267,257 (31 December 2014: KD692,314) on certain investments. Management is not aware of any factors which may indicate any further impairment against the available for sale investments.

18 Investment in associates

18.1 The details of the group's investment in associates are given below:

	Country of incorporation	Percentage of ownership		Activity
		31 December		
		2015	2014	
		%	%	
Offset Holding Co. - KSCC	Kuwait	50.00	50.00	Brokerage
Al Wafir Marketing Services Co. - KSCC	Kuwait	34.00	34.00	Real estate
Al Oula Slaughterhouse Co. - KSCC	Kuwait	28.89	28.89	Services
Gulf Real Estate Co. - WLL	Kuwait	20.13	20.13	Real estate
Al Safat House Co. - WLL	Kuwait	-	20.00	Real estate
Hill Property Investment LP	United Kingdom	84.32	84.32	Real estate
Surtees LP	United Kingdom	96.96	96.96	Real estate
Hunt Property LP	United Kingdom	97.84	97.84	Real estate

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

18.2 Summarised financial information of group's material associates are set out below:

	Offset Holding Co. KSCC		Al Wafir Marketing Services Co. KSCC		Hill Property Investment LP		Surtees LP		Hunt Property LP	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Assets										
Current	23,016,566	29,206,808	41,982,210	40,757,732	8,920,726	8,410,959	21,463,438	20,290,173	21,843,671	20,168,597
Non-current	2,390,585	8,496,100	10,629,115	8,343,382	233,263	232,750	1,190,050	897,802	4,218,048	1,179,364
Liabilities										
Current	20,625,981	20,710,708	31,353,095	32,414,350	8,687,443	8,178,209	20,273,388	19,392,371	17,625,623	18,989,233
Non-current	699,538	957,270	17,640,635	17,628,459	5,268,132	4,952,174	9,995,261	9,362,992	13,821,605	11,417,693
	224,477	469,207	5,655,329	5,155,654	314,770	310,875	544,734	287,723	629,210	340,876
	475,061	488,063	11,985,306	12,472,805	4,953,362	4,641,299	9,450,527	9,075,269	13,192,395	11,076,817
	22,317,028	28,249,538	24,341,575	23,129,273	3,652,594	3,458,785	11,468,177	10,927,181	8,022,066	8,750,904
	(699,778)	(131,204)	(50,734)	-	-	-	-	-	-	-
Net assets	21,617,250	28,118,334	24,290,841	23,129,273	3,652,594	3,458,785	11,468,177	10,927,181	8,022,066	8,750,904
Revenue	952,087	2,100,999	11,090,542	11,925,932	520,805	892,704	1,422,827	1,261,761	2,066,599	1,271,425
Expenses and other charges	(1,448,160)	(11,157,439)	(9,929,041)	(8,514,823)	(245,635)	(589,625)	(571,303)	(902,942)	(1,864,432)	(728,730)
Net (loss)/profit	(496,073)	(9,056,440)	1,161,501	3,411,109	275,170	303,079	851,524	358,819	202,167	542,695
Total comprehensive (loss)/income	(496,073)	(9,056,440)	1,161,501	3,411,109	275,170	303,079	851,524	358,819	202,167	542,695
Group' share of results	(248,037)	(2,111,642)	261,325	785,622	232,023	255,556	825,638	347,911	197,800	530,973
Dividend received	-	-	-	-	197,238	274,932	770,929	714,777	592,449	545,140

The remaining associates are considered immaterial to the group.

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

18.2 Summarised financial information of group's material associates are set out below: (continued)

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

	Offset Holding Co. KSCC	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Net assets of the associate	21,617,250	28,118,334
Group's share of net assets	10,808,625	14,059,167
Impairment	-	(3,002,515)
Carrying amount	10,808,625	11,056,652

	Al Wafir Marketing Services Co. KSCC	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Net assets of the associate	24,290,841	23,129,273
Group's share of net assets	8,258,548	7,863,953
Goodwill	8,306,370	8,439,606
Carrying amount	16,564,918	16,303,559

	Hill Property Investment LP	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Net assets of the associate	3,652,594	3,458,785
Group's share of net assets	3,079,867	2,916,448
Carrying amount	3,079,867	2,916,448

