ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

Building a better working world

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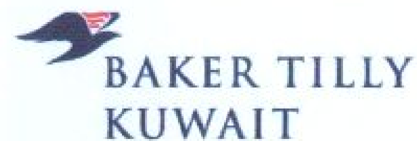

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C.P.

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Abyaar Real Estate Development Company K.S.C.P. (the "Parent Company") and its Subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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' judgement, 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 for 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 the Parent Company's 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.

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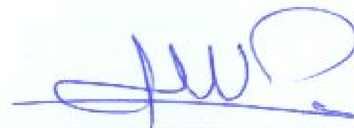
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. P. (continued)

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

Report on Other Legal and Regulatory Matters
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, the executive regulations of Law No. 25 of 2012, and by the Parent Company's Memorandum of Incorporation and Articles of Association that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and the executive regulations of Law No. 25 of 2012 or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015, that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS



MOHAMMED HAMED AL SULTAN
LICENSE NO. 100 A
AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

15 March 2016
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	***2015*** ***KD***	*2014* *KD*
INCOME			
Rental income		-	206,317
Unrealized gain on revaluation of investment properties	5	-	2,767,039
Gain (loss) from sale of investment property	5	**5,296**	(3,820,441)
Foreign exchange gain		**1,790,872**	1,879,466
Ijarah income		**471,089**	607,251
Dividend income		**90,390**	-
Other income		**6,526**	191,081
Gain on sale of a joint venture		-	43,869
Gain (loss) on sale of properties under development	4	**1,914,129**	(1,272,662)
Net gain on sale of available for sale investment		**114,266**	8,171
Impairment loss on available for sale investments	7	**(1,095,208)**	(143,145)
Share of results of associates	6	**68,260**	666,723
Gain on settlement of a liability		-	826,900
Reversal of liabilities no longer payable		-	1,067,150
Reversal of provision against receivables		-	1,065,000
		3,365,620	4,092,719
EXPENSES			
Staff costs		**(740,496)**	(777,644)
General and administration expenses		**(637,446)**	(749,570)
Islamic finance costs		**(2,009,378)**	(1,783,273)
		(3,387,320)	(3,310,487)
(LOSS) PROFIT FOR THE YEAR BEFORE PROVISIONS FOR ZAKAT AND NATIONAL LABOR SUPPORT TAX (NLST)		**(21,700)**	782,232
Zakat		-	(7,755)
NLST		-	(19,389)
(LOSS) PROFIT FOR THE YEAR		**(21,700)**	755,088
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	3	**(0.02) fils**	0.69 fils

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

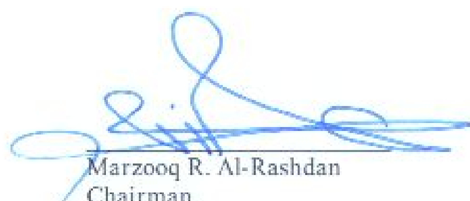
	2015 *KD*	*2014* *KD*
(Loss) profit for the year	**(21,700)**	755,088
Other comprehensive income		
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods		
Foreign currency translation differences	**1,875,206**	3,448,668
Other comprehensive income for the year	**1,875,206**	3,448,668
Total comprehensive income for the year	**1,853,506**	4,203,756

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
ASSETS			
Non-current assets			
Property and equipment		**558,293**	564,451
Properties under development	4	**31,553,402**	37,231,772
Investment properties	5	**103,236,569**	82,001,272
Investment in associates	6	**5,856,681**	5,788,421
Available for sale investments	7	**2,583,494**	3,554,798
Ijarah receivables	8	**27,909,875**	27,576,184
		171,698,314	156,716,898
Current assets			
Ijarah receivables	8	**1,161,998**	-
Accounts receivable and prepayments	9	**14,253,713**	25,846,559
Murabaha investment		**431,000**	2,317,262
Bank balances and cash	10	**2,540,305**	5,465,502
		18,387,016	33,629,323
TOTAL ASSETS		**190,085,330**	190,346,221
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**110,727,500**	110,727,500
Statutory reserve	12	**1,473,038**	1,473,038
General reserve	12	**2,288**	2,288
Treasury shares	13	**(1,473,038)**	(1,473,038)
Foreign currency translation reserve		**6,673,267**	4,798,061
Accumulated losses		**(21,401,966)**	(21,380,266)
Total equity		**96,001,089**	94,147,583
Non-current liabilities			
Islamic financing payables	14	**30,997,640**	37,119,332
Accounts payable and accruals	15	**22,702,289**	26,434,519
Employees' end of service benefits		**379,952**	294,959
		54,079,881	63,848,810
Current liabilities			
Islamic financing payables	14	**11,834,850**	8,476,011
Accounts payable and accruals	15	**28,169,510**	23,873,817
		40,004,360	32,349,828
Total liabilities		**94,084,241**	96,198,638
TOTAL EQUITY AND LIABILITIES		**190,085,330**	190,346,221



