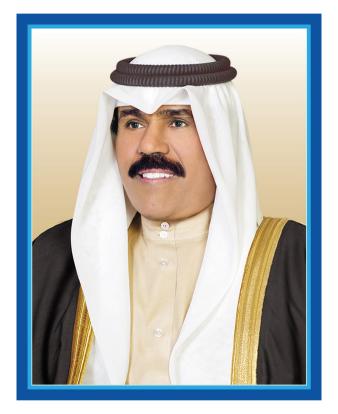


H.H. Sheikh Sabah Al-Ahmed-Al-Jaber Al Sabah Emir of State of Kuwait



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



Contents	Page
Members of the Board	4
Agenda of Annual Ordinary General Assembly	6
Report to Shareholders	8
Consolidated Financial Statements 2015	10



Khaled A. M. Al-Attal

Chairman

Nedhal K. Al- Masoud

Vice Chairman & Chief Executive Officer

Laila A. A. Al-Ibrahim

Board Member

Abullah A. A. Al-Asfour

Board Member

Nabil A. Zeineddine

Board Member



Agenda of Annual Ordinary General Assembly

- 1. Review and approval of the Board of Directors' report of the company's activities and its financial performance for financial year ended 31/12/2015.
- 2. Review and approval of the Auditors (Mr. Abdullatif Al-Aiban of Grant Thornton -Al-Qatami, Al-Aiban& Partners and Mr. Qais Mohammed Al-Nesf (BDO) & Partners for financial year ended 31/12/2015.
- 3. Discussion and approval of the company's Balance sheet and Profit and Loss Accounts for the financial year ended 31/12/2015.
- 4. Reviews the sanctions and penalties report imposed on the company by regulating authorities if found.
- 5. Approval of Board of Directors to not distribute dividends for the fiscal year ended 31/12/2015.
- 6. Approval of Board of Directors to not distribute bonuses to board members for the fiscal year ended 31/12/2015.
- 7. Approval of dealing with related parties.
- 8. Mandate of the Board of Directors to purchase or sell no more than 10 % of the share capital in accordance with the terms and conditions under article 175 of Law No. 25 of 2012, and its amendments "and the instructions of Capital Markets Authority regarding the organization of shared companies for their shares (treasury stocks) and how to use and deal with them No. (2013 /6 /ت..., اراحت. شر)
- 9. Discharging the Members of the Board of Directors from their liabilities in terms of their legal and financial actions for year ended 31/12/2015.
- 10. Appointment or re-appointment of external auditors for financial year ending 31/12/2016 and authorized the Board of Directors to determine their fees.



Dear Shareholders,

I am pleased, for myself and on behalf of my colleagues on the Board Of Directors, to welcome you to the Ordinary General Meeting of the company and present to you the company's annual report for the fiscal year that ended on 31/12/2015.

General Economy Climate:

The flexibility of the Kuwaiti economy which has manifested while facing the shocks arising from the low oil rates indicates the strength and soundness of the adopted financial policies that provided the necessary support for the cash stability at the long term. Also, the Central Bank and other controlling authorities work for enhancing the persistent and continuous organization and supervision on all applicable regulations, in such a manner which shall ensure the necessary transparency for all concerned parties as well as the required protection for the financial stability.

However, certain banks believe that the situation is not encouraging towards optimism as a result of the geopolitical consequences and concerns which may lead to negative economic complications and impacts that may surpass the private sector because this time they will be different from the fallouts of the year 2008. Therefore, since the current fallouts with their various types constitute a chance for many companies with good solvency and high dynamism to prove their competence and cope with different conditions by availing themselves of certain good opportunities that suit their adopted strategy, after the fact that the prices of many assets returned back to convincing and encouraging levels for banks in order to provide financing to investors and help them use these opportunities, within the existing balance in banks between the need to reservation or giving a positive signal for supporting projects and contributing to their success in such a way that shall achieve momentum and business growth by the banks after they got rid of bad debts & distressed companies, and enhanced the rule of "Know Your Customer". Hence, every bank will have a wide cliental base of outstanding customers who are engaged in one way or another with long term business and relationship. This bracket is committed to pay the debt service burdens under all conditions, and it has such financial surpluses that can cover the debt sums and cash flows higher than their existing obligations.

International Resorts Company's performance:

During 2015, the management of the company has continued the implementation of its contract with the Ministry of Finance - State Property Management regarding the management, development, operation and maintenance of Souk Al-Safat Real Estate. According to the results of the prepared studies in this regard, the company will incur operating losses during the first stages of the project, but those losses will be reduced gradually and will turn to rewarding operating profits upon the full completion of the development works, complete maintenance and renewal of all tenants contracts in order to arrive at the fair rental values applied in similar markets.

