ANNUAL REPORT 2015

تمدين

TAMDEEN

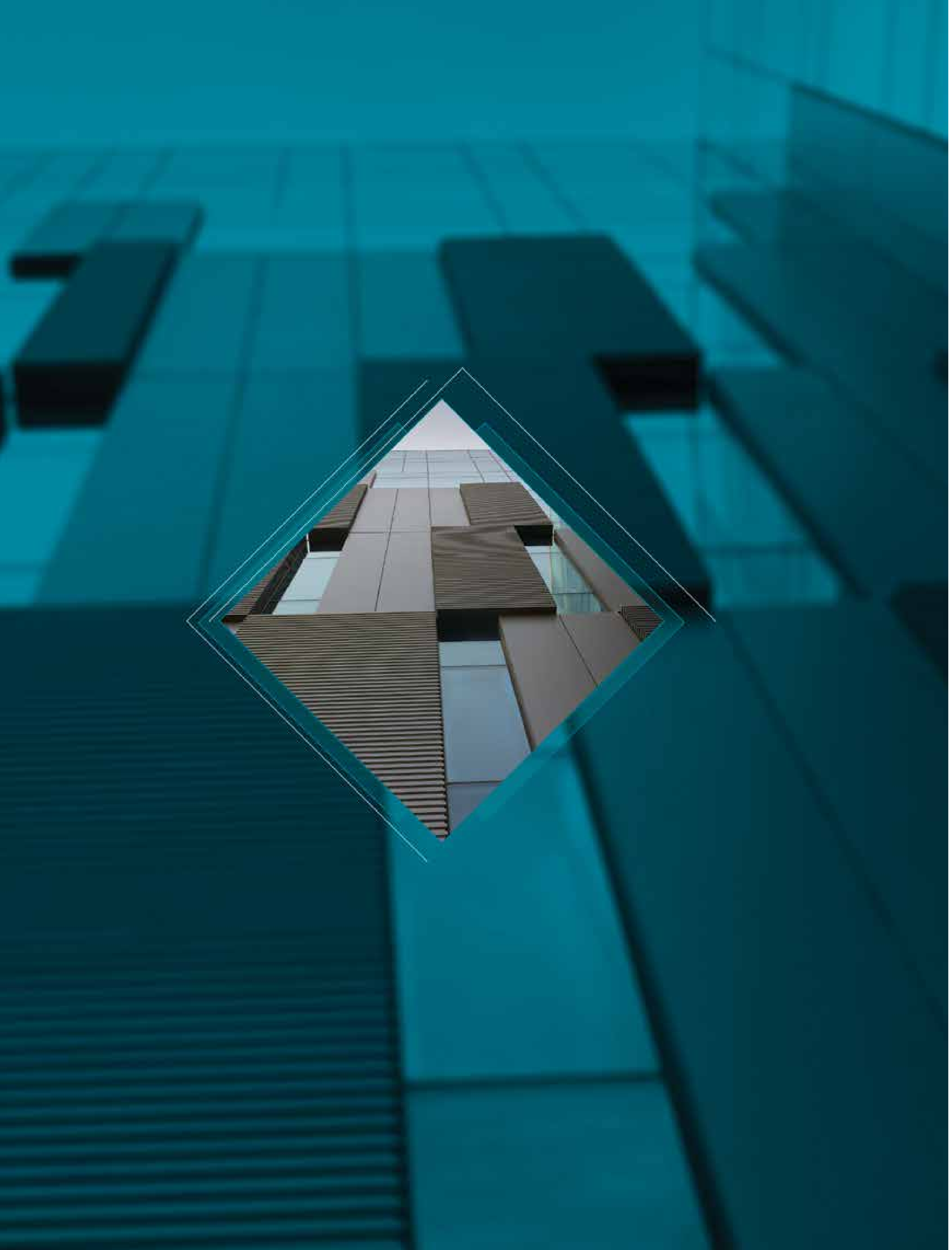
INVESTMENT

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

H.H. Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait

H.H. Sheikh Sabah Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait

H.H. Sheikh Jaber Al Mubarak Al Hamad Al Sabah
Prime minister of the State of Kuwait



CONTENTS

BOARD MEMBERS

Nawaf Ahmad Al Marzouq
CHAIRMAN

Ahmad Dakhel Al Osaimi
VICE CHAIRMAN

Talal Yousef Al Marzouq
BOARD MEMBER

Abdul Aziz Abdullah Al Ghanim
BOARD MEMBER

Salah Abdul Aziz Al Bahar
BOARD MEMBER

EXECUTIVE MANAGEMENT

Mohammed Mustafa Al Marzouq
CEO

Nabil Abdelmoeti Soliman
DGM FINANCE

Azzam Hamza Al Homaidi
ADMINISTRATION MANAGER

Sanaa Adel Mousa
HEAD OF SETTLEMENT DEPARTMENT

Nashmyah Ali Hadeyah
HEAD OF CO-ORDINATION & FOLLOW UP DEPARTMENT

CHAIRMAN'S LETTER

IN THE NAME OF GOD, MOST GRACIOUS, MOST MERCIFUL

HONORABLE SHAREHOLDERS,

PEACE AND GOD'S MERCY AND BLESSINGS BE UPON YOU,

ON BEHALF OF MY SELF AND MY COLLEAGUES, ON THE BOARD OF DIRECTORS OF TAMDEEN INVESTMENT COMPANY, I AM PLEASED TO PRESENT TO YOU THE EIGHTEENTH ANNUAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015.

THE YEAR MARKED A HISTORIC TURNING POINT FOR THE WAY INVESTORS AND THE ENTIRE WORLD VIEW THE ECONOMIES OF THE GULF COOPERATION COUNCIL COUNTRIES AND GCC SHARE MARKETS. THE YEAR WITNESSED THE FALL OF OIL PRICES TO LEVEL UNSEEN IN THE PAST 11 YEARS AND TRIGGERED UNPRECEDENTED REACTIONS FROM GOVERNMENT AND REGULATORY AUTHORITIES IN VIEW OF THE GCC ECONOMIES BEING CLOSELY LINKED TO OIL PRICES, AND THE RESULTING HUGE DEFICITS IN THE GCC COUNTRIES ANNUAL BUDGETS WHICH BROUGHT MASSIVE PRESSURE ON PUBLIC EXPENDITURE AND FORCED A REVIEW OF THE SUBSIDIES GRANTED ON PETROLEUM DERIVATIVE PRODUCTS.