Marzooq R. Al-Rashdan
Chairman

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
OPERATING ACTIVITIES			
(Loss) profit for the year before provisions for zakat and NLST		**(21,700)**	782,232
Adjustments for:			
Unrealized gain on revaluation of investment properties	5	**-**	(2,767,039)
Gain (loss) from sale of investment property	5	**(5,296)**	3,820,441
Foreign exchange gain		**(1,790,872)**	(1,879,466)
Ijarah income		**(471,089)**	(607,251)
(Gain) loss on sale of properties under development	4	**(1,914,129)**	1,272,662
Share of results of associates	6	**(68,260)**	(666,723)
Gain on settlement of liabilities		**-**	(826,900)
Provision for employees' end of service benefits		**98,634**	47,902
Depreciation		**75,302**	60,771
Impairment loss on available for sale investments		**1,095,208**	143,145
Islamic finance costs		**2,009,378**	1,783,273
		(992,824)	1,163,047
Changes in working capital:			
Accounts receivable and prepayments		**11,592,846**	(313,399)
Accounts payable and accruals		**(1,864,863)**	8,465,340
Cash flows from operations		**8,735,159**	9,314,988
Employees' end of service benefits paid		**(13,641)**	(33,390)
Net cash flows from operating activities		**8,721,518**	9,281,598
INVESTING ACTIVITIES			
Additions to property and equipment		**(69,144)**	(4,905)
Additions to properties under development	4	**(5,968,157)**	(2,746,606)
Proceeds from sale of properties under development	4	**14,922,369**	3,235,262
Additions to investment properties	5	**(18,564,502)**	(1,004,278)
Proceeds from sale of investment properties	5	**423,459**	-
Net movement in payable on purchase of investment properties		**2,258,375**	-
Additions to investment in joint ventures		**-**	(235,980)
Proceeds from sale of joint venture		**-**	3,192,332
Proceeds from liquidation of an associate	6	**-**	2,676,402
Movement in murabaha investment		**(1,886,262)**	(1,322,178)
Net movement in restricted bank balances		**2,506,019**	(3,046,964)
Net cash flows (used in) from investing activities		**(6,377,843)**	743,085
FINANCING ACTIVITY			
Islamic financing payables – net		**(2,762,853)**	(9,887,046)
Net cash flows used in financing activity		**(2,762,853)**	(9,887,046)
(DECREASE) INCREASE IN BANK BALANCES AND CASH		**(419,178)**	137,637
Bank balances and cash as at 1 January		**425,798**	288,161
BANK BALANCES AND CASH AS AT 31 DECEMBER	10	**6,620**	425,798

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Treasury shares KD*	*Foreign currency translation reserve KD*	*Accumulated losses KD*	*Total KD*
Balance as at 1 January 2015	110,727,500	1,473,038	2,288	(1,473,038)	4,798,061	(21,380,266)	94,147,583
Loss for the year	-	-	-	-	-	(21,700)	(21,700)
Other comprehensive income for the year	-	-	-	-	1,875,206	-	1,875,206
Total comprehensive income (loss) for the year	-	-	-	-	1,875,206	(21,700)	1,853,506
Balance as at 31 December 2015	**110,727,500**	**1,473,038**	**2,288**	**(1,473,038)**	**6,673,267**	**(21,401,966)**	**96,001,089**
Balance as at 1 January 2014	110,727,500	1,473,038	2,288	(1,473,038)	1,349,393	(22,135,354)	89,943,827
Profit for the year	-	-	-	-	-	755,088	755,088
Other comprehensive income for the year	-	-	-	-	3,448,668	-	3,448,668
Total comprehensive income for the year	-	-	-	-	3,448,668	755,088	4,203,756
Balance as at 31 December 2014	110,727,500	1,473,038	2,288	(1,473,038)	4,798,061	(21,380,266)	94,147,583

The attached notes 1 to 21 form part of these consolidated financial statements.

1 ACTIVITIES

The consolidated financial statements of Abyaar Real Estate Development Company K.S.C.P. (the "Parent Company") and its subsidiary (the "Group") for the year ended 31 December 2015 were authorised for issuance by the Parent Company's board of directors on 15 March 2016. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

The registered office of the Parent Company is located at Al Sour Tower, Al Sour Street, Al Qebla Area, P.O. Box 4238, Safat 13043, Kuwait.