	Surtees LP	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Net assets of the associate	11,468,177	10,927,181
Group's share of net assets	11,119,544	10,594,995
Carrying amount	11,119,544	10,594,995

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

18.2 Summarised financial information of group's material associates are set out below: (continued)

	Hunt Property LP	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Net assets of the associate	8,022,066	8,750,904
Group's share of net assets	7,848,790	8,561,884
Carrying amount	7,848,790	8,561,884

18.3 Set out below is the aggregate information for the individually immaterial associates.

	31 Dec. 2015 KD	31 Dec. 2014 KD
Aggregate share in associates' assets and liabilities:		
Assets	1,224,849	3,745,726
Liabilities	(42,390)	(36,221)
	1,182,459	3,709,505
Aggregate share in associates' results:		
Revenue	228,209	37,432
Profit for the year	109,122	(45,802)
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	109,122	(45,802)
Dividends received	36,115	44,313

The movement in the investment in associates is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
At 1 January	53,143,043	54,071,423
Additions	-	4,611,600
Disposal (note 19)	(2,600,000)	(2,308,954)
Share of results	1,377,871	(237,382)
Share of other comprehensive loss	-	(214)
Dividends	(1,596,731)	(1,579,162)
Capital reduction	(340,357)	(337,151)
Impairment of associate	-	(597,529)
Foreign currency translation of foreign associates	620,377	(479,588)
At 31 December	50,604,203	53,143,043

- Investment in associate (Al Wafir Marketing Services) with a carrying value of KD16,564,918 is pledged against term loans (note 24).
- All associates are unquoted.

19 Investment in real estate under development

This represents the parent company's 33.54% share in the ownership of the right of use of land located in Al Dubaiya leased from the Ministry of Finance in Kuwait. The right of use of land is jointly owned by the parent company and other investors through a real estate portfolio agreement. Under the agreement, the real estate is being developed by one of the other investors, which is a company specialized in the field of real estate investments.

Notes to the consolidated financial statements (continued)

19 Investment in real estate under development (continued)

The group was party to a legal dispute for recovery of a receivable arising out of a sale of the right of use of land in a prior year. The buyer had defaulted after paying initial consideration. An out of court settlement was reached last year which gave the investors ownership interest in the right of use of land. As the legal formalities were completed during the year, the group derecognised its investment in associate of KD2,600,000 (note 18) and receivable of KD2,165,920 and reclassified to investment in real estate under development.

During the year, the group recognized an impairment loss of KD657,270 against this investment as a result of valuations obtained from independent valuers.

20 Investment properties

	Land KD	Building KD	Total KD
Cost			
1 January 2015	1,023,750	1,484,989	2,508,739
31 December 2015	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2015	-	617,616	617,616
Charge for the year	-	59,063	59,063
31 December 2015	-	676,679	676,679
Net book value			
At 31 December 2015	1,023,750	808,310	1,832,060
Fair value as at 31 December 2015	1,689,313	1,333,812	3,023,125
Cost			
1 January 2014	1,023,750	1,484,989	2,508,739
31 December 2014	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2014	-	558,554	558,554
Charge for the year	-	59,062	59,062
31 December 2014	-	617,616	617,616
Net book value			
At 31 December 2014	1,023,750	867,373	1,891,123
Fair value as at 31 December 2014	1,635,369	1,385,568	3,020,937

Land is not depreciated. Building is depreciated over 25 years. The fair value of the investment properties is based on independent valuations.

The investment property represents the part of building constructed on land rented to third parties, and is accounted for as an investment property under IAS 40.

The investment properties are mortgaged against murabaha payable (note 25).

Notes to the consolidated financial statements (continued)

21 Property and equipment

	Land KD	Building KD	Office equipment and computers KD	Fixtures and decoration KD	Computer software KD	Work in progress KD	Total KD
31 December 2015:							
Cost							
At 1 January	1,316,250	2,085,041	536,405	335,101	137,803	313,108	4,723,708
Additions	-	11,890	119,554	7,322	69,809	263,696	472,271
At 31 December	1,316,250	2,096,931	655,959	342,423	207,612	576,804	5,195,979
Accumulated depreciation							
At 1 January	-	822,860	370,598	272,235	102,306	-	1,567,999
Charge for the year	-	82,032	93,203	20,411	35,623	-	231,269
At 31 December	-	904,892	463,801	292,646	137,929	-	1,799,268
Net book value							
At 31 December 2015	1,316,250	1,192,039	192,158	49,777	69,683	576,804	3,396,711