THE PERFORMANCE OF ALL GCC EXCHANGES DURING 2015 WAS BLEAK WITH ALL GCC SHARES INDEXES ENDING THE YEAR IN THE RED. THE SAUDI MARKET SUFFERED MOST, HAVING FALLEN 17.1%, FOLLOWED BY DUBAI WITH 15.1%, QATAR WITH 15.1%, BAHRAIN WITH 15%, THE OMAN MARKET LOSING 14.8% OF ITS VALUE AND KUWAIT STOCK EXCHANGE FALLING BY 14.1%.

ESTEEMED BROTHERS,

With the grace of God, the year 2015 was rich with achievements made at all operating and investment levels, as obviously evident from the Company's revenues reflected in the cash dividents received from the Company's investment in Ahli United Bank during the year, amounting KD 6.3 Million, compared to KD 5.8 Million in 2014. This achievement underscores the soundness and strenght of the company's present assets. The Tamdeen Investment Company has completed the merger procedures by amalgamation with Tamdeen Holding Company, resulting in the dissolution of Tamdeen Holding Company and the passing of its assets and liabilities to Tamdeen Investment Company in cosideration for the issue by Tamdeen Investment Company of 47,260,274 shares to the shareholders of Tamdeen Holding Company and increasing the capital of Tamdeen Investment Company by KD 1,678,210.300 in addition to using the treasury shares by the Company, amounting to 30,478,171. The merger resulting in increasing the amount of good assets that generate good yields and are owned by Tamdeen Investment Company, such as Ahli United Bank. This is in addition to full acquisition of Tamdeen Franchises Holding Company which, in turn, owns 44% of the capital of Kuwait National Cinema in British Industries Printing and Packaging Company and the Tamdeen Resorts Company have also been increased.

During the year, the previously planned investment agenda was fully implemented: The Company's investment in Tamdeen Resorts Company were increase by KD 6.250 Million in preparation for the construction of a major investment project in Kheeran.

ESTEEMED BROTHERS,

The year 2015 was outstanding for the excellent financial results the Company achieved with net profits amount to KD 11.6 Million and 39.07 Fils in earnings per share, compared to the year 2014 for which profits amounted to KD 9 Million and earnings per shares FIls 30.41.

At the end of 2015, total assets amounted to KD 268 Million compared to KD 253 Million in 2014 while total liabilities stood at KD 91 Million compared to KD 96 Million in 2014. Shareholders equity amounted to KD 161 million compared to KD 140 million in 2014. The Board of Directors continued to adopt a conservative policy by making provisions for unlisted investments in the amount of KD 294 thousand.

In preparing the Company's financial statements, we observed the International Accounting Statndards and all the regulations and laws of the supervision authorities in order to ensure full integrity and transparency.

During 2015, and with regard to keeping abreast with the instructions and laws of the supervision authorities, Tamdeen Investment Company completing the application of the requirements of the Capital Markets Authority no. 25 of 2013 and their amendments concerning the rules of governance for companies that are subject to CMA supervision. During 2016, the Board of Directors will definitely continue to execute the conservative and carefully drawn investment policies of Tamdeen Group with a view to ensure safeguarding and growing the Company's assets.

Emphasizing the commitment to ensure the success of the policies and targets set by the Board of Directors ot Tamdeen Investment Company, the Board is please to recommend the General Assembly to approve the distribution of a cash dividend to the shareholders at the rate of 10% of the nominal value of the shares, which is equal to 10 Fils per share, and bonus shares for a total amount that represents 5% of the paid-up capital for the financial year ended on 31 December 2015. The Board of Directors further recommends payment of a remuneration to the members of the Board of Directors in the amount of KD 50,000 for the financial year ended on 31 December 2015

HONORABLE SHAREHOLDERS,

I would like to seize this opportunity, for myself and on behalf of the Board of Directors, to extend my thanks and gratitude to His Highness the Amir, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah and His Highness the Crown Prince, Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al Sabah. I also present my thanks to our esteemed shareholders for their confidence and support.

In conclusion, I extend my deepest thanks and appreciation to the members of the Company's Board of Directors and all the Company's employees for their fruitful efforts that enable the company to achieve the desired results during the year 2015.

PEACE AND GOD'S MERCY AND BLESSINGS BE UPON YOU,

NAWAF AHMAD AL MARZOUQ
CHAIRMAN

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Tamdeen Investment Company – KSCP "the Parent Company" and its subsidiaries (together referred to as the Group) which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

PARENT COMPANY'S MANAGEMENT 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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of accounts Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016, 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 No. 1 of 2016 or the Parent Company's Memorandum of Incorporation and Articles of Association, as amended have occurred during the financial year ended 31 December 2015 that might have had a material effect on the business of the Group or on its consolidated financial position.

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

Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche

Al Wazzan & Co.

Kuwait, 21 March 2016

Rabea Saad Al Muhanna

Licence No.152-A

Horwath Al Muhanna & Co.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2015	2014
Assets			
Cash and cash equivalents	5	10,798,585	10,039,771
Accounts receivable and other assets	6	1,696,940	104,117
Investments available for sale	7	132,642,115	126,813,582
Investments in associates	8	102,308,661	116,095,355
Leasehold rights		1,768,618	-
Properties and equipment	9	18,525,319	271,802
Total assets		267,740,238	253,324,627
Liabilities and equity			
Liabilities			
Accounts payable	10	1,972,247	22,177,802
Bank facilities	11	88,864,745	74,250,000
End of service indemnity		645,742	117,736
Total liabilities		91,482,734	96,545,538
Equity			
Share capital	12	32,863,210	31,185,000
Share premium		15,672,351	10,000,000
Treasury shares	13	(26,827)	(6,682,983)
Gain on sale of treasury shares		6,886,779	240,466
Statutory reserve	14	6,204,441	4,996,008
Change in fair value reserve		62,488,139	75,447,014
Group's share in associates' reserves		2,102,243	4,377,926
Retained earnings		34,354,858	20,802,522
Equity attributable to Parent Company's shareholders		160,545,194	140,365,953
Non-controlling interest		15,712,310	16,413,136
Total equity		176,257,504	156,779,089
Total liabilities and equity		267,740,238	253,324,627