The main activities of the Company are as follows:

1. Owing, selling and buying real estate and lands as well as developing them for the Company's account inside Kuwait and abroad, also managing properties for others without breaching the provisions stipulated in the existing laws that prohibit trading in private residential plots as stipulated in these laws.
2. Owing, selling and buying shares and bonds of real estate companies only for the account of the Company inside Kuwait and abroad.
3. Preparing studies and offering consultations of all kinds of real estate fields if only the required conditions are met by the parties that perform such services.
4. Owing and managing hotels, health clubs, touristic facilities as well as renting and leasing the same.
5. Performing maintenance works related to buildings and real estate owned by the Company and others including maintenance work, execution of civil, mechanical, electrical, elevators and air conditioning work to ensure the protection and safety of buildings.
6. Managing, operating, investing in, renting and leasing hotels, clubs, motels, guest houses, parks, gardens, showrooms, restaurants, cafeterias, housing complexes, touristic and health resorts, recreational and athletic projects and stores of all degrees and levels, inclusive of all main and auxiliary services and the accompaning facilities and other necessary services.
7. Organizing real estate exhibitions related to the Company's real estate projects in accordance with Ministry's applicable regulations.
8. Holding real estate auctions as per the Ministry's applicable regulations.
9. Owing and managing commercial malls and residential complexes.
10. Utilizing financial surpluses available to the Company by investing them in financial portfolios managed by specialized companies and entities.
11. Direct contribution to develop the infrastructure for areas as well as residential, commercial and industrial projects using the BOT system (build, operate and transfer) and managing real estate facilities.

All activities are conducted in accordance with Islamic Sharee'a as approved by Sharia Board.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment properties.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD). However, the functional currency of the Parent Company is United Arab Emirate Dirham (UAE Dirham).

Statement of compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2015.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary is prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiary is consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-Group balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Detail of the subsidiary company is set out below:

Company name	*Country of incorporation*	*Equity interest as at 31 December*		*Principal activities*
		2015	*2014*	
Al Ain Al Ahlia for General Trading Company W.L.L.	Kuwait	**99%**	99%	Real estate activities

The Parent Company's effective interest in the subsidiary is 100%. Accordingly, the consolidated financial statement have been prepared on this basis. The remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of the following new and amended standards effective as of 1 January 2015:

IFRS 8 Operating Segments (Amendment)
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2015 and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria and, thus, this amendment did not impact the Group's accounting policy.

IAS 24 Related Party Disclosures (Amendment)
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any material management services from other entities.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property (Amendment)
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9: Financial Instruments: Classification and Measurement
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15 – Revenue from Contracts with customers ("IFRS 15")
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

If the business combination is achieved in stages, the 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 income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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. The following specific recognition criteria must also be met before revenue is recognised.

Sale of investment properties
Sale of investment properties is recognised when the risk and rewards of ownership have passed to the buyer usually evidenced by transfer of title of the properties.

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

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms, and included in revenue due to its operating nature.

Ijarah income
Ijarah income is recognized on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

Islamic finance costs
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 capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases where the Group is lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of finance charge on the remaining balance of the liability. Finance charges are charged to the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognised as expense on straight line basis over the lease term.

Certain property interests held for investment purposes by the Group under operating lease are classified as investment properties and accounted for as if they were in the nature of finance leases.

Leases where the Group is lessor

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are financial leases and structured in the form of Ijarah receivables.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of profit before deductions for the year. As per law, income from associates, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

The Group calculates Zakat in accordance with the requirements of Law No. 46 of 2006 at 1% of profit before deductions for the year.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives as follows:

• Buildings	30 years
• Furniture and fixtures	3 years
• Computers	1-4 years
• Vehicles	3- 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Properties under development
Properties under development are developed for future sale in the ordinary course of business, rather than to be held for rental or capital appreciation and are carried at fair value. Upon completion these are transferred to investment properties. Cost includes freehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs. Net realizable value is based on estimated selling price in the ordinary course of the business, based on market prices at the statement of financial position date, less costs to completion and the estimated cost of sale.

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise. Fair values are evaluated by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

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.

Investment in associates
The Group's investment in associates is accounted for under the equity method of accounting. These are entities over which the Group exercises significant influence and which are neither subsidiaries nor joint ventures. Investment in associates is carried in the statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. Distributions received from an associate reduce the carrying amount of the investment. The consolidated statement of income reflects the Group's share of the results of its associates.