Notes to the consolidated financial statements (continued)

21 Property and equipment (continued)

31 December 2014:	Land KD	Building KD	Office equipment and computers KD	Fixtures and decoration KD	Computer software KD	Work in progress KD	Total KD
Cost							
At 1 January	1,316,250	2,002,570	391,749	287,952	134,800	22,000	4,155,321
Additions	-	82,471	152,643	47,149	3,003	291,108	576,374
Disposals	-	-	(7,987)	-	-	-	(7,987)
At 31 December	1,316,250	2,085,041	536,405	335,101	137,803	313,108	4,723,708
Accumulated depreciation							
At 1 January	-	741,963	350,932	258,230	78,563	-	1,429,688
Charge for the year	-	80,897	27,653	14,005	23,743	-	146,298
Relating to disposals	-	-	(7,987)	-	-	-	(7,987)
At 31 December	-	822,860	370,598	272,235	102,306	-	1,567,999
Net book value							
At 31 December 2014	1,316,250	1,262,181	165,807	62,866	35,497	313,108	3,155,709

The building is depreciated over 25 years.

The estimated useful lives of the group's office equipment, fixtures and decoration for the calculation of depreciation is 4 years, with the exception of its computer software which is depreciated over 3 years. Land is not depreciated.

Property and equipment are mortgaged against murabaha payable (note 25).

Notes to the consolidated financial statements (continued)

22 Due to banks

This represents outstanding amounts of the credit facilities granted to the group from local and foreign banks in the form of overdraft facilities. The credit facilities carry interest rate ranging from 2.35% to 3.90% per annum (31 December 2014: 4.5% per annum) and payable on demand. Credit facilities are granted against pledge of certain available for sale investments (note 17).

23 Accounts payable and other liabilities

	31 Dec. 2015 KD	31 Dec. 2014 KD
Trade payables	650,149	701,505
Other payables	3,465,589	2,726,009
Accrued interest	216,054	139,500
Provision for staff leave	197,020	155,099
KFAS payable	219,469	331,469
NLST and Zakat payable	2,842,290	2,842,290
Due to shareholders	224,030	224,030
	7,814,601	7,119,902

24 Term loans

Term loans are repayable to local and foreign banks in different periods and bear interest at rates ranging from 4.75% to 5.25% (31 December 2014: 4.5% to 5.5%) per annum.

Loans are repayable as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Within one year	4,290,000	8,890,000
After one year	8,480,000	2,770,000
	12,770,000	11,660,000

Loans are all denominated in Kuwaiti Dinars and are secured by the pledge of investments at fair value through statement of profit or loss, available for sale investments and investment in associate (notes 14, 17 and 18) and payable in various instalments ending in June 2020.

25 Murabaha payable

This represents Islamic financing obtained from local and foreign financial institutions, carrying an effective profit rate of 3% to 5.25% (31 December 2014: 5%) per annum. This financing is secured by way of mortgage of certain available for sale investments, investment properties and property and equipment (notes 17, 20 and 21) and payable in various instalments ending in June 2020.

Notes to the consolidated financial statements (continued)

25 Murabaha payable (continued)

Murabaha payable is due as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Within one year	2,770,320	-
After one year	8,053,218	5,200,000
	10,823,538	5,200,000

26 Share capital and share premium

As at 31 December 2015, the authorised, issued and paid up share capital of the parent company consists of 802,882,570 shares of 100 fils each (31 December 2014: 802,882,570 shares). All shares are in cash.

The share premium is non distributable.

27 Treasury shares

	31 Dec. 2015	31 Dec. 2014
Number of treasury shares	6,083,892	6,033,392
Percentage of ownership (%)	0.758%	0.751%
Market value (KD)	234,230	286,586
Cost (KD)	559,233	557,080

Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

28 Reserves

Legal reserve

In accordance with the Companies Law and the parent company's Memorandum of Incorporation and Articles of Association, as amended, 10% of the profit for the year attributable to the shareholders of the parent company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is required to be transferred to legal reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the 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

The parent company's Articles of Association, as amended require that 10% of the profit for the year attributable to the shareholders of the parent company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year in which the parent company has incurred a loss or where cumulative losses exist.