The accompanying notes form an integral part of these consolidated financial statements

Nawaf Ahmad Al Marzouq
Chairman

Ahmad Dakhel Al Osaimi
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2015	2014
Revenues			
Gains from investments available for sale	16	12,713,305	8,222,352
Group's share from associates' results	8	4,340,757	4,550,803
Gross profit from operating activities		56,213	-
Loss on disposal of a subsidiary		(46,709)	-
Management fees		193,392	197,592
Other income		54,012	16,885
		17,310,970	12,987,632
Expenses and other charges			
Staff costs		549,795	441,044
Other expenses		942,234	657,824
Finance charges		2,973,153	1,966,713
Foreign currency exchange differences		(96,191)	62,364
		4,368,991	3,127,945
Profit for the year before deductions		12,941,979	9,859,687
Board of Directors' remuneration		50,000	50,000
Kuwait Foundation for Advancement of Science		104,636	65,132
National Labour Support Tax		294,374	226,899
Zakat		112,603	69,857
Net profit for the year		12,380,366	9,447,799
Distributed as follows:			
Parent Company's shareholders		11,522,716	9,050,797
Non-controlling interest		857,650	397,002
		12,380,366	9,447,799
Earnings per share attributable to the Parent Company's shareholders (fils)	17	39.07	30.41

The accompanying notes form an integral part of these consolidated financial statements

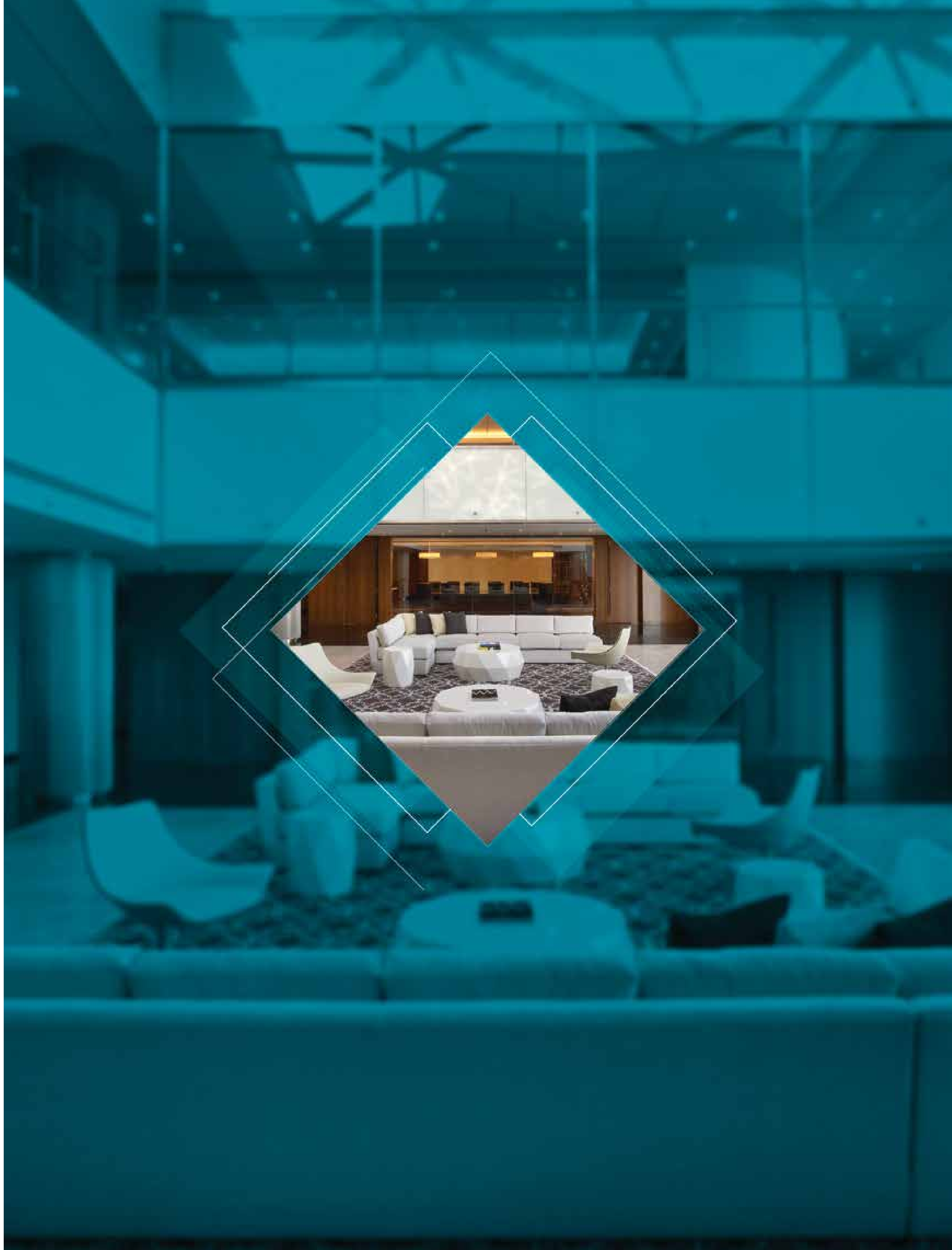
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	2015	2014
Net profit for the year	12,380,366	9,447,799
Other comprehensive income items:		
Items that maybe reclassifies subsequently to statement of income:		
Transferred to the statement of income on sale of investments available for sale	(6,440,486)	(2,310,492)
Change in fair value of investments available for sale	(6,518,389)	24,644,459
Group's share in associates' reserves	(2,275,683)	4,024,078
Total other comprehensive (loss) / income items	(15,234,558)	26,358,045
Total comprehensive (loss) / income for the year	(2,854,192)	35,805,844
Distributed as follows:		
Parent Company's shareholders	(3,711,842)	34,696,822
Non-controlling interest	857,650	1,109,022
	(2,854,192)	35,805,844