Unrealized profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset or Group of assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's realizable value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash - generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets and liabilities
The Group recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. All regular way purchase of financial assets is recognized using the trade date accounting. Financial assets and liabilities are measured initially at fair value (transaction price in an arm's length terms) plus directly attributable transaction costs.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision 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.

Bank balances and cash
For the purpose of the consolidated cash flows statement, bank balances and cash consist of cash on hand, bank balances and restricted bank balances.

Available for sale investments
Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets carried at fair value through profit or loss, held to maturity investments or loans and receivables.

After initial recognition financial assets available for sale are measured at fair value with gains and losses being recognised through other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in other comprehensive income is recycled in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Murabaha investments
Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Murabaha investments are stated at amortised cost.

Ijarah receivables
Ijarah receivables arise from financing structure when the purchase and immediate lease of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments due, less deferred income and impairment losses.

Murabaha payables
Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the total amount of the payable less profit deferred. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Accounts payable and other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values
The Group measures financial instruments and non-financial assets such as investment properties at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

De-recognition of financial assets and liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognized when:
- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and has either:
  (a) transferred substantially all the risks and rewards of the asset; or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition of financial assets and liabilities (continued)
In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same creditor 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 recognized in the consolidated statement of income.

Impairment and uncollectibility of financial assets
An assessment is made at each reporting date to determine, in case of financial asset, whether there is objective evidence that a specific financial asset may be impaired and, in case of other assets, whether there is an indication that a specific asset may be impaired. A financial asset or a Group of financial assets are impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of income.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated statement of income.

Impairment is determined as follows:
(a) for assets carried at amortized cost, impairment is based on estimated cash flows discounted at the original effective rate of return;
(b) for assets carried at fair value, impairment is the difference between cost and fair value; and
(c) for assets carried at cost, impairment is the difference between cost and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For non equity financial assets the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. For available for sale equity financial assets, the asset is written down and subsequent increases are reflected in consolidated statement of comprehensive income.

In addition, a provision is made to cover impairment for specific group of assets where there is a measurable decrease in estimated future cash flows.

Reversal of impairment losses is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or has decreased. The reversal of impairment losses are recognised in the consolidated statement of income except for available for sale equity financial assets which are recognised in the consolidated statement of comprehensive income. Financial assets are written off when there is no realistic prospect of recovery.

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 financial assets and settle the financial liabilities simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Treasury shares consist of the Parents Company's own shares that have been issued, subsequently reacquired by the Group and not yet sold or cancelled. The treasury shares are accounted for using the cost method. When treasury shares are sold, gains are credited to a separate equity account (treasury shares reserve), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group also makes contributions to Public Authority 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.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at rate of exchange ruling on the reporting date. All exchange differences are taken to the consolidated statement of income.

Non-monetary items denominated in foreign currencies measured in terms of historical cost are translated using the exchange rates as at the date of the initial transaction. Non-monetary items denominated in foreign currencies and measured at fair value are translated using the exchange rate at the date when the fair value was determined.

On consolidation, assets and liabilities of foreign entities are translated into Kuwaiti Dinars at the year-end rates of exchange and the results of these entities are translated into Kuwaiti Dinars using average rates of exchange for the year. The exchange differences arising on the translation are recognised in other comprehensive income.

The functional currency is UAE Dirham. All exchange differences arising from the translation of functional currency to presentation currency are recognised, in the statement of comprehensive income.

Judgements

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Group classifies property as investment property if it is acquired or developed or is in the process of development to generate rental income or for capital appreciation, or for undetermined future use.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as carried at fair value through income statement or available for sale. All investments of the Group are classified as available for sale.

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

Impairment of accounts receivable
An estimate of the collectible amount of 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.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Valuation of investment properties
Valuation of investment properties are based on the valuation made by two independent valuer who holds a recognised and relevant professional qualifications and relevant experience.

Impairment of accounts receivable
The Group's management reviews periodically its accounts receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

Estimation of net realisable value for trading properties and properties under development

Trading properties and properties under development are stated at the lower of cost and net realisable value (NRV). NRV for completed trading properties is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

NRV in respect of properties under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share is calculated by dividing the (loss) profit for the year by the weighted average number of shares outstanding during the year less treasury shares.

	2015	*2014*
	KD	*KD*
(Loss) profit for the year	**(21,700)**	755,088
	Shares	*Shares*
Weighted average number of shares outstanding during the year, net of treasury shares	**1,099,525,000**	1,099,525,000
Basic and diluted (loss) earnings per share	**(0.02) fils**	0.69 fils

As there are no dilutive potential ordinary shares basic and diluted (loss) earnings per share are identical.