Notes to the consolidated financial statements (continued)

29 Annual general assembly

The Annual General Assembly of the shareholders held on 28 May 2015 approved the consolidated financial statements for the year ended 31 December 2014 without dividend.

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

30 Fiduciary accounts

Investment portfolios managed by the group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the group's assets or liabilities and accordingly are not included in the consolidated financial position. Total fiduciary assets as at the financial position date were KD3,646,123 (31 December 2014: KD 3,978,021).

31 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss.

The group's principal trading activities are carried out within the State of Kuwait and all of the group's assets and liabilities are located in Kuwait in addition to GCC, Middle East and other countries. The group operates in four business segments; instalment credit, investments, financial brokerage and real estate. The segmental analysis of total revenues, profit for the year, total assets and total liabilities for the business segments are as follows:

	Instalment credit KD	Investments KD	Financial brokerage KD	Real estate KD	Total KD
Year ended 31 December 2015					
Total revenues	3,102,137	4,682,367	294,458	175,179	8,254,141
(Loss)/profit for the year	(175,539)	(5,424,794)	(158,393)	116,116	(5,642,610)
As at 31 December 2015					
Total assets	22,689,595	139,856,423	15,407,652	9,854,657	187,808,327
Total liabilities	19,108,577	13,175,946	1,885,788	-	34,170,311
Net assets	3,581,018	126,680,477	13,521,864	9,854,657	153,638,016
Year ended 31 December 2014					
Total revenues	6,298,380	6,317,451	(1,613,676)	376,959	11,379,114
Profit/(loss) for the year	3,341,734	3,309,658	(2,147,686)	313,634	4,817,340
As at 31 December 2014					
Total assets	28,137,884	136,219,775	15,945,525	3,401,410	183,704,594
Total liabilities	16,948,917	7,946,582	2,913,630	-	27,809,129
Net assets	11,188,967	128,273,193	13,031,895	3,401,410	155,895,465

Notes to the consolidated financial statements (continued)

32 Related party balances and transactions

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

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Consolidated statement of financial position		
Instalment credit debtors-gross (note 13)	309,996	1,144,873
Due from related parties	676,801	1,002,023
Due to shareholders (note 23)	224,030	224,030
Due to related parties	295,257	424,547
<hr/>		
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Consolidated statement of profit or loss		
Income from instalment credit debtors	21,049	65,630
Key management compensation:		
Salaries and other short term benefits	588,705	466,779
End of service benefits	38,248	37,203

33 Risk management objectives and policies

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

The parent company's board of directors sets out policies for reducing each of the risks discussed below.

The group does not use derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed are described below.

33.1 Market risk

a) Foreign currency risk

The group mainly operates in the GCC, other Middle Eastern countries, Europe and USA and is exposed to foreign currency risk arising from various foreign currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

a) Foreign currency risk (continued)

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

	31 Dec. 2015	31 Dec. 2014
US Dollar	18,837,679	14,445,485
Lebanese Lira	7,073,156	6,701,787
GBP	6,870,524	3,291,561
Egyptian Pound	1,935,881	1,693,753
UAE Dirham	53,443	211,943
Saudi Riyal	(7,908)	(7,908)
Euro	1,916,938	862,531
Omani Riyal	51,858	38,099
Jordanian Dinar	873,018	837,119
South African Rand	-	(29,973)
Norwegian Korone	1,144,100	754,951

The following table details the group's sensitivity to a 2% (2014: 2%) increase and decrease in the KD against above foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and liabilities and adjusts their translation at the year end for a 2% change in foreign currency rates. A positive number below indicates an increase in profit and equity and a negative number indicates decrease in profit and equity. All other variables are held constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	+2 % Impact 31 Dec. 2015 KD	+2 % Impact 31 Dec. 2014 KD	-2 % Impact 31 Dec. 2015 KD	-2 % Impact 31 Dec. 2014 KD
Profit for the year	274,855	246,218	(274,855)	(246,218)
Equity	501,642	329,769	(501,642)	(329,769)

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. As the group is not exposed to a significant interest rate risk on interest bearing assets, the group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a daily basis and hedging strategies used, if required, to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

b) Interest rate risk (continued)