As a result, the company has suffered losses in 2015 amounted to (KD2,382,856) at the rate of (15.42) fils per share at a rate of return on equity of (24.5)% compared with a loss for the year 2014 of (KD1,164,823) at the rate of (7.54) fils per share at a rate of return on equity of (9.7)%. Also, the total assets are decreased by (46.5)% at the end of 2015 to reach KD 13,115,841 compared with total assets in the year 2014 amounting to KD 24,542,270. Furthermore, the company's management has worked hard and strived to achieve a relative control of the expenses and other charges, which amounted to KD 682,343 by the end of 2015 compared with the amount of KD 701,683 for the year 2014.

Dear Shareholders ...

The company's management is working continuously and diligently hard in implementing its strategy which has been reviewed with you at the end of the year 2013, which is to proceed on with the development of Souk Al-Safat Real Estate in order to achieve optimal exploitation of this property and then realize the highest return and profitability for the company and its shareholders. Also, the company's management has completed the studies related to the project for construction of Al-Dhabaeyah Resort which the company will carry out its management and implementation together with its strategic partners in the upcoming period, Inshaullah, as soon as the approvals and licenses are secured.

In conclusion, I would like to extend my thanks and gratitude to all our shareholders for their trust in the company's management and I pray to almighty Allah to give success to the company and those who are in charge of it and enable them to achieve better results in the next years.

Wishing success to all,

Khaled Ali Al-Attal
Chairman



Contents	Page
Independent auditors' report	12
Consolidated statement of profit or loss	13
Consolidated statement of profit or loss and other comprehensive income	14
Consolidated statement of financial position	15
Consolidated statement of changes in equity	16
Consolidated statement of cash flows	17
Notes to the consolidated financial statements	18 - 34

Independent auditors' report

To the shareholders of

International Resorts Company - KSPC and its subsidiary Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Resorts Company – Kuwaiti Public Shareholding Company and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Matters

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

Abdullatif M. Al-Aiban (CPA) (Licence No. 94-A) Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait 30 March 2016 Qais M. Al Nisf (Licence No. 38 -A) BDO Al Nisf & Partners

		Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	Note	KD	KD
Revenue			
Rental income	7	2,930,864	2,323,565
Real estate expenses		(3,467,153)	(3,130,271)
		(536,289)	(806,706)
Change in fair value of investment in real estate portfolios		(1,200,377)	37,868
Loss on sale of investment in real estate portfolio		(51,878)	-
Gain on sale of investment properties		-	260,000
Gain on sale of investments at fair value through profit or loss		-	3,185
Change in fair value of investments at fair value through profit or loss		32,688	(61,713)
Loss on disposal of investment in associate		-	(14,911)
Share of results of associates	11	(13,828)	22,473
Dividend income		6,400	399
Interest income		62,771	69,517
Foreign exchange gain		-	976
Other income		-	25,772
		(1,700,513)	(463,140)
Expenses and other charges			
Staff costs		(292,240)	(343,401)
General and administrative expenses		(254,053)	(189,609)
Finance costs		(9,512)	(39,385)
Impairment of available for sale investments		(126,538)	(129,288)
		(682,343)	(701,683)
Loss for the year		(2,382,856)	(1,164,823)
Basic and diluted loss per share	8	(15.42) Fils	(7.54) Fils

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
Long for the year	(0.000.050)	(4.404.000)
Loss for the year	(2,382,856)	(1,164,823)
Other comprehensive loss:		
Items that will be reclassified subsequently to the consolidated statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	(42,365)	9,474
- Transferred to consolidated statement of profit or loss on impairment	126,538	129,288
Share of other comprehensive income of associates	_	574
Total other comprehensive income	84,173	139,336
Total comprehensive loss for the year	(2,298,683)	(1,025,487)

		31 Dec. 2015	31 Dec. 2014	
	Notes	KD	KD	
Assets				
Non-current assets				
Equipment and work in progress	9	676,660	199,579	
Investment in real estate portfolios	10	4,051,185	-	
Investment in associates	11	47,673	61,501	
Available for sale investments	12	368,203	418,155	
		5,143,721	679,235	
Current assets				
Accounts receivable and other assets	13	3,017,604	19,969,411	
Investment in real estate portfolios	10	327,413	1,025,025	
Investments at fair value through profit or loss	14	334,758	198,219	
Time deposits	15	3,249,069	2,243,409	
Cash and bank balances		1,043,276	426,971	
		7,972,120	23,863,035	
Total assets		13,115,841	24,542,270	
Equity and liabilities				
Equity				
Share capital	16	15,448,210	15,448,210	
Legal reserve	17	921,229	921,229	
Fair value reserve		(4,996)	(89,169)	
Accumulated losses		(6,625,104)	(4,242,248)	
Total equity		9,739,339	12,038,022	
Non-current liabilities		· · ·		
Provision for employees' end of service benefits		203,707	163,777	
project control to the		203,707	163,777	
Current liabilities				
ljara financing			005 000	
	18	2 170 705	805,000	
Accounts payable and other liabilities	10	3,172,795 3,172,795	11,535,471 12,340,471	
Total liabilities		3,376,502	12,504,248	
Total equity and liabilities		13,115,841	24,542,270	