4 PROPERTIES UNDER DEVELOPMENT

	2015	*2014*
	KD	*KD*
At 1 January	**37,231,772**	40,528,133
Additions	**5,968,157**	2,746,606
Disposals	**(13,008,240)**	(4,507,924)
Transfer to investment properties (Note 5)	**-**	(3,034,888)
Foreign currency adjustments	**1,361,713**	1,499,845
At 31 December	**31,553,402**	37,231,772

Properties under development represent the cost of freehold properties and subsequent development cost incurred by the Group. The properties are located in the United Arab Emirates.

At the reporting date, properties under development with a carrying value of KD 30,303,117 (2014: KD 36,025,524) are mortgaged as collateral against Islamic financing payables (Note 14).

The Group sold properties under development with carrying value of KD 13,008,240 (2014: KD 4,507,924) for a total consideration of KD 14,922,369 (2014: KD 3,235,262) resulting in a gain of KD 1,914,129 (2014: loss of KD 1,272,662) recorded in the consolidated statement of income.

5 INVESTMENT PROPERTIES

	2015 *KD*	*2014* *KD*
At 1 January	**82,001,272**	81,448,975
Additions	**18,564,502**	1,004,278
Transfer from properties under development (Note 4)	-	3,034,888
Transfer from joint venture	-	1,482,890
Disposals	**(418,163)**	(10,801,758)
Unrealized gain on revaluation	-	2,767,039
Foreign currency adjustments	**3,088,958**	3,064,960
At 31 December	**103,236,569**	82,001,272
Comprising:		
Properties under development	**103,236,569**	81,619,393
Developed properties	-	381,879
At 31 December	**103,236,569**	82,001,272

Included in investment properties are certain properties amounting to KD 16,763,930 (2014: KD 16,173,884) for which legal titles have not been transferred in the name of the Group by the vendor. The vendor has confirmed in writing that the Parent Company is the beneficial owner of these properties.

At the reporting date, investment properties with a carrying value of KD 73,675,514 (2014: KD 53,099,102) are mortgaged as collateral against Islamic financing payables (Note 14).

During the prior year the Group partly settled Islamic financing payables of KD 4,970,695 by transferring an investment property with a carrying value of KD 8,791,136 to the lender (Note 14). This resulted in a loss of KD 3,820,441 and classified as loss on investment properties in the consolidated statement of income.

The Group's investment properties were revalued at 31 December 2015 based on valuations obtained from two independent professionally qualified valuers. The valuation of the properties has been determined based on comparable market values for similar properties and are classified under level 2 of fair value hierarchy (Note 21)

The Group sold investment properties with carrying value of KD 418,163 (2014: KD 10,801,758) for a total consideration of KD 423,459 (2014: KD 6,981,317) resulting in a gain of KD 5,296 (2014: KD Nil) recorded in the consolidated statement of income.

6 INVESTMENT IN ASSOCIATES

Name of the company	*Country of incorporation*	*% equity interest* *2015*	*2014*	*Activities*
Abyaar Qatar Real Estate Development Company K.S.C. (Closed)*	Kuwait	**14.44%**	14.44%	Real Estate Development (under liquidation)
Makan United Real Estate Company K.S.C.	Kuwait	**20%**	20%	Real Estate
Tamee General Trading and Contracting Company W.L.L.	Kuwait	**20%**	20%	General Trading and Contracting
Al Jaddaf Real Estate Company K.S.C. (Closed)	Kuwait	**36.5%**	36.5%	Real Estate Development

	2015 *KD*	*2014* *KD*
At 1 January	**5,788,421**	7,798,100
Share of results	**68,260**	666,723
Amount received on liquidation of an associate	-	(2,676,402)
At 31 December	**5,856,681**	5,788,421

6 INVESTMENT IN ASSOCIATES (continued)

On 18 September 2014, the Extraordinary General Assembly of Abyaar Qatar Real Estate Development Company K.S.C. (Closed) decided to liquidate the Company. Accordingly the Group received an amount of KD 2,676,402 as liquidation settlement and the only amount remaining is KD 420,874 which will be recovered by the Group on the final settlement.

The fair value of investment in associates could not be reliably measured as the associates are unquoted and they do not have published quoted prices.

Investment in an associate amounting to KD 5,435,807 (2014: KD 5,453,668) is mortgaged as collateral against Islamic financing payables (Note 14).

* The Parent Company exercises significant influence (even though the percentage of ownership is less than 20%) over the above investments in associate, through representation on the Board of Directors of this entity and joint participation in major business transactions.

