



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



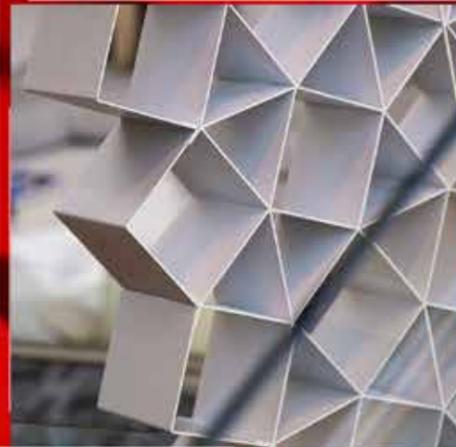
**H.H. Sheikh Nawaf Al Ahmad  
Al Jaber Al Sabah**  
Crown prince of the State of Kuwait



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



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



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## **BOARD MEMBERS**

**Meshal Jassim Al Marzouq**  
CHAIRMAN

**Ali Yacoub Al Aryan**  
VICE CHAIRMAN

**Sheikh Majed Jaber Al Sabah**  
BOARD MEMBER

**Mohammed Fouad Al Ghanim**  
BOARD MEMBER

**Zeyad Hassan Al Qaissy**  
BOARD MEMBER

**Abdul Wahab Marzouq Al Marzouq**  
BOARD MEMBER

## **EXECUTIVE MANAGEMENT**

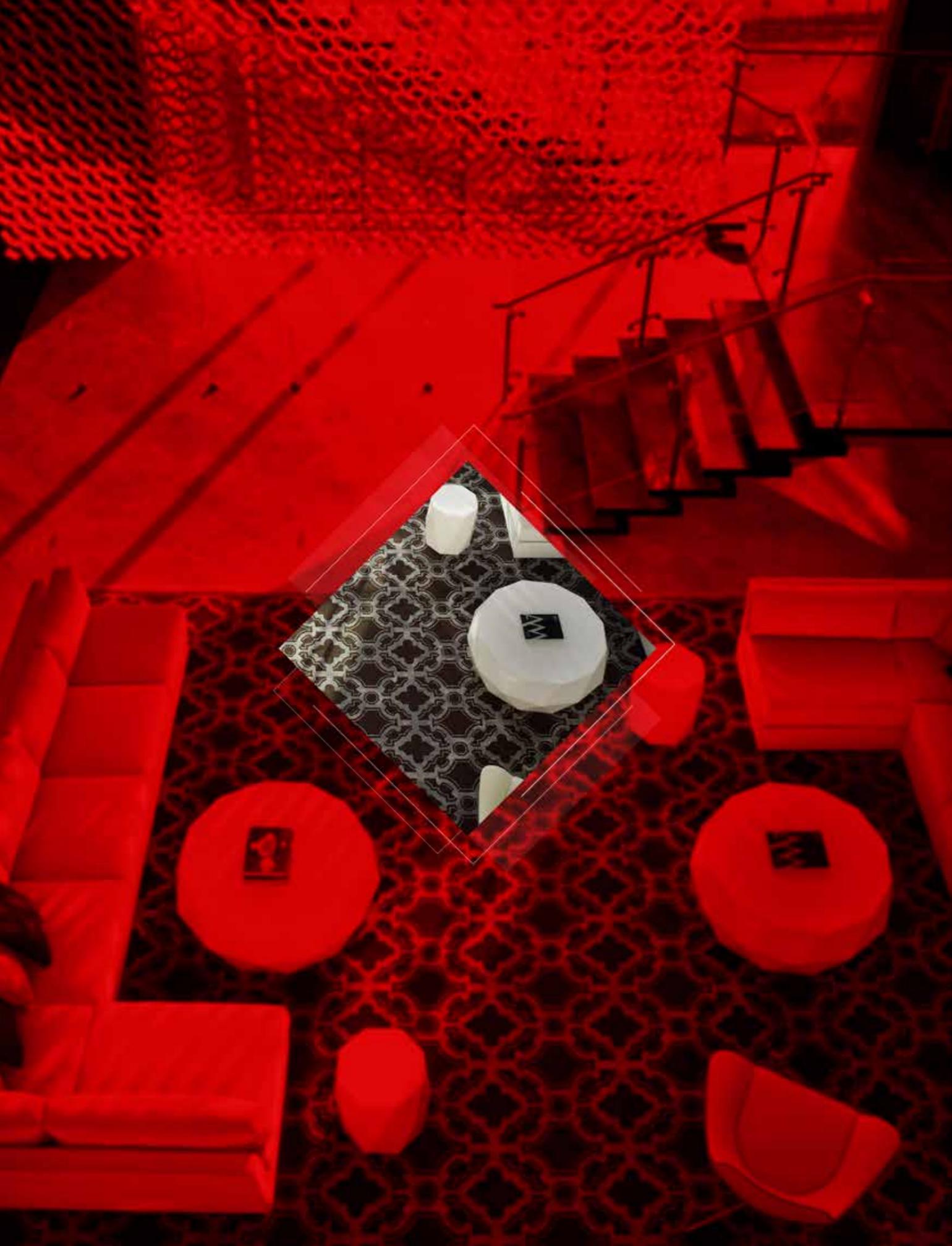
**Mohammed Abdluhamid Al Marzouq**  
CEO