International Resorts Company – KSPC and its subsidiary Kuwait Consolidated statement of changes in equity 31 December 2015

	Share capital	Legal reserve	Fair value reserve	Accumulated losses	Total equity
	KD	KD	KD	KD	KD
Balance at 1 January 2015	15,448,210	921,229	(89,169)	(4,242,248)	12,038,022
Loss for the year	_	_	_	(2,382,856)	(2,382,856)
Other comprehensive income				, , ,	, , ,
Available for sale investments:					
- Net change in fair value arising during the year	-	-	(42,365)	-	(42,365)
-Transferred to consolidated statement of profit or					
loss on impairment	-	-	126,538	-	126,538
Total comprehensive income/(loss) for the year	-	-	84,173	(2,382,856)	(2,298,683)
Balance at 31 December 2015	15,448,210	921,229	(4,996)	(6,625,104)	9,739,339
Balance at 1 January 2014	15,448,210	921,229	(228,505)	(3,077,425)	13,063,509
Loss for the year	_	_	_	(1,164,823)	(1,164,823)
Other comprehensive income				, , ,	, , ,
Available for sale investments:					
- Net change in fair value arising during the year	-	-	9,474	-	9,474
- Transferred to consolidated statement of profit or loss					
on impairment	-	-	129,288	-	129,288
Share of other comprehensive income of associates	-	-	574	-	574
Total comprehensive income/(loss) for the year	-	-	139,336	(1,164,823)	(1,025,487)
Balance at 31 December 2014	15,448,210	921,229	(89,169)	(4,242,248)	12,038,022

31 December 2015

		Year ended	Year ended
	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
OPERATING ACTIVITIES	. 10100	KD	ND ND
Loss for the year		(2,382,856)	(1,164,823)
Adjustments:		(=,00=,000)	(1,101,020)
Provision for employees end of service indemnity		39,930	45,923
Impairment of available for sale investments		126,538	129,288
Loss on disposal of investment in associate		-	14,911
Loss on sale of investment in real estate portfolios		51,878	-
Gain on sale of investment properties		_	(260,000)
Gain on sale of investments at fair value through profit or loss		_	(3,185)
Change in fair value of investment in real estate portfolio		1,200,377	(37,868)
Share of results of associates		13,828	(22,473)
Interest income		(62,771)	(69,517)
Dividend income		(6,400)	(399)
Finance costs		9,512	39,385
		(1,009,964)	(1,328,758)
Changes in operating assets and liabilities:			(, , , , , , , , , , , , , , , , , , ,
Accounts receivable and other assets		3,815,419	(1,804,135)
Investments at fair value through profit or loss		(136,539)	219,356
Accounts payable and other liabilities		(267,622)	3,280,398
Net cash from operating activities		2,401,294	366,861
INVESTING ACTIVITIES			
Additions to investment in real estate portfolio		(158,870)	-
Proceeds from sale of investment in real estate portfolio		657,988	-
Proceeds from sale of investment properties		(477.004)	170,000
Purchase of equipment and work in progress		(477,081)	(199,576)
Increase in time deposits		(1,005,660) 6,400	(27,547) 399
Dividend income received Interest income received		6,746	29,963
Net cash used in investing activities		(970,477)	(26,761)
FINANCING ACTIVITIES		(010,711)	(20,701)
		(005 000)	
Settlement of ijara financing Finance costs paid		(805,000) (9,512)	(40,400)
·		(814,512)	(40,400)
Net cash used in financing activities Increase in cash and cash equivalents		616,305	299,700
Cash and cash equivalents at beginning of the year		426,971	127,271
Cash and cash equivalents at end of the year		1,043,276	426,971
Non cash transactions:			<u> </u>
Investment in real estate portfolios	10	(5,104,946)	_
Accounts receivable and other assets	13	13,200,000	_
Accounts payable and other liabilities	18	(8,095,054)	_



1. Incorporation and activities

International Resorts Company – KSC (Public) was incorporated on 10 February 1976 in accordance with the Commercial Companies Law under the name of Kuwait Projects Company for Reconstruction and Real Estate as a Kuwaiti Public Shareholding Company and is the group's ultimate parent company ('parent company'). The name of the company was officially amended on 7 February 1998 to International Resorts Company. The parent company's shares are listed on Kuwait Stock Exchange.

The group comprises the parent company and its subsidiary.