The following tables illustrates summarized financial information of the Group's material associates:

a) Al Jaddaf Real Estate Company K.S.C. (Closed)

	2015 *KD*	*2014* *KD*
Non - current assets	**14,789,041**	14,958,542
Current assets	**629,620**	440,633
Total assets	**15,418,661**	15,399,175
Non - current liabilities	**1,310**	1,893
Current liabilities	**327,316**	51,289
Total liabilities	**328,626**	53,182
Net Assets	**15,090,035**	15,345,993
Net operating income	**115,754**	-
Results	**107,435**	(10,901)
Other comprehensive income	**-**	-

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

	2015 *KD*	*2014* *KD*
Group's ownership interest (%)	**36.50%**	36.50%
Net assets	**5,507,863**	5,601,287
Share of results	**39,214**	(3,979)

6 INVESTMENT IN ASSOCIATES (continued)

b) Other immaterial associates

	2015 *KD*	*2014* *KD*
Non - current assets	**2,235,619**	2,469,908
Current assets	**1,026,178**	5,271,217
Total assets	**3,261,797**	7,741,125
Non - current liabilities	**423,754**	377,604
Current liabilities	**296,345**	5,639,493
Total liabilities	**720,099**	6,017,097
Net Assets	**2,541,698**	1,724,028
Net operating income	**184,135**	5,006,618
Results	**151,258**	4,554,535
Other comprehensive loss	**(219)**	(578)

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

	2015 *KD*	*2014* *KD*
Net assets	**348,818**	187,134
Share of results	**29,046**	670,702

7 AVAILABLE FOR SALE INVESTMENTS

These represent investments in unquoted equity securities amounting to KD 2,583,494 (2014: KD 3,554,798) and are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments. During the year, the Group recorded an impairment loss of KD 1,095,208 (KD: 143,145) on certain available for sale investments. Management has performed an analysis of the underlying financial assets of available for sale investments and concluded that no further impairment is required.

Available for sale investment amounting to KD 1,500,000 (2014: KD 2,442,384) is mortgaged as collateral against Islamic financing payables (Note 14).

8 IJARAH RECEIVABLES

	2015 *KD*	*2014* *KD*
Gross amount	**35,058,001**	34,033,399
Less: deferred profit payable	**(5,986,128)**	(6,457,215)
	29,071,873	27,576,184

Ijarah receivables amounting to KD 27,909,875 (2014: 27,576,184) is classified as non-current assets in the consolidated statement of financial position.

Ijarah receivables represent sublease of certain plots of land to a third party which were held under operating leases and were classified and accounted for as investment properties by the Group.

Ijarah receivable is unsecured and carry profit at an average rate of 1.9% (2014: 1.9%) per annum.

Ijarah receivable is collected on a semiannual basis starting form 31 December 2012 to 30 June 2039

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2015 *KD*	*2014* *KD*
Receivable from customers	**3,110,235**	17,085,486
Prepaid expenses and commissions	**951,438**	1,589,614
Advance for purchase of property and equipment	**2,253,277**	2,214,184
Advance paid to contractor	-	1,160,304
Other receivables	**7,938,763**	3,796,971
	14,253,713	25,846,559

10 BANK BALANCES AND CASH

	2015 *KD*	*2014* *KD*
Bank balances and cash	**2,540,305**	5,465,502
Less: restricted bank balances	**(2,533,685)**	(5,039,704)
Bank balances and cash for the purpose of consolidated statement of cash flows	**6,620**	425,798

Restricted bank balances represent amounts held in escrow accounts. The Group cannot use these amounts until fulfilment of obligations related to construction and completion of certain projects.

11 SHARE CAPITAL

At 31 December 2015, issued and fully paid up capital of the Parent Company is 1,107,275,000 shares (2014: 1,107,275,000 shares) of 100 fils each paid fully in cash.

12 RESERVES

a) **Statutory reserve**

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit before directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax and Zakat should be transferred to the statutory reserve. The Parent Company may discontinue such transfer when the reserve totals 50% of 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 dividend of that amount.

During the current year, no transfer to statutory reserve was made as the Group reported losses for the year (2014: KD Nil).

b) **General reserve**

In accordance with the Parent Company's Articles of Association, 10% of the net profit for the year before directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax and Zakat should be transferred to general reserve. The Parent Company may resolve to discontinue such annual transfers in accordance with a resolution of the Parent Company's ordinary General Meeting based on proposal submitted by the Parent Company's Board of Directors. During the year there was no transfer to reserve due to the resolution of the Board of Directors.