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2015 was as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total up to 1 year KD	Over 1 year KD	Non-interest bearing items KD	Total KD	Effective interest rate (%)
Assets								
Cash and cash equivalents	3,755,890	3,551,750	-	7,307,640	-	-	7,307,640	1.35
Instalment credit debtors	2,257,245	1,524,532	2,122,266	5,904,043	7,590,698	-	13,494,741	2.5-8
Investments at fair value through profit or loss	-	-	-	-	-	6,720,274	6,720,274	-
Accounts receivable and other assets	-	-	-	-	-	6,780,171	6,780,171	-
Due from related parties	-	-	-	-	-	676,801	676,801	-
	6,013,135	5,076,282	2,122,266	13,211,683	7,590,698	14,177,246	34,979,627	
Liabilities								
Due to banks	1,661,901	-	-	1,661,901	-	-	1,661,901	2.35-3.9
Accounts payable and other liabilities	-	-	-	-	-	7,814,601	7,814,601	-
Due to related parties	-	-	-	-	-	295,257	295,257	-
Term loans	170,000	1,090,000	3,030,000	4,290,000	8,480,000	-	12,770,000	4.75-5.25
Murabaha payable	432,580	-	2,337,740	2,770,320	8,053,218	-	10,823,538	3-5.25
Provision for employees' end of service benefits	-	-	-	-	-	805,014	805,014	-
	2,264,481	1,090,000	5,367,740	8,722,221	16,533,218	8,914,872	34,170,311	

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2014 was as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total up to 1 year KD	Over 1 year KD	Non-interest bearing items KD	Total KD	Effective interest rate (%)
Assets								
Cash and cash equivalents	6,460,709	3,105,936	-	9,566,645	-	-	9,566,645	1.75
Instalment credit debtors	2,975,246	1,478,532	4,206,801	8,660,579	5,889,319	-	14,549,898	2.5-8
Investments at fair value through profit or loss	-	-	-	-	-	5,640,753	5,640,753	-
Accounts receivable and other assets	-	-	-	-	-	6,200,635	6,200,635	-
Due from related parties	-	-	-	-	-	1,002,023	1,002,023	-
	9,435,955	4,584,468	4,206,801	18,227,224	5,889,319	12,843,411	38,959,954	
Liabilities								
Due to banks	2,607,161	76,087	-	2,683,248	-	-	2,683,248	4.5
Accounts payable and other liabilities	-	-	-	-	-	7,119,902	7,119,902	-
Due to related parties	-	-	-	-	-	424,547	424,547	-
Term loans	170,000	340,000	8,380,000	8,890,000	2,770,000	-	11,660,000	4.5-5.5
Murabaha payable	5,200,000	-	-	5,200,000	-	-	5,200,000	5
Provision for employees' end of service benefits	-	-	-	-	-	721,432	721,432	-
	7,977,161	416,087	8,380,000	16,773,248	2,770,000	8,265,881	27,809,129	

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in interest rates of +1% and -1% (2014: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant.

	31 Dec. 2015		31 Dec. 2014	
	+ 1% KD	-1% KD	+ 1% KD	-1% KD
Profit for the year	(44,531)	44,531	(45,733)	45,733
Equity	(44,531)	44,531	(45,733)	45,733

c) Price risk

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

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

The sensitivity analyses below have been determined based on the exposure to equity price risks at the consolidated financial statements date.

If equity prices had been 10% higher/lower, the effect on the profit for the year and equity for the years ended 31 December 2015 and 2014 would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Investments at fair value through profit or loss	±672,027	±564,075	±672,027	±564,075
Available for sale investments	-	-	±9,157,313	±8,704,448

33.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.2 Credit risk (continued)

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Cash and cash equivalents	7,307,640	9,566,645
Instalment credit debtors	13,494,741	14,549,898
Investments at fair value through profit or loss (note 14)	4,887,711	3,516,854
Accounts receivable and other assets	6,780,171	6,200,635
Due from related parties	676,801	1,002,023
Total	33,147,064	34,836,055

33.3 Concentration of assets

The distribution of assets by geographic region is as follows:

	Kuwait KD	GCC KD	Other Middle Eastern countries KD	Europe and other KD	USA	Total KD
At 31 December 2015						
Cash and cash equivalents	2,134,211	341,216	4,200,347	283,341	348,525	7,307,640
Instalment credit debtors	8,556,663	-	4,938,078	-	-	13,494,741
Investments at fair value through profit or loss	6,651,234	-	69,040	-	-	6,720,274
Accounts receivable and other assets	2,799,185	282,720	3,238,885	254,024	205,357	6,780,171
Due from related parties	344,581	-	47,444	284,776	-	676,801
Properties held for trading	-	1,313,947	-	-	-	1,313,947
Available for sale investments	56,591,276	522,189	83,991	22,151,208	12,224,465	91,573,129
Investment in associates	28,530,878	-	-	22,073,325	-	50,604,203
Investment in real estate under development	4,108,650	-	-	-	-	4,108,650
Investment properties	1,832,060	-	-	-	-	1,832,060
Property and equipment	3,207,176	6,860	182,675	-	-	3,396,711
Total	114,755,914	2,466,932	12,760,460	45,046,674	12,778,347	187,808,327

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.3 Concentration of assets (continued)

	Kuwait KD	GCC KD	Other Middle Eastern countries KD	Europe and other KD	USA	Total KD
At 31 December 2014						
Cash and cash equivalents	4,427,384	122,592	4,384,803	498,792	133,074	9,566,645
Installment credit debtors	9,124,437	-	5,425,461	-	-	14,549,898
Investments at fair value through profit or loss	5,537,753	-	103,000	-	-	5,640,753
Accounts receivable and other assets	2,510,331	344,641	2,886,282	3,511	455,870	6,200,635
Due from related parties	552,356	9,097	155,794	284,776	-	1,002,023
Properties held for trading	-	1,313,947	-	196,343	-	1,510,290
Available for sale investments	52,062,621	522,189	83,991	22,151,209	12,224,465	87,044,475
Investment in associates	31,069,718	-	-	22,073,325	-	53,143,043
Investment properties	1,891,123	-	-	-	-	1,891,123
Property and equipment	2,939,276	9,492	206,941	-	-	3,155,709
Total	110,114,999	2,321,958	13,246,272	45,207,956	12,813,409	183,704,594

33.4 Liquidity risk

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

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

Maturity profile of assets and liabilities at 31 December 2015:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total Up to 1 year KD	Over 1 year KD	Total KD
ASSETS						
Cash and cash equivalents	3,755,890	3,551,750	-	7,307,640	-	7,307,640
Instalment credit debtors	2,257,245	1,524,532	2,122,266	5,904,043	7,590,698	13,494,741
Investments at fair value through profit or loss	6,720,274	-	-	6,720,274	-	6,720,274
Accounts receivable and other assets	201,091	4,125,049	1,907,703	6,233,843	546,328	6,780,171
Due from related parties	-	-	676,801	676,801	-	676,801
Properties held for trading	-	-	1,313,947	1,313,947	-	1,313,947
Available for sale investments	-	-	-	-	91,573,129	91,573,129
Investment in associates	-	-	-	-	50,604,203	50,604,203
Investment in real estate under development	-	-	-	-	4,108,650	4,108,650
Investment properties	-	-	-	-	1,832,060	1,832,060
Property and equipment	-	-	-	-	3,396,711	3,396,711
Total assets	12,934,500	9,201,331	6,020,717	28,156,548	159,651,779	187,808,327

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.4 Liquidity risk (continued)

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total Up to 1 year KD	Over 1 year KD	Total KD
LIABILITIES						
Due to banks	1,661,901	-	-	1,661,901	-	1,661,901
Accounts payable and other liabilities	794,636	1,048,813	2,935,235	4,778,684	3,035,917	7,814,601
Due to related parties	-	-	295,257	295,257	-	295,257
Term loans	170,000	1,090,000	3,030,000	4,290,000	8,480,000	12,770,000
Murabaha payable	432,580	-	2,337,740	2,770,320	8,053,218	10,823,538
Provision for employees' end of service benefits	-	-	-	-	805,014	805,014
Total liabilities	3,059,117	2,138,813	8,598,232	13,796,162	20,374,149	34,170,311