Name of subsidiary	Country of incorporation	Principal activity	Ownership 31 Dec. 2015	31 Dec. 2014
Assjad Al-Kuwait General Tradin and Contracting Co. W.L.L.	g Kuwait	General Trading and Contracting	99%	99%

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

The principal objectives of the parent company are:

- Acquiring, selling and purchasing real estate properties and lands and developing same in favour of the company inside and outside the State of Kuwait, in addition to managing others' properties in such a way that does not violate the provisions stipulated in the existing laws and what has been prohibited by these laws such as trading in the private residence plots as stated in these laws.
- Acquiring, selling and purchasing shares and bonds of the real estate companies only in favour of the company inside and outside Kuwait.
- Preparing studies and providing consultations in all kinds of real estate fields, provided the required terms and conditions are met by those who offer this service.
- Acquisition and management and rental of hotels, health clubs and touristic facilities.
- Doing maintenance works related to the buildings and properties owned by the company and others, including maintenance works and carrying out civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Managing, operating, investing, renting and sub-renting, hotels, clubs, motels, guest houses, rest areas, parks gardens, exhibitions, restaurants, cafeterias, and housing complexes whether for pleasures or sports and other shops at all levels.
- Organizing real estate exhibitions for the company's real estate projects in accordance with the regulations applied in the Ministry.
- Organizing real estate tenders.
- Acquisition and management of commercial and residential complexes.

- Using the financial surpluses available with the company by investing same in financial portfolios managed by specialized companies and entities.
- Share-based payment for company staff.
- Establishing and management real estate funds (after getting the approval from Central Bank of Kuwait).
- Contributing directly to set out the basic structure of the residential, commercial and industrial areas and projects by "Building, Operation & Transfer" (BOT) system and managing the real estate utilities by BOT system.

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

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

The address of the parent company's registered office is PO Box 4800, Safat 13048, State of Kuwait.

The address of the parent company's registered office is PO Box 4800, Safat 13048, State of Kuwait.

The board of directors authorised these consolidated financial statements for issue on 30 March 2016 and are subject to the approval of the general assembly of the shareholders.

2. Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, available for sale investments, investment properties and investment in real estate portfolios that are measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

3. Statement of compliance

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

4. Changes in accounting policies

4.1 New and amended standards adopted by the group

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

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

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

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

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

Annual Improvements to IFRSs 2010–2012 Cycle:

- (i) IFRS 2 Share-based payment- This improvement is applied prospectively and clarifies various issues relating to the definitions of performance ad service conditions which are vesting conditions.
- (ii) Amendments to IFRS 3-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of profit or loss.
- (iii) Amendments to IFRS 13- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.
- (iv) Amendments to IFRS 8- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators). A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.
- (v) Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

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

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

Annual Improvements 2011-2013 Cycle

- (i) Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:
- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption The same version of each IFRS must be applied to all periods presented.
- (ii) Amendments to IFRS 3- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- (iii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.
- iv) Amendments to IAS 40 Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property

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

4.2 IASB Standards issued but not yet effective

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

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

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	Effective for annual periods beginning
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 10 and IAS 28 Sale or Contribution of Assets between and Investor and its Associate or Joint Venture - Amendments IFRS 11 Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 'Disclosure Initiative – Amendments	1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Deprecia and Amortisation - Amendments IAS 27 Equity Method in Separate Financial Statements - Amendm IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying	1 January 2016 nents 1 January 2016
Consolidation Exception - Amendments Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016 1 July 2016

IFRS 9 Financial Instruments

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

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

- The classification and measurement of the group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- An expected credit loss-based impairment will need to be recognised on the group's receivables and investments in debt-type assets currently classified as loans and receivable and available for sale, unless classified as at fair value through profit or loss in accordance with the new criteria
- It will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income.
- If the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group's own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 11 Revenues and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

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

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts.
- Timing whether revenue is required to be recognized over time or at a single point in time.
- Variable pricing and credit risk addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue.
- Time value when to adjust a contract price for a financing component.
- Specific issues, including -
- non-cash consideration and asset exchanges
- contract costs
- rights of return and other customer options
- supplier repurchase options
- warranties
- principal versus agent
- licencing
- breakage
- non-refundable upfront fees, and
- consignment and bill-and-hold arrangement.

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

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

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

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

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

IFRS 16 Leases

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

IAS 1 Disclosure Initiative - Amendments

The Amendments to IAS 1 make the following changes:

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

IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments

The Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture have been made to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- Introduce a definition of 'bearer plants' as a living plant that is used in the production
 or supply of agricultural produce, is expected to bear produce for more than one period
 and has a remote likelihood of being sold as agricultural produce, except for incidental
 scrap sales.
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

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

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

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

IAS 27 Equity Method in Separate Financial Statements - Amendments

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

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

The Amendments are aimed at clarifying the following aspects:

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

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not vet effective (continued)

Annual Improvements to IFRSs 2012-2014 Cycle

- (i) Amendments to IFRS 5 Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- (ii) Amendments to IFRS 7 Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in consolidated financial statements.
- (iii) Amendments to IAS 19 Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- (iv) Amendments to IAS 34 Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

5 Significant accounting policies

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

5.1 Basis of consolidation

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

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

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

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

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

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 the owners of the parent company.