13 TREASURY SHARES

	2015	*2014*
Number of treasury shares (shares)	**7,750,000**	7,750,000
Percentage of issued shares	**0.7%**	0.7%
Market value (KD)	**224,750**	248,000

14 ISLAMIC FINANCING PAYABLES

	2015 *KD*	*2014* *KD*
Gross amount	**45,595,343**	48,756,203
Less: deferred profit payable	**(2,762,853)**	(3,160,860)
	42,832,490	45,595,343
Classified as		
Current	**11,834,850**	8,476,011
Non-current	**30,997,640**	37,119,332
	42,832,490	45,595,343

The effective rate of profit payable vary between 4.5% to 7.0% (2014: 4.5% to 7.0%) per annum.

(a) Islamic financing payables amounting to KD 36,961,869 (2014: KD 35,448,586) are secured by way of collaterals in the form of property and equipment amounting to KD 494,268 (2014: 534,118), properties under development amounting to KD 30,303,117 (2014: KD 36,025,524) (Note 4), investment properties amounting to KD 73,675,514 (2014: KD 53,099,102) (Note 5), investment in associates amounting to KD 5,435,807 (2014: KD 5,453,668) (Note 6), available for sale investments amounting to KD 1,500,000 (2014: KD 2,442,384) (Note 7).

(b) During the prior year the Group partly settled Islamic financing payables of KD 4,970,695 by transferring an investment property with a carrying value of KD 8,791,136 to the lender (Note 5). This resulted in a loss of KD 3,820,441 and classified as loss on investment properties in the consolidated statement of income.

15 ACCOUNTS PAYABLE AND ACCRUALS

	2015 *KD*	*2014* *KD*
Advances from customers	**34,787,513**	39,377,079
Amounts due to related parties (Note 16)	**573,053**	623,094
Accrued expenses	**264,107**	314,934
Payable on purchase of investment properties	**5,288,683**	3,030,308
Payable to contractors and consultants	**6,466,556**	4,501,729
Other payables	**3,491,887**	2,461,192
	50,871,799	50,308,336
Classified as		
Current	**28,169,510**	23,873,817
Non-current	**22,702,289**	26,434,519
	50,871,799	50,308,336

16 RELATED PARTY 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.

These represent transactions with certain parties entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

16 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the consolidated statement of financial position and consolidated statement of income are as follows:

	Major shareholders KD	*Associates KD*	***Total 2015 KD***	*Total 2014 KD*
Consolidated statement of financial position				
Amounts due to related parties (Note 15)	-	573,053	**573,053**	623,094
Consolidated statement of income				
Share of results (Note 6)	-	68,260	**68,260**	666,723

Key management compensation:

	2015 KD	*2014 KD*
Short term benefits	**325,369**	317,561
Employees' end of service benefits	**279,455**	216,398
Total	**604,824**	533,959

17 COMMITMENTS

At 31 December 2015 the Group has commitments in respect of outstanding letter of credits amounting KD Nil (2014: KD 29,780) relating to properties under development.

At 31 December 2015 the Group has commitments related to future capital expenditure amounting to KD 14,028,668 (2014: KD 2,753,821).

18 SEGMENT INFORMATION

For management purpose the Group is organised into three major geographical segments:

- United Arab Emirates (UAE)
- Kuwait
- Other countries

Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

	UAE		*Kuwait*		*Other countries*		*Total*	
	2015 KD	*2014 KD*	***2015 KD***	*2014 KD*	***2015 KD***	*2014 KD*	***2015 KD***	*2014 KD*
Segment revenue	**4,187,912**	3,560,970	**(822,292)**	531,749	**-**	-	**3,365,620**	4,092,719
Segment expenses	**(263,954)**	(426,995)	**(3,123,366)**	(2,883,492)	**-**	-	**(3,387,320)**	(3,310,487)
Segment result	**3,923,958**	3,133,975	**(3,945,658)**	(2,351,743)	**-**	-	**(21,700)**	782,232
Segment assets	**165,541,224**	164,949,460	**7,780,176**	9,222,877	**16,763,930**	16,173,884	**190,085,330**	190,346,221
Segment liabilities	**55,110,383**	56,629,335	**38,973,858**	39,569,303	**-**	-	**94,084,241**	96,198,638
Commitments and capital	**14,028,668**	2,753,821	**-**	-	**-**	-	**14,028,668**	2,753,821

19 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group achieving profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk and currency risk. It is also subject to operational risks.

The Board of Directors of the Parent Company are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

19.1 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 monitors credit exposures and continually assesses the creditworthiness of counterparties.