The accompanying notes form an integral part of these consolidated financial statements



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Equity attributed to the Parent Company's shareholders										
	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2014	**31,185,000**	**10,000,000**	**(2,512,530)**	**240,466**	**4,049,740**	**53,476,447**	**702,468**	**15,343,337**	**112,484,928**	**8,540**	**112,493,468**
Net profit for the year	-	-	-	-	-	-	-	9,050,797	9,050,797	397,002	9,447,799
Total comprehensive income for the year	-	-	-	-	-	21,970,567	3,675,458	-	25,646,025	712,020	26,358,045
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	15,302,157	15,302,157
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(6,583)	(6,583)
Purchase of treasury shares	-	-	(4,170,453)	-	-	-	-	-	(4,170,453)	-	(4,170,453)
Cash dividend	-	-	-	-	-	-	-	(2,645,344)	(2,645,344)	-	(2,645,344)
Transferred to statutory reserve	-	-	-	-	946,268	-	-	(946,268)	-	-	-
Balance as at 31 December 2014	**31,185,000**	**10,000,000**	**(6,682,983)**	**240,466**	**4,996,008**	**75,447,014**	**4,377,926**	**20,802,522**	**140,365,953**	**16,413,136**	**156,779,089**
Balance as at 1 January 2015	**31,185,000**	**10,000,000**	**(6,682,983)**	**240,466**	**4,996,008**	**75,447,014**	**4,377,926**	**20,802,522**	**140,365,953**	**16,413,136**	**156,779,089**
Net profit for the year	-	-	-	-	-	-	-	11,522,716	11,522,716	857,650	12,380,366
Total comprehensive income for the year	-	-	-	-	-	(12,958,875)	(2,275,683)	-	(15,234,558)	-	(15,234,558)
Share capital increase	1,678,210	-	-	-	-	-	-	-	1,678,210	-	1,678,210
Share premium (note 19.3)	-	5,672,351	-	-	-	-	-	-	5,672,351	-	5,672,351
Impact of business combination(note 19.3)	-	-	-	-	-	-	-	2,798,245	2,798,245	-	2,798,245
Associate reserve transferred on business combination	-	-	-	-	-	-	-	3,252,306	3,252,306	-	3,252,306
Purchase of treasury shares	-	-	(46,970)	-	-	-	-	-	(46,970)	-	(46,970)
Treasury shares utilized	-	-	6,703,126	6,646,313	-	-	-	-	13,349,439	-	13,349,439
Increase in share of subsidiaries	-	-	-	-	-	-	-	-	-	(1,258,476)	(1,258,476)
Cash dividend (note 15)	-	-	-	-	-	-	-	(2,812,498)	(2,812,498)	-	(2,812,498)
Cash dividend from subsidiary	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Transferred to statutory reserve	-	-	-	-	1,208,433	-	-	(1,208,433)	-	-	-
Balance as at 31 December 2015	**32,863,210**	**15,672,351**	**(26,827)**	**6,886,779**	**6,204,441**	**62,488,139**	**2,102,243**	**34,354,858**	**160,545,194**	**15,712,310**	**176,257,504**

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2015	2014
Cash flows from operating activities			
Net profit for the year		12,380,366	9,447,799
Adjustments:			
Gains from investments available for sale		(12,713,305)	(8,222,352)
Group's share from associate's results		(4,340,757)	(4,550,803)
Losses resulted from losing control over a subsidiary		46,709	-
Interest income		(25,762)	(17,152)
Finance charges		2,973,153	1,966,713
Depreciation	9	36,778	33,635
End of service indemnity		52,769	29,160
Operating loss before changes in operating assets and liabilities		(1,590,049)	(1,313,000)
Accounts receivable and other assets		18,060	75,322
Accounts payable		(21,337,304)	(6,667,588)
End of service indemnity paid		(47,124)	(9,140)
Net cash used in operating activities		(22,956,417)	(7,914,406)
Cash flows from investing activities			
Paid for purchase of investments available for sale		(877,661)	(143,926)
Proceeds on sale of investments available for sale		9,711,744	3,932,847
Paid for purchase of additional shares in associates		-	(3,631,418)
Proceeds from reduction in associate's share capital		1,472,729	-
Net paid to acquire subsidiaries		-	(6,355,280)
Effect of losing control over a subsidiary		(292,222)	-
Paid for purchase of additional share in a subsidiary		-	(500,000)
Paid for purchase of properties and equipment		(5,048)	(12,266)
Dividend received from investments available for sale		6,844,986	6,388,877
Dividend received from an associate		2,248,054	300,000
Interest income received		25,793	17,233
Net cash generated by / (used in) investing activities		19,128,375	(3,933)
Cash flows from financing activities			
Change in non-controlling interest – net		2,118,193	-
Share capital increase		1,678,210	-
Cash dividend paid		(3,112,498)	(2,645,344)
Paid for purchase of treasury shares		(46,970)	(4,170,453)
Net movement on bank facilities		6,922,475	23,687,593
Finance charges paid		(2,972,554)	(1,863,624)
Net cash generated by financing activities		4,586,856	15,008,172
Increase in cash and cash equivalents		758,814	7,089,833
Cash and cash equivalents at the beginning of the year		10,039,771	2,949,938
Cash and cash equivalents at the end of the year	5	10,798,585	10,039,771

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

1- BACKGROUND

Tamdeen Investment Company - KSCP "the Parent Company" was incorporated in Kuwait as per incorporation memorandum No. 359, Vol. 1 dated 3 March 1997. The Parent Company is registered in the Commercial Register under registry No. 69476 on 30 April 1997 and registered as an investment company at the Central Bank of Kuwait on 20 August 1997. On 29 May 2006, the Parent Company's shares have been listed in the Kuwait Stock Exchange. The Head office of the Company is located in South Al Sura – Al Zahra'a area – 360 Mall– 6th ring road – 4th floor, Kuwait, Box No. 22509 Safat – 13066 Kuwait.

These consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as described in (note 19), together referred to as the "Group".

The main objectives of the Group are conducting financial investment transactions in all economic sectors inside and outside Kuwait, performing transactions related to dealing in securities such as purchase and sale of shares and bonds of both companies and government authorities, carrying out investment and portfolio management activities, acting as an intermediate in lending and borrowing transactions, financing international trading transactions, providing researches and studies, establishing and managing various investment funds, in addition to conducting real estate and general trading and contracting activities. And conducting all kinds of investment in real estates for the purpose of development except for areas and houses for private residential purposes, whether directly or indirectly, in favour of the company or others.

The Parent Company is owned with a percentage of 55.94% by Tamdeen Real Estate Company – K.S.C.P as of 31 December 2015 (2014: 51.37%).

On 1 February 2016, the new Companies Law no. 1/2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the companies law no. 25 of 2012 and its amendments have been cancelled however, its Executive Regulations will continue until a new set of Executive Regulations are issued.

The consolidated financial statements have been authorized for issue by the Board of Directors on 21 March 2016.

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain assets and financial instruments that are measured at fair values, as described in the accounting policies below.

2-2 New and revised standards

Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs that are effective for the current year

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments should applied retrospectively.

This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

Annual improvements 2011-2013 Cycle

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity Method in Separate Financial Statements

The Group has applied the amendments to IFRSs included in the annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle for the first time in the current year. The application of these amendments has had no impact on the disclosers or amounts recognized in the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The group is in the process of assessment the impact of IFRS 15 on its consolidated financial statements.

Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations occurring from the beginning of annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisations

The Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

The Amendments apply prospectively for annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Group.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. These amendments are not expected to have any impact on the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

Annual Improvements 2012-2014 Cycle

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits

2-3 SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Basis of Consolidation

SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

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

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

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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

Business combinations involving entities under common control are excluded from IFRS 3 (revised)'s scope, management could use predecessor accounting. Predecessor accounting may lead to differences on consolidation between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. The differences are included in equity in retained earnings or in a separate reserve.

GOODWILL

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" (Note 4).

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2-3-2 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

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

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash at banks) are measured at amortised cost using the effective interest method, less any impairment.

AVAILABLE FOR SALE (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

The financial assets available for sale are re-measured at fair value. The fair value is determined in note (3.3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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

IMPAIRMENT IN VALUE

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.
For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.
For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.
When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.
For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.
In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

DERECOGNITION

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

FINANCIAL LIABILITIES

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

DERECOGNITION

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2-3-3 Property and equipment

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

Depreciation is calculated based on estimated useful life of the applicable assets on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

2-3-4 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

The cost incurred by the Group for acquiring leasehold rights in lands are capitalized as intangible assets and amortized on straight-line basis over their estimated useful lives (50 years).

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the consolidated statement of income.

2-3-5 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

2-3-6 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2-3-7 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2-3-8 Treasury share

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings, the reserves and to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2-3-9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Revenues from sale of goods are recognized when significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred generally to the buyer on delivery.
- Services revenues are recognized when the services are rendered.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on time basis.

2-3-10 Leases

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

The Group as lessor

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

Rental income from finance lease is allocated over the accounting periods to reflect a fixed return on the net value of the leased asset.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2-3-11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2-3-12 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Outstanding monetary items in foreign currency are translated at the date of financial statements.

Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

2-3-13 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2-3-14 Fiduciary assets

Assets which are kept by the Group as an agency or under a fiduciary capacity are not considered as Group's assets.

3- Financial risk management

3-1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

a. Market risk

Foreign currency risk

The Group is exposed to foreign currency risk resulting primarily from dealing in financial instruments with US Dollar. Foreign currency risk is resulting from future transactions on financial instruments in foreign currency recorded in the financial statements of the Group. The Group's policies for managing foreign currency risk is by carefully monitoring the changes in currency rates and its related impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advises in case of any significant change in foreign currencies' rates.

Had the US Dollar changed against the Kuwaiti Dinar by 5%, the Group's equity would have changed by KD 5,981,945 as of 31 December 2015 (2014: KD 3,832,314).

Following is the significant foreign currencies' net positions of the as of 31 December:

	2015	2014
US$ Surplus	119,638,896	76,646,280

Equity price risk

The equity price risk arises from fluctuation of financial instrument value resulting from change in market prices. The Group is exposed to the price risk as a result of holding investments classified as available for sale investments in the consolidated financial statement.

The Group is managing this risk through monitoring the market prices of these investments if they are listed in an active market, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for other investments.

The following sensitivity analysis shows the impact of the change on the indexes of the financial markets on the Group's business, as well as equity. This analysis is based on the change in the index by 5%.

	Impact on equity	
	2015	2014
Index of the Kuwait Stock Exchange	617,998	375,875
Index of the Bahrain Stock Exchange	2,670,895	5,520,216

Interest rate risk

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's assets are not exposed to this risk as the Group does not hold financial assets bearing fixed interests. The Group's exposure to cash flow interest rate risk arises from loans and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to meet the possibility of these probability.

As at 31 December 2015, had the interest rates increased by 50 basis points, the net profit would have decreased by KD 148,658 (2014: KD 98,336).

b. CREDIT RISK

Credit risk is the risk that the Group will incur a loss because the counterparties of financial instruments failed to discharge their contractual obligations.

Credit risk is managed by the level of the Group by monitoring credit policy on regular basis.

Credit risk is highly concentrated in cash and cash equivalents, time deposits and receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation.

The Group does not approve credit unless within the limits of requirements and normal course of business taking into consideration the financial position of clients and the previous history of transaction and reputation.

c. LIQUIDITY RISK

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining group of highly liquid financial investments. This facilitates to the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All outstanding liabilities, bank facilities and related finance charges will mature within one year from the date of consolidated financial statements.

3-2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group comprising issued capital, reserves, retained earnings.

The Group has a target gearing ratio of 20% - 30% determined as the proportion of net debt to equity.