5.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Rental income

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

5.2.2 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5.2.3 Interest income

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

5.3 Operating expenses

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

5.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.5 Taxation

5.5.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.5.2 National Labour Support Tax (NLST)

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

5.5.3 Zakat

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

5. Significant accounting policies (continued)5.5 Taxation (continued)

5.5.3 Zakat (continued)

For the year ended 31 December 2015 and 31 December 2014, the parent company has no liability towards KFAS due to losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.6 Financial instruments

5.6.1 Recognition, initial measurement and derecognition

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

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

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

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

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

5.6.2 Classification and subsequent measurement of financial assets

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

- Loans and receivables
- Financial assets at fair value through profit or loss (FVTPL)
- Available-for-sale (AFS) financial assets.

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

Loans and receivables

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

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

The group categorises loans and receivables into following categories:

• Receivables and other assets and due from related parties

Receivables are stated at original invoice amount less allowance for any uncollectible amounts. Amounts due from transactions with related parties and cash advances to related parties are included under due from related parties. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances, together with time deposit that are readily convertible into known amounts of cash within 90 days and which are subject to an insignificant risk of changes in value.

Financial assets at FVTPL

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

• AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

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

5 Significant accounting policies (continued) 5.6.2 Classification and subsequent measurement of financial assets(continued) AFS financial assets(continued)

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

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

5.6.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include ijara finance payable and accounts payable and other liabilities.

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

• liara finance pavable

ljara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Accounts payables and other liabilities and due to related parties

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

5.7 Investment in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

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

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

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

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

5.8 Equipment and work in progress

Equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of equipment. The following useful lives are applied:

Vehicles: 5 yearsFurniture: 5 years

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

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

5.9 Investment in real estate portfolios

Investment in real estate portfolios represents group's participation in real estate investments with other parties and is initially recognised at cost of contribution. Subsequent to initial recognition, these investments are remeasured to market value based on the advice of the portfolio managers.

5.10 Trade and settlement date accounting

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

5.11 Offsetting of financial instruments

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

5 Significant accounting policies (continued) 5.12 Amortised cost of financial instruments

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

5.13 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

5.14 Impairment testing of non financial assets

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

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

5.15 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up. Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Other components of equity include the following:

• Fair value reserve – comprises gain and losses relating to available for sale financial assets Retained earnings includes all current and prior period retained profits and losses. All transaction with owners of the parent company are recorded separately within equity.

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

5.16 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

5.17 End of service indemnity

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

With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

5.18 Foreign currency translation

5.18.1 Functional and presentation currency

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.18.2 Foreign currency transactions and balances

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

5.19 Provisions, contingent assets and contingent liabilities

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

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

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

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

5 Significant accounting policies (continued)

5.20 Segment reporting

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

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

6 Critical accounting judgements and key sources of estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

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

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

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

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

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

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

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

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

6.1.3 Control assessment

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

6.2 Estimates uncertainty

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

6.2.1 Impairment of associates

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

6.2.2 Impairment of available for sale equity 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 judgment.

6.2.3 Impairment of receivables

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

6.2.4 Useful lives of depreciable assets

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



6 Critical accounting judgements and key sources of estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.5 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 25).

7 Rental income - net

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
Rental income from investment property	23,705	97,857
Rental income from managed real estate (refer 18.1)	2,907,159	2,225,708
	2,930,864	2,323,565

8 Basic and diluted loss per share

Basic and diluted loss per share is computed by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	
Loss for the year (KD)	(2,382,856)	(1,164,823)
Weighted average number of ordinary shares		
outstanding during the year	154,482,100	154,482,100
Basic and diluted loss per share	(15.42) Fils	(7.54) Fils

9 Equipment and work in progress

The amount is related to an agreement with government for a real estate management. The group incurred an amount of KD 676,660 (2014: KD 199,579) as of 31 December 2015 for maintenance and renovation of the real estate. These costs will be transferred to the appropriate asset categories when the assets are ready for their intended use.

10 Investment in real estate portfolios

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Non-current: Inside Kuwait	4,051,185	-
Current: Outside Kuwait	327,413	1,025,025
	4,378,598	1,025,025

The movement for investment in real estate portfolios is as follow:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Opening balance	1,025,025	987,157
Reclassified from accounts receivable (10.1) Addition	5,104,946 158,870	-
Sales (10.2) Change in fair value	(709,866) (1,200,377)	- 37,868
Closing balance	4,378,598	1,025,025

10.1 The investment in real estate portfolio represents parent company's 31.774% share in the ownership of the right of use of land in Al Dubaiya. The right of use of land is in the name of parent company and is jointly owned by the parent company and other investors through a real estate portfolio agreement. The parent company manages this right of use of land on behalf of other investors.