2015	***2015*** ***KD***	*2014* *KD*
Ijarah receivables	**29,071,873**	27,576,184
Accounts receivable	**13,302,275**	24,256,945
Murabaha investment	**431,000**	2,317,262
Bank balances	**2,540,305**	5,465,502
Total	**45,345,453**	59,615,893

Maximum exposure to credit risk
The Group's policy is to enter into arrangements only with recognised, creditworthy counter parties. The maximum exposure with respect to credit risk arising from financial assets of the Group, which comprise accounts receivables, murabha investment, ijarah receivables and bank balances, is equal to the carrying amount of these instruments.

Risk concentrations of the maximum exposure to credit risk
The maximum credit exposure to any client or counterparty as of 31 December 2015 was KD 5,323,122 (2014: KD 19,220,434) before taking account of collateral or other credit enhancements.

The Group's receivable is primarily from clients located in United Arab Emirates.

Collateral and other credit enhancements
Receivable from customers are secured by way of title documents of the property.

Credit quality for class of financial assets that are neither past due not impaired
Neither internal credit grading system nor external credit grades are used by the Group to manage the credit quality of receivables. Receivable balances are monitored on an ongoing basis.

Financial asset by class that are individualy impaired

2015	***Gross exposure KD***	***Impairment provision KD***
Accounts receivable	**5,323,122**	**2,212,887**
Total	**5,323,122**	**2,212,887**
2014		
Accounts receivable	19,220,434	2,134,949
Total	19,220,434	2,134,949

19 RISK MANAGEMENT (continued)

19.2 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 summarizes the maturity profile of the Group's financial liabilities at 31 December 2015 and 31 December 2014 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately and are included in less than three months.

Financial liabilities	*Less than 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
2015				
Islamic financing payables	**676,552**	**11,158,299**	**30,997,639**	**42,832,490**
Accounts payables and accruals*	**17,579,527**	**10,589,984**	**5,346,859**	**33,516,370**
Total	**18,256,079**	**21,748,283**	**36,344,498**	**76,348,860**
2014				
Islamic financing payables	300,000	8,176,011	37,119,332	45,595,343
Accounts payables and accruals*	15,975,316	7,898,501	4,561,145	28,434,962
Total	16,275,316	16,074,512	41,680,477	74,030,305

* Excluded from accounts payable and accruals are advances from customers amounting to KD 17,413,605 for the year ended 31 December 2015 (31 December 2014: KD 21,923,001).

19.3 Market Risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risks arise for open positions in profit, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rate foreign exchange rates and equity prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and the directors' estimate of long and short term changes in fair value.

19.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit will affect future cash flows or the fair values of financial instruments. The Group's borrowings are in the form of Murabaha and Ijarah which are Islamic financing instruments with a fixed rate of profit. Consequently the Group is not exposed to profit risk.

19.3.2 Currency risk

Currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors' and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is a minimal risk of losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

19 RISK MANAGEMENT (continued)

19.3 Market Risk (continued)

19.3.2 Currency risk (continued)

The effect on loss (due to change in the fair value of monetary assets and liabilities), as a result of change in currency rate, with all other variables held constant is shown below:

	Currency	*Change in currency rate in %*	*Effect on loss KD*
2015	KD	**+/- 1**	**1,104,308**
2014	KD	+/- 1	1,083,201

19.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

20 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic financing payables, accounts payables and accruals, less bank balances and cash.

	2015 KD	*2014 KD*
Islamic financing payables	**42,832,490**	45,595,343
Accounts payable and accruals	**50,871,799**	50,308,336
Less: bank balance and cash	**(2,540,305)**	(5,465,502)
Net debt	**91,163,984**	90,438,177
Equity	**96,001,089**	94,147,583
Capital and net debt	**187,165,073**	184,585,760
Gearing ratio	**49%**	49%

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy:
The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2015	*Level: 1* *KD*	*Level: 2* *KD*	*Level: 3* *KD*	*Total fair value* *KD*
Properties under development	-	**31,553,402**	-	**31,553,402**
Investment properties	-	**103,236,569**	-	**103,236,569**
	-	**134,789,971**	-	**134,789,971**

2014	*Level: 1* *KD*	*Level: 2* *KD*	*Level: 3* *KD*	*Total fair value* *KD*
Properties under development	-	37,231,772	-	37,231,772
Investment properties	-	82,001,272	-	82,001,272
	-	119,233,044	-	119,233,044

There have not been any transfers between the levels of fair value hierarchy during the year.

Fair value of other financial instruments is not materially different from their carrying values at the reporting date.

ABYAAR REAL ESTATE DEVELOPMENT COMPANY
K.S.C.P. AND ITS SUBSIDIARY

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