The gearing ratio as of 31 December:

	2015	2014
Total Borrowings	88,864,745	74,250,000
Less : cash and cash equivalents	(10,798,585)	(10,039,771)
Net debt	78,066,160	64,210,229
Total equity	176,257,504	156,779,089
Total capital	254,323,664	220,989,318
Gearing ratio (%)	31	29

3-3 FAIR VALUE ESTIMATION

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

Level one: Quoted prices in active markets for financial instruments.

Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.

Level three: Inputs for the asset or liabilities that are not based on observable market data.

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

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2015	31/12/2014				
Investments available for sale						
Quoted Shares	126,259,995	119,346,983	1	Last bid price	-	-
Unquoted shares	3,981,500	4,125,752	3	Adjusted book value	Book value adjusted with market risk	The higher market risk the lower the fair value

Reconciliation of level 3 fair value measurements

	Unquoted investments available for sale	
	2015	2014
Balance as of 1 January	4,125,752	4,703,466
Transfers into level 3	1,387,525	(160,920)
Impairment – charged to statement of income	(294,277)	(416,794)
Transfers out of level 3	(1,237,500)	-
Balance as of 31 December	3,981,500	4,125,752

The fair values of other financial assets and financial liabilities which are not measured at fair value on ongoing basis equal approximately their carrying values.

4- CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of financial instruments and valuation techniques

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability the Group uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in note 3.3.

Evidence of impairment of investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Note 16 discloses such impact on the financial statements.

Impairment of associates

Estimation of impairment of an associate is made when there is an indicator for this impairment. The assessment is made for the entire carrying amount of the Group's investments in associate including goodwill, accordingly, impairment testing of goodwill is not tested separately. Impairment and reversal of those losses are recognized in the consolidated statement of income.

5- CASH AND CASH EQUIVALENTS

	2015	2014
Current accounts at banks	9,883,626	4,424,057
Time deposits (less than 3 months)	852,873	5,608,524
Cash in portfolios	61,586	6,690
Cash on hand	500	500
	10,798,585	10,039,771

The effective interest rate on time deposits is 1% as of 31 December 2015 (2014: 1%).

6- ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2015	2014
Due from customers' portfolios	35,611	40,760
Prepayments	65,847	19,511
Due from related parties (note 18)	212,783	27,616
Others	1,382,699	16,230
	1,696,940	104,117

Accounts receivables do not include impaired balances as of 31 December 2015 and 2014.

7- INVESTMENTS AVAILABLE FOR SALE

	2015	2014
Investment in foreign securities – Quoted	112,165,912	110,404,322
Investment in local securities – Quoted	14,094,083	8,942,661
Investment in local securities – Unquoted	3,484,520	4,639,549
Investment in foreign securities – Unquoted	2,897,600	2,827,050
	132,642,115	126,813,582

7-1 The fair value of investments available for sale was determined based on basis mentioned in (note 3.3) in the consolidated financial statements.

7-2 Certain investments available for sale are pledged against bank facilities (note 11).

7-3 Unquoted investments available for sale of KD 2,400,620 as of 31 December 2015 (2014: KD 3,340,847) are carried at cost less impairment, as there is no fair values.

7-4 Following is the analysis of investments available for sale by currencies as of 31 December:

	2015	2014
US Dollar	111,287,295	109,461,933
Kuwaiti Dinar	18,457,220	14,524,599
Other currencies	2,897,600	2,827,050
	132,642,115	126,813,582

8- INVESTMENTS IN ASSOCIATES

Company's name	Country of incorporation	Main Activity	2015 %	2015 Carrying Value	2014 %	2014 Carrying Value
Manshar Real Estate Co. - KSCC	Kuwait	Real estate	50	16,168,201	50	15,755,913
Tamdeen Holding Co. - KSCH	Kuwait	Holding	-	-	40	15,779,880
Tamdeen Real Estate Development Co. - KSCC	Kuwait	Real estate	26.36	1,244,899	24.55	2,701,216
Gulf and Asia Holding Co. – KSCH	Kuwait	Holding	20	435,887	20	470,799
Combined Maysam General Trading Co. - WLL	Kuwait	General Trading	40	1,497,559	40	1,597,385
Kuwait National Cinema Co. – KSCP	Kuwait	Entertainment	46.74	54,978,793	44.52	51,802,825
Tamdeen Pearl Real Estate Co. – KSCC	Kuwait	Real Estate	30.74	27,539,698	30.74	27,532,585
Ajmal Holding Co. – BSC	Bahrain	Holding	38	443,624	38	454,752
				102,308,661		116,095,355

8-1 The Group's share in associates' results is based on the unaudited financial statements prepared by the managements of those associates amounted to KD 4,340,757 for the year ended 31 December 2015 (2014: KD 4,550,803).

8-2 Investment in Kuwait National Cinema Company (KSCP) is partially pledged against bank facilities as of 31 December 2015 (note 11).

8-3 The associates are not listed in active markets except for Kuwait National Cinema Company KSCP for which the fair value of the Group's investment amounted at KD 40.1M as of 31 December 2015. Following is a summary of the financial information of the material associates based on the latest available financial statements:

Manshar Real Estate Co. - KSCC

	2015	2014
Current assets	13,978,589	13,302,119
Non-current assets	75,798,901	61,280,621
Current liabilities	7,285,659	2,860,955
Non-current liabilities	50,155,430	40,209,959

	2015	2014
Revenues	3,132,059	2,216,399
Total comprehensive income for the year	681,319	550,528

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Manshar Real Estate Co. – KSCC which is recognized in the consolidated financial statements:

	2015	2014
Net assets of the associate	32,336,401	31,511,826
Group's ownership (%)	50	50
Carrying value of the Group's investment	16,168,201	15,755,913

Kuwait National Cinema Co. – KSCP

	2015	2014
Current assets	20,453,777	12,653,411
Non-current assets	92,348,602	89,594,573
Current liabilities	28,081,012	19,958,542
Non-current liabilities	1,208,835	1,166,691

	2015	2014
Revenues	19,929,196	17,970,227
Profit for the year	9,981,234	8,995,291
Other comprehensive income for the year	2,130,990	8,637,302
Total comprehensive income for the year	12,112,224	17,632,593
Cash dividends collected from associate during the year	2,248,054	2,154,049