Maturity profile of assets and liabilities at 31 December 2014:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total Up to 1 year KD	Over 1 year KD	Total KD
ASSETS						
Cash and cash equivalents	6,460,709	3,105,936	-	9,566,645	-	9,566,645
Installment credit debtors	2,975,246	1,478,532	4,206,801	8,660,579	5,889,319	14,549,898
Investments at fair value through profit or loss	5,640,753	-	-	5,640,753	-	5,640,753
Accounts receivable and other assets	163,214	3,217,839	638,720	4,019,773	2,180,862	6,200,635
Due from related parties	-	-	1,002,023	1,002,023	-	1,002,023
Properties held for trading Available for sale	-	-	1,510,290	1,510,290	-	1,510,290
investments	-	-	-	-	87,044,475	87,044,475
Investment in associates	-	-	-	-	53,143,043	53,143,043
Investment properties	-	-	-	-	1,891,123	1,891,123
Property and equipment	-	-	-	-	3,155,709	3,155,709
Total assets	15,239,922	7,802,307	7,357,834	30,400,063	153,304,531	183,704,594
LIABILITIES						
Due to banks	2,683,248	-	-	2,683,248	-	2,683,248
Accounts payable and other liabilities	963,837	886,050	2,270,908	4,120,795	2,999,107	7,119,902
Due to related parties	-	-	424,547	424,547	-	424,547
Term loans	170,000	340,000	8,380,000	8,890,000	2,770,000	11,660,000
Murabaha payable	5,200,000	-	-	5,200,000	-	5,200,000
Provision for employees' end of service benefits	-	-	-	-	721,432	721,432
Total liabilities	9,017,085	1,226,050	11,075,455	21,318,590	6,490,539	27,809,129

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.4 Liquidity risk (continued)

The contractual maturity profile of the financial liabilities based on undiscounted cash flow is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total Upto 1 year KD	Over 1 year KD	Total KD
31 December 2015						
Financial liabilities						
Due to banks	1,738,708	-	-	1,738,708	-	1,738,708
Accounts payable and other liabilities	794,636	1,048,813	2,935,235	4,778,684	3,035,917	7,814,601
Due to related parties	-	-	295,257	295,257	-	295,257
Term loans	225,433	1,222,828	3,465,846	4,914,107	9,005,385	13,919,492
Murabaha payable	471,767	-	2,696,581	3,168,348	8,789,578	11,957,926
Provision for employees' end of service benefits	-	-	-	-	805,014	805,014
	3,230,544	2,271,641	9,392,919	14,895,104	21,635,894	36,530,998
31 December 2014						
Financial liabilities						
Due to banks	2,716,789	-	-	2,716,789	-	2,716,789
Accounts payable and other liabilities	963,837	886,050	2,270,908	4,120,795	2,999,107	7,119,902
Due to related parties	-	-	424,547	424,547	-	424,547
Term loans	217,158	427,899	8,710,137	9,355,194	2,975,002	12,330,196
Murabaha payable	5,331,068	-	-	5,331,068	-	5,331,068
Provision for employees' end of service benefits	-	-	-	-	721,432	721,432
	9,228,852	1,313,949	11,405,592	21,948,393	6,695,541	28,643,934

34 Fair value measurement

34.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Notes to the consolidated financial statements (continued)

34 Fair value measurement (continued)

34.1 Fair value hierarchy (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

34.2 Fair value measurement of financial instruments

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Financial assets:		
<i>Loans and receivables at amortised cost:</i>		
Cash and cash equivalents	7,307,640	9,566,645
Instalments credit debtors	13,494,741	14,549,898
Accounts receivable and other assets	6,780,171	6,200,635
Due from related parties	676,801	1,002,023
<i>Investments at fair value through profit or loss:</i>		
Investments at fair value through profit or loss	6,720,274	5,640,753
<i>Available for sale investments:</i>		
Available for sale investments – at fair value	58,326,329	62,562,655
Available for sale investments – at cost	33,246,800	24,481,820
Total	126,552,756	124,004,429
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
Due to banks	1,661,901	2,683,248
Accounts payable and other liabilities	7,814,601	7,119,902
Due to related parties	295,257	424,547
Term loans	12,770,000	11,660,000
Murabaha payable	10,823,538	5,200,000
Provision for employees' end of service benefits	805,014	721,432
Total	34,170,311	27,809,129

In the opinion of management, except for certain available for sale investments which are carried at cost for reasons specified in note 17 to these consolidated financial statements, the carrying amounts of financial assets and liabilities as at 31 December 2015 approximate their fair values.