During the prior year, the parent company and Al-Safat Investment Company reached an out of court settlement with respect to receivable of KD13.2 million balance due on sale of the right of use of land in a prior year. In accordance with the agreement, the parent company acquired 80% interest in the right of use of land located in Al-Dubaiya (including on behalf of related parties) against the above receivable and withdrawal of legal cases raised previously against Al-Safat Investment Company.

As the formalities were completed during the period, the parent company derecognised the receivable from Al-Safat Investment Company and recognised its share of the right of use of the land.

10 Investment in real estate portfolios (continued) 10.1 (continued)

The parent company's share of the receivable was KD7,011,362. However, the parent company had taken provisions aggregating to KD1,906,416 in prior years based on valuation of the right of use of land. Hence, the investment in real estate portfolio has been shown at the net amount of KD5,104,946 and, therefore, the transaction did not result in any gain or loss.

The amounts due to related parties amounting to KD6,188,638 (note 18) representing their share of KD13.2 million receivable have also been settled as they received a share in the real estate portfolio in lieu of their share of the receivable.

10.2 During the year the group sold part of its real estate portfolio located outside Kuwait for a sale consideration of KD 657,988 and recognised a loss on sale of KD51,878.

11 Investment in associates

11.1 Details of the group's investment in associates are given below:

	Country Ownership %		ship %	
Name	incorporation	31 Dec. 2015	31 Dec. 2014	Purpose
Zamzam for Religious Tourism Company – KSCC	Kuwait	32.5	32.5	Religious tourism

The movement in the investment in associates is as follow:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Balance at 1 January	61,501	2,616,135
Share of results of associate	(13,828)	22,473
Disposal of associate	-	(25,912)
Reclassified to accounts receivable	-	(2,551,769)
Share of other comprehensive income of associated	es -	574
Balance at 31 December	47,673	61,501

All the above associates are unquoted.

12 Available for sale investments

	31 Dec. 2015	31 Dec. 2014		
	KD	KD		
Foreign unquoted	1	1		
Local unquoted	368,202	418,154		
	368,203	418,155		

The local unquoted investments are carried at net asset value provided by the management due to the nature of these investments. Management believes the net assets value represents the best estimate of fair value available for these investments.

During the year, the parent company recognised an impairment loss of KD126,538 (2014: KD129,288) against certain investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

13 Accounts receivable and other assets

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Due from sale of right of use of leased land (10.1)	-	13,200,000
Rent receivable	115,247	1,263,002
Receivable from sale of investment property	-	1,530,000
Receivable on liquidation of an associate (13.1)	1,639,827	2,551,769
Prepaid expenses	90,141	84,230
Due from related parties (13.2)	1,137,396	1,200,126
Notes receivable	29,470	96,517
Other assets	5,523	43,767
	3,017,604	19,969,411

13.1 During previous year, the shareholders Al Marwa For Haj and Umra Services Company-KSCC, agreed to liquidate the company and appointed a liquidator in accordance with the companies law. Hence, the group reclassified the carrying amount of its investment in associate to accounts receivable and other assets since the group lost significant influence of the investee. The fair value on the date of reclassification was not materially different from its carrying amount. During the year, the group received KD960,000 from the investee as partial liquidation proceeds. Further, management believes that there is no indication of impairment of remaining carrying amount as of 31 December 2015.

13.2 Due from related parties include balance amounting to KD170,718 (31 December 2014: KD164,778) which carries interest rate of 2% over Central Bank of Kuwait discount rate and has no specific repayment date.

Due from related parties include balance amounting to KD951,655 (31 December 2014: KD959,493) which carries interest rate of 2% over Central Bank of Kuwait discount rate and was due on 30 September 2015. The renewal and new maturity period is still under negotiation upto the date of issuance of these statements. The loan is secured by certain investments.

14 Investments at fair value through profit or loss

	31 Dec. 2015	31 Dec. 2014	
	KD	KD	
Trading:			
Local quoted securities	295,364	150,511	
Local managed portfolio	37,939	46,253	
	333,303	196,764	
Designated on initial recognition:			
Local unquoted securities	1,455	1,455	
	1,455	1,455	
	334,758	198,219	

Local managed portfolio is managed by a related party.

15 Time deposits

The group's time deposits carry an effective interest rate of 1.13% (31 December 2014: 1.25%) and maturing within three to nine months.

Time deposits amounting to KD2,249,069 (31 December 2014: KD2,243,409) have been blocked against letter of guarantee in favour of Ministry of Finance.