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Kuwait National Cinema Co. – KSCP which is recognized in the consolidated financial statements:

	2015	2014
Net assets of the associate	83,512,532	81,122,751
Group's ownership (%)	46.74	44.52
	39,033,758	36,115,849
Goodwill	14,462,685	14,462,685
Other adjustments	1,482,350	1,224,291
Carrying value of the Group's investment	54,978,793	51,802,825

Tamdeen Pearl Real Estate Co. – KSCC

	2015	2014
Total assets	90,120,897	89,565.988
Total liabilities	330,198	-

	2015	2014
Total comprehensive income / (loss) for the year	22,311	(1,200)

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Tamdeen Pearl Real Estate Co. – KSCP which is recognized in the consolidated financial statements:

	2015	2014
Net assets of the associate	89,790,699	89,565,988
Group's ownership (%)	30.74	30.74
	27,601,661	27,532,585
Other adjustments	(61,963)	-
Carrying value of the Group's investment	27,539,698	27,532,585

Total summarized financial information for other insignificant associates

	2015	2014
Current assets	8,383,055	12,311,966
Non-current assets	1,259,152	3,892,360
Current liabilities	26,163	3,996
Non-current liabilities	2,155	1,646

	2015	2014
Revenues	(256,192)	107
Loss for the year	(543,958)	(39,465)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

9- PROPERTIES AND EQUIPMENT

	Buildings	Equipment and tools	Computers	Furniture and Fixtures	Total
Cost					
At 1 January 2014	-	4,779	124,317	297,115	426,211
Additions	-	-	12,266	-	12,266
At 31 December 2014	-	4,779	136,583	297,115	438,477
Additions	-	3,048	2,000	-	5,048
Disposals	-	-	(399)	(3,565)	(3,964)
Additions result from business combination (note 19.3)	5,852,807	12,102,057	234,808	95,575	18,285,247
At 31 December 2015	5,852,807	12,109,884	372,992	389,125	18,724,808
Accumulated depreciation					
At 1 January 2014	-	4,702	88,563	39,775	133,040
Charged for the year	-	73	18,287	15,275	33,635
At 31 December 2014	-	4,775	106,850	55,050	166,675
Charged for the year	-	127	21,377	15,274	36,778
Deprecation for disposals	-	-	(399)	(3,565)	(3,964)
At 31 December 2015	-	4,902	127,828	66,759	199,489
Net Book value					
At 31 December 2015	5,852,807	12,104,982	245,164	322,366	18,525,319
At 31 December 2014	-	4	29,733	242,065	271,802
Useful lives (year)	50	5-50	5-10	5-10	

10- ACCOUNTS PAYABLE

	2015	2014
Accrued expenses	380,059	518,414
Kuwait Foundation for Advancement of Science	104,636	65,132
National Labour Support Tax	294,374	226,899
Zakat	112,603	69,857
Due to related parties (note 18)	419,625	7,500,000
Others	660,950	13,797,500
	1,972,247	22,177,802

11- BANK FACILITIES

	2015	2014
Term loans	88,864,745	74,250,000
Average interest rate on borrowings (%)	3.75	3.75

11-1 The following assets are pledged against bank facilities as of 31 December:

	2015	2014
Investments available for sale	68,167,632	74,095,281
Investment in an associate	41,666,532	39,707,531
	109,834,164	113,802,812

11-2 All bank facilities are maturing within one year from the date of the consolidated financial statements and renewed periodically.

12- SHARE CAPITAL

On 4 October 2015, the extra ordinary general assembly approved to increase the share capital from KD 31,185,000 to KD 32,863,210 and was authenticated in the commercial register on 12 November 2015. Accordingly, the authorized, issued and fully paid capital of the Parent Company is amounted to KD 32,863,210 distributed over 328,632,103 shares of 100 fils each per share and all shares are in cash (2014: 311,850,000 share).

13- TREASURY SHARES

	2015	2014
Number of shares (share)	121,980	30,478,171
Percentage to issued shares (%)	0.04	9.77
Market value	51,232	12,038,878

On 4 October 2015, the Parent Company held an extra ordinary General Assembly to approve the merge transaction with Tamdeen Holding Company which approved utilizing 30,478,171 of its treasury shares as part of the consideration that should be issued to shareholders of Tamdeen Holding Company (note 19.3).

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

14- STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the net profit for the year distributed to Parent Company's shareholders before board of directors' remuneration, Kuwait Foundation for Advancement of Science share, National Labour Support Tax and Zakat, is required to be transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfer when the reserve balance reaches 50% of the share capital of Company. This reserve is used to secure appropriation of profit to shareholders, up to 5% in such years when the profit of the Company does not allow such percentage of appropriation. When the balance of the reserve exceeds 50% of the share capital, the General Assembly, is permitted to utilized amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Company and its shareholders.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

15- DIVIDENDS

On 21 March 2016, the Parent Company's Board of Directors proposed cash dividends of 10 fils per share and bonus shares of 5% for the year ended 31 December 2015, also proposed remuneration for the Parent Company's Board of Directors of KD 50,000 for the year then ended. These proposals are subject to shareholders' approval.

On 28 April 2015, the General Assembly for shareholders of the Parent Company approved the consolidated financial statements for the year ended 31 December 2014 and approved Board of Directors proposal of distributing cash dividends of 10 fils per share and Board of Directors' remuneration of KD 50,000 for the same year.