Notes to the consolidated financial statements (continued)

34 Fair value measurement (continued)

34.2 Fair value measurement of financial instruments (continued)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2015

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss:				
Local quoted shares	1,763,523	-	-	1,763,523
Foreign quoted shares	69,040	-	-	69,040
Investment in managed portfolios	4,887,711	-	-	4,887,711
Available for sale investments:				
Local quoted shares	26,030,807	-	-	26,030,807
Local unquoted shares	-	-	8,304,201	8,304,201
Foreign unquoted shares	-	-	11,721,385	11,721,385
Investment in managed portfolios	1,412,303	-	10,591,000	12,003,303
Investment funds	-	266,633	-	266,633
	34,163,384	266,633	30,616,586	65,046,603

31 December 2014

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss:				
Local quoted shares	2,020,898	-	-	2,020,898
Foreign quoted shares	103,001	-	-	103,001
Investment in managed portfolios	3,516,854	-	-	3,516,854
Available for sale investments:				
Local quoted shares	27,309,384	-	-	27,309,384
Local unquoted shares	-	-	9,907,012	9,907,012
Foreign unquoted shares	-	-	11,048,010	11,048,010
Investment in managed portfolios	1,702,109	-	12,335,400	14,037,509
Investment funds	-	260,740	-	260,740
	34,652,246	260,740	33,290,422	68,203,408

There have been no transfers between levels during the reporting period.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out below.

Notes to the consolidated financial statements (continued)

34 Fair value measurement (continued)

34.2 Fair value measurement of financial instruments (continued)

Available for sale investments:

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

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

Certain unquoted equity securities are valued based on book value and price to book multiple method using latest financial statements available of the investee entities.

Other unquoted equity securities are valued using cash flow projections based on financial estimates approved by senior management. The growth rates used to arrive at the terminal value ranged from 2% to 3%. Further the revenue growth projections are based on the assessment of the future business growth.

Key assumptions used in fair value calculations

The calculation of fair value is most sensitive to the following assumptions:

- Discount rates;
- Growth rates used to extrapolate cash flows beyond the budget period;
- Local inflation rates.

Discount rates

Discount rates are calculated by using risk free rate, equity market risk premium, beta factor and company specific risk premium (alpha factor).

Market share assumptions

These assumptions, as well as use of industry data for growth rates, are important as the entity's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates

Assumptions are based on references from published industry research reports.

Investments in funds have been valued based on Net Asset Value (NAV) of the fund provided by the fund manager.

Gains or losses recognised in the consolidated statement of profit or loss for the year are included in profit on sale of available for sale investments.

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

There were no changes to the valuation techniques during the year.

Level 3 fair value measurements

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

Notes to the consolidated financial statements (continued)

34 Fair value measurement (continued)

34.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

	31 Dec. 2015 KD	31 Dec. 2014 KD
Opening balance	33,290,422	29,938,143
Change in fair value	(2,389,810)	2,476,159
Sales	(705,360)	-
Purchases	421,334	876,120
Closing balance	30,616,586	33,290,422
Total amount included in consolidated statement of profit or loss for unrealised gains on level 3 assets	-	-

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

Non-financial instruments

Investment properties were fair valued at 31 December 2015 and are classified under level 3 fair value hierarchy and reconciliation is provided in note 20.

Description of significant unobservable inputs to valuation of non-financial assets:

Fair value of investment properties were determined using Mark to Market method, conducted by valuers considering transaction prices of the property and similar properties. The significant unobservable valuation input used for the purpose of valuation is the market price per square foot / meter and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

35 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 optimisation of the capital structure.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Due to banks (note 22)	1,661,901	2,683,248
Term loans (note 24)	12,770,000	11,660,000
Murabaha payable (note 25)	10,823,538	5,200,000
Less: Cash and cash equivalents (note 12)	(7,307,640)	(9,566,645)
Net debt	17,947,799	9,976,603
Equity	153,638,016	155,895,465
Net debt to equity ratio	11.68%	6.40%