16 Share capital

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Authorised, issued and paid-up shares of		
Fils 100 each	154,482,100	154,482,100

All share capital was paid in cash.

17 Reserves

The Companies Law and the parent company's articles of association require that 10% of the profit of the year before KFAS, NLST and Zakat is transferred to the legal reserve. The shareholders of parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

According to the parent company's articles of association and the Companies Law require that 10% of the profit for the year before KFAS, NLST and Zakat is transferred to the voluntary reserve.

No transfers are required in a year when losses are incurred or where cumulative losses exist.

18 Accounts payable and other liabilities

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Share of related parties on sale of right of		
use of leased lands (10.1)	-	6,460,419
Accounts payable	264,349	149,756
Accrued rental expenses (18.1)	2,407,382	2,786,674
Due to related parties	364,017	99,321
Accrued leave and expenses	119,614	115,452
Provision for National Labour Support Tax	14,083	14,083
Zakat	3,350	3,350
Provision for legal cases (10.1)	-	1,906,416
	3,172,795	11,535,471

18.1 Accrued rental expenses represent amount payable to the government under the real estate management contract. The group entered into a real estate management agreement with the government whereby it manages a property for eleven years and three months beginning February 2014. The group is required to pay KD 3,420,000 to the government annually for 10 years beginning May 2015. However, from February 2014 and up to 15 months the government has waived this payment in order for the group to carryout renovations and maintenance work for the property. However, the group is recognising their yearly cost over the entire contract period to match with the related revenue. The rent collected by the group from the property is shown as rental income (note 7).

19 General assembly of shareholders

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

The general assembly of the shareholders held on 20 April 2015, approved the consolidated financial statements for the year ended 31 December 2014, and the directors' proposal not to distribute any dividends for the year then ended without dividend.

20 Related party transactions

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

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Amounts included in the consolidated statement of financial position:		
Due from related parties Share of related parties on sale of right of use of	1,137,396	1,200,126
leased land	-	6,460,419
Due to related parties	364,017	99,321
Investments at fair value through profit or loss	37,939	46,253
Sale of associate	-	25,911
Transactions included in the consolidated statement of profit or loss:		
Loss on disposal of investment in associate	-	(14,911)
Loss on sale of investment in real estate portfolio	(51,878)	-
Consultancy fees	179,313	59,828
Interest income	39,640	39,554
Key management compensation:		
Salaries and other short term benefits	126,830	200,363

21 Capital commitments

In 2013 the group entered into a real estate management agreement. Based on the agreement the group is expected to incur renovation work. The group has estimated the costs of such improvements and renovation work to be KD852,632 (31 December 2014: KD1,327,790).

22 Contingent liabilities

Contingent liabilities at the year end in respect of outstanding letters of guarantee amounted to KD4,431,724 (31 December 2014: KD4,431,724).

23 Segmental information

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

The group's operating segments are real estate and investment. The information relating to these segments are as follows.

	Real Estate Investment		Total
	KD	KD	KD
At 31 December 2014			
Operating loss	(1,725,773)	25,260	(1,700,513)
Segment loss	(2,281,578)	(101,278)	(2,382,856)
Loss for the year			(2,382,856)
Total assets	10,534,115	2,581,726	13,115,841
Total liabilities	(3,376,502)	-	(3,376,502)
Net assets employed	7,157,613	2,581,726	9,739,339
Share of results of associates	-	(13,828)	(13,828)
At 31 December 2014			
Operating loss	(412,573)	(50,567)	(463,140)
Segment loss	(984,968)	(179,855)	(1,164,823)
Loss for the year			(1,164,823)
Total assets	21,604,293	2,937,977	24,542,270
Total liabilities	(12,504,248)	-	(12,504,248)
Net assets employed	9,100,045	2,937,977	12,038,022
Share of results of associates	-	22,473	22,473

24 Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

24.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group is not exposed to foreign currency risk as all its assets and liabilities are denominated in its functional currency.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets other than due from related parties and time deposits.

The following table illustrates the sensitivity of the profit / (loss) for the year and equity to a reasonably possible change in interest rates of +1% and -1% (2014: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on the group's equity:

	31 Dec. 2015		31 De	c. 2014
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Profit/ (loss) for the year	43,714	(43,714)	23,180	(23,180)

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

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of profit or loss and available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis.

If equity prices had been 2% (2014: 2%) higher/lower, the effect on the profit / (loss) for the year and equity would have been as follows:

	Profit / (loss) for the year	Equity		
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	
	KD	KD	KD	KD	
Available for sale investments	-	-	± 7,364	± 8,363	
Trading securities	± 6,666	± 3,935	-	-	
Investments designated at fair value through profit or loss	± 29	± 29	-	-	

24 Risk management objectives and policies (continued) 24.2.Credit risk

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

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Accounts receivable and other assets	2,927,463	19,885,181
Time deposits	3,249,069	2,243,409
Cash and bank balance	1,041,678	425,641
	7,218,210	22,554,231

Bank balances and time deposits are maintained with high credit quality financial institutions.