16- GAINS FROM INVESTMENTS AVAILABLE FOR SALE

	2015	2014
Cash dividends	6,844,986	6,388,877
Gain on sale	6,162,596	2,250,270
Impairment losses	(294,277)	(416,794)
	12,713,305	8,222,353

17- EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS

Earnings per share for the shareholders of the Parent Company are calculated based on net profit attributable to shareholders of the Parent Company divided by the weighted average number of common shares outstanding during the year (excluding treasury shares). The following is the computation of earnings per share:

	2015	2014
Net profit for the year attributable to the shareholders of the Parent Company	11,522,716	9,050,79
Weighted average number of outstanding shares (share)	294,930,761	297,622,049
Earnings per share (fils)	39.07	30.41

18- RELATED PARTIES TRANSACTIONS

Related parties are the shareholders of the Parent Company who are represented in Board of Directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the Parent Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried some transactions during the year with related parties. The transactions which are included in the financial statements as follows:

	2015	2014
Transactions		
Management fees	144,737	119,171
Subscription and consulting fees	50,588	58,778
Salaries and bonus for executive management	244,872	245,372
Purchase of additional shares in subsidiaries	-	22,500,000
Purchase of shares in associates	-	2,721,502
Balances		
Accounts receivable and other assets (note 6)	212,783	27,616
Accounts payable (note 10)	419,625	7,500,000
Off balance sheet items		
Net assets of clients portfolios' (major shareholders)	309,189,070	141,121,838

19- SUBSIDIARIES AND BUSINESS COMBINATION

19-1 SUBSIDIARIES

Following are the subsidiaries included in the consolidated financial statements:

COMPANY'S NAME:	LEGAL ENTITY	ACTIVITY	OWNERSHIP (%) 2015	2014
Al-Madina Al-Thaniya General Trading and Contracting Company	W.L.L.	General Trading and Contracting	100	99.98
Al-Madina Al-Namozagia General Trading and Contracting Company	W.L.L.	General Trading and Contracting	-	99.98
Wafra Holding Company	K.S.C. (Holding)	Investments	100	99.6
Tamdeen first for Real Estate Trading Company	W.L.L.	Real Estate	100	99.8
Tamdeen Imtiazat Holding Company	K.S.C. (Holding)	Holding	100	80
Tamdeen Resorts Company	W.L.L.	Real Estate	61.72	56.76
British Industries Printing and Packaging Company	K.S.C. Closed	Printing	57.81	-

As at 31 December 2015, total assets of the subsidiaries amounted to KD 112,101,601 (2014: KD 90,754,153), and their profits amounted to KD 3,910,284 for the year ended 31 December 2015 (2014: loss KD 3,552,674) based on the audited financial statements which were relied on when consolidating the subsidiaries as at 31 December 2015.

19-2 DISPOSAL OF SUBSIDARY

During the year ended 31 December 2015, Al Madina Al Namozagiya General Trading & Contracting Company - W.L.L (previously subsidiary) increased its share capital from KD 250,000 to KD 4,000,000 and the Parent Company did not participate in the capital increase resulting in losing control over the subsidiary. Accordingly, the investment was reclassified from subsidiary to investment available for sale from the date of losing control.

Following is an analysis of the subsidiary's assets and liabilities at the date of disposal:

	Amount
Assets	
Cash and cash equivalents	301,972
Investments available for sale	3,750
Accounts receivable	74
Total assets	305,796
Liabilities	
Accounts payable	2,943
Indemnity	3,100
Total liabilities	6,043
Net assets	299,753
Non-controlling interests	(305)
Disposal	(11,690)
Disposal losses	1,940
Transferred to investments available for sale	(242,989)
Total losses resulted from losing control	46,709
Impact on statement of cash flows	
Consideration received	9,750
Less: Cash and cash equivalents in subsidiary	(301,972)
	(292,222)

19-3 BUSINESS COMBINATION

On 13 December 2015, the Parent Company has merged its associate previously held at 40% Tamdeen Holding Company (KSCH). The transaction was executed by transferring all the assets and liabilities of Tamdeen Holding Company (KSCH) to the Parent Company through issuing 47,260,274 shares of the Parent Company by total consideration of KD 20,700,000 to the shareholders of Tamdeen Holding Company (KSCH) as follow:

Issuing 16,782,103 new shares of the Parent Company by 100 fils each amounted to KD 1,678,210 which resulted in share premium of KD 5,672,351.

The remaining 30,478,171 shares were utilized from treasury shares by an amount of KD 6,703,125 and recording a gain of KD 6,646,313 in treasury shares reserve.

As a result of the above transaction, the previously held equity interest in British Industries Printing and Packaging (KSCC) classified as investment available for sale under IAS "39" subsequently become a subsidiary.

The acquisition is accounted for based on the determined value of the acquired assets and liabilities at the acquisition date as follows:

	Amount
Assets	
Cash and cash equivalents	235,788
Accounts receivable and other assets	1,561,562
Investments available for sale	23,482,537
Investment in associate	17,093,104
Leasehold right	1,768,618
Property and equipment	18,301,552
Liabilities	
End of service indemnity	525,461
Short term borrowings	7,692,270
Accounts payable	1,090,453
Net assets acquired	53,134,977
Non-controlling interest no longer exist	(1,977,023)
Adjusted net assets acquired	51,157,954
Less: share of the non-controlling interest	(5,060,354)
Less: Fair value of investment in British Industries due to consolidation	(5,696,354)
Less: Fair value of Parent Company's previously held investment	(16,903,001)
Consideration paid	(20,700,000)
	2,798,245

The gain on acquisition amounted to KD 2,798,245 is recorded in retained earnings of the Parent Company since this transaction qualifies as business combination for entities under common control.

20- SEGMENT INFORMATION

The management has determined segments based on the reports reviewed by the executive management of the Group.

The executive management has taken into consideration dividing the activities geographically, as the main activity of the Company is investment, geographical segment is as follows:

	2015		
	Kuwait	G.C.C.	Total
Segment revenues	5,341,455	11,969,515	17,310,970
Segment expenses	4,368,991	-	4,368,991
Unallocated expenses			561,613
Assets	152,233,499	115,506,739	267,740,238
Liabilities	91,482,734	-	91,482,734

	2014		
	Kuwait	G.C.C.	Total
Segment revenue	5,091,505	7,896,127	12,987,632
Segment expenses	3,127,945	-	3,127,945
Unallocated expenses			411,888
Assets	140,093,255	113,231,372	253,324,627
Liabilities	96,545,538	-	96,545,538

21- OFF BALANCE SHEET ITEMS

The Group manages portfolios for clients of KD 380,490,091 as of 31 December 2015 (2014: KD 267,561,698).