24.3 Liquidity risk

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

Maturity profile of liabilities at 31 December 2015 and 2014:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
2015	KD	KD	KD	KD	KD
Liabilities Accounts payable					
and other liabilities	-	11,350	3,161,445	-	3,172,795
	-	11,350	3,161,445	-	3,172,795
2014 Liabilities					
ljara financing Accounts payable	805,000	-	-	-	805,000
and other liabilities	-	36,449	11,499,022	-	11,535,471
	805,000	36,449	11,499,022	-	12,340,471

25 Fair value measurement 25.1 Fair value hierarchy

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

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

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

25.2 Fair value measurement of financial instruments

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Financial assets:		
Loans and receivables at amortised cos	st:	
Cash and bank balances Time deposits Accounts receivable and other assets	1,043,276 3,249,069 3,017,604	426,971 2,243,409 19,969,411
Investments at fair value through profit or loss: Investments at fair value through profit or loss	334,758	198,219
Available for sale investments at fair value: Available for sale investments	368,203	418,155
	8,012,910	23,256,165
Financial liabilities: Financial liabilities at amortised cost: Accounts payable and other liabilities	3,172,795	11,535,471
Ijara financing	3,172,795	805,000 12,340,471

25 Fair value measurement (continued)

25.2 Fair value measurement of financial instruments (continued)

Management considers that the carrying amounts of loans and receivable and financial liabilities, which are stated at amortised cost, approximate their fair values.

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

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

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2015					
Investments at fair value through profit or loss Local quoted securities Local managed portfolio Local unquoted securities	a b c	295,364 37,939	-	- - 1,455	295,364 37,939 1,455
Available for sale investmens Local unquoted securities	С	_	-	368,203	368,203
		333,303	-	369,658	702,961

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2014					
Investments at fair value through profit or loss Local quoted securities Local managed portfolio Local unquoted securities	a b c	150,511 46,253	:	- - 1,455	150,511 46,253 1,455
Available for sale investmens Local unquoted securities	С	-	-	418,155	418,155
		196,764	-	419,610	616,374

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted Securities

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

b) Local managed portfolio

The underlying investments in local managed portfolio primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

Level 3 fair value measurements

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

Inves	tments at fair value through profit or loss KD	Available for sale Investments KD	Total KD
31 December 2015			
Opening balance	1,455	418,155	419,610
Gains or losses recognised in:			
- Consolidated statement of profit or lo	ss -	(126,538)	(126,538)
- Other comprehensive income	-	76,586	76,586
Closing balance	1,455	368,203	369,658
31 December 2014			
Opening balance	1,355	408,682	410,037
Transfer	100	-	100
Gains or losses recognised in:			
- Consolidated statement of profit or lo	ss =	(129,288)	(129,288)
- Other comprehensive income	-	138,761	138,761
Closing balance	1.455	418,155	419,610

25 Fair value measurement (continued)

25.2 Fair value measurement of financial instruments (continued) Level 3 fair value measurements (continued)

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

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

Available for sale investments and investments at fair value through profit or loss:

The fair value of financial instruments that are not traded in an active market (e.g local unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Gains or losses recognized in the consolidated statement of profit or loss for the year are included in loss on sale of investments at fair value through profit or loss, change in fair value of investments at fair value through statement of profit or loss and gain on sale of available for sale investments.

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

The impact on consolidated statement of profit or loss and consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

25.3 Fair value measurement of non-financial assets

Real estate portfolios were fair valued at 31 December 2015 and are classified under level 3 fair value hierarchy and reconciliation is provided in Note 10.

Fair value of the group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Real estate portfolios

The real estate portfolio represents a land catergorised as "Investment Land". The fair value of the land has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of properties. The significant inputs and assumptions are developed in close consultation with management. The valuers have valued the land using the market comparison. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location and current use. For the valuation purpose, the group has selected the lower value of the two valuations (2014: lower of two valuations).

Further information regarding the fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Real estate portfolio	Market comparison approach	Estimated market price for land (per sqm)	KD25,727 to KD27,302	Higher the price per square meter, higher the fair value
Real estate portfolio	Market comparison approach	Estimated market price for land (per sqm)	AED30 to AED35	Higher the price per square meter, higher the fair value

26 Capital management objectives

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

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

The group monitors its capital by way of return on equity. This is calculated by reference to loss for the year divided by total equity as follows:

	31 Dec. 2015	31 Dec. 2014	
	KD	KD	
Loss for the year Total equity	(2,382,856) 9,739,339	(1,164,823) 12,038,022	
Return on equity	(24.5%)	(9.7%)	