**Salah Abdulaziz Al Bahar**  
GM - ADMINISTRATION

**Khalid Omar Abbas**  
GM - FINANCE

**Muath Bisher Al Roumi**  
GM - MARKETING





# CHAIRMAN'S LETTER

## HONORABLE SHAREHOLDERS,

IN THE NAME OF GOD, MOST GRACIOUS, MOST MERCIFUL

**HONORABLE SHAREHOLDERS,**  
PEACE AND GOD'S MERCY AND BLESSINGS BE UPON YOU,

**ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS, IT GIVES ME GREAT PLEASURE TO MEET YOU TODAY IN ORDER TO PRESENT THE ANNUAL REPORT OF TAMDEEN REAL ESTATE COMPANY AND SUBSIDIARIES FOR THE YEAR ENDED ON 31 DECEMBER 2015, AND THE KEY ACHIEVEMENTS MADE DURING THE YEAR IN ADDITION TO THE FINANCIAL STATEMENT REPORT AND THE INDEPENDENT AUDITOR'S REPORT.**

2015 WAS INDEED A YEAR OF CHALLENGES, AND THIS IS NOT SURPRISING NEWS, FOR THE YEAR WITNESSED THE STEEP DECLINE OF OIL PRICES TO BELOW \$ 30 PER BARREL, CREATING PRESSURE ON THE ECONOMIES OF THE OIL EXPORTING COUNTRIES. HOWEVER, THE STATE OF KUWAIT, WITH ITS STRONG FINANCIAL AND BANKING SYSTEM, CAN ADAPT TO THE CONSEQUENCES OF THE DECLINE OF OIL PRICES AND THE RESULTING DEEP IMPACT ON THE WORLD ECONOMY

The State of Kuwait has taken many precautionary measures to face any expected negative effects of the decline in oil prices on the country's budget. These include structural modifications that we hope will help attract more investments and promote the role of the Private Sector with a view to diversify sources of Gross National Product (GNP) and reduce reliance on oil as the basic source of national income. These measures reflected on the forecasts of the International Monetary Fund which expects an increase of non-oil contribution to Kuwait's Gross Domestic Product (GDP) to twice its current level as a result of additional planned investments in a number of development projects.

Development projects and infrastructure development for serving strategic projects are the main driver of economic growth in the coming years as is evidently reflected in the country's five-year plan which includes spending around KD 34.1 billion.

## HONORABLE SHAREHOLDERS,

The year 2015 witnessed continued efforts by Tamdeen Real Estate Company to comply with the requirements of the Capital Markets Authority according to Resolution No. 48 of 2015 concerning the Rules of Corporate Governance applicable to the companies subject to CMA control in order to achieve a balance between the interests of the Company and its shareholders as well as promoting compliance with the control procedures. Tamdeen Real Estate Company seeking to apply those rules will enable it to increase the efficiency of managing its various activities and reduce the inherent risks, thereby strengthening the confidence of the shareholders and stakeholders in the Company and its management.

## ESTEEMED SHAREHOLDERS,

In 2015, Tamdeen Real Estate Company started the development of its own investment lands within the Tamdeen Square multi-element project situated at a strategic location in Sabah Al-Salem district. The project can be easily accessed by two of the main roads in the country, the Fahaheel Expressway and the Sixth Ring Road Expressway.

The Company has started construction on that land of three high-rise residential towers consisting of 40 floors and containing 256 residential apartments with a superb view of the sea, abundant internal spaces, integrated service facilities including shaded car parks, a swimming pool and a sports hall in each tower.

## HONORABLE SHAREHOLDERS,

During the year 2015, Tamdeen Real Estate Company continued to develop and support the strategic operating plans of its subsidiary and associated companies, which continued to achieve the desired development results.

With regard to our subsidiary companies, Tamdeen Investment Company completed its merger by amalgamation of an associated company, Tamdeen Holding Company, which is owned by the Company by 40%, with a capital of KD 30 million, thereby creating a strong investment entity with solid financial capabilities and high competitive ability, all of which are expected to improve Tamdeen Investment Company's future performance and profitability.

Furthermore, Manshar Real Estate Company (a subsidiary company) continued the development of Al-Kout Mall project according to the time schedule of the project which is adjacent to the Fahaheel Water Front (Al-Kout) project. Together, the two will be an integrated destination which includes a large number of facilities that suits the requirements of shopping lovers and a modern life style. With a leasing space of more than 100,000 square meters, it will be the largest shopping destination in the South of Kuwait.

With its 200 luxury hotel suites, Al-Manshar Rotana Hotel - owned by Manshar Real Estate Company - and linked to Al-Kout Mall, continued to achieve an excellent operating performance, and is currently building a multi-purpose hall on an area of 3,700 square meters, which will result in an added value and higher quality to the hospitality services in the Fahaheel area.

With regard to our associate companies, Tamdeen Shopping Centers Company achieved further strategic successes that reflect the strategic vision of its Board of Directors.

The following is a brief outline of the main successes achieved during 2015:

- Tamdeen Shopping Centers acquired Spirit Real Estate Development Company which has a contract with the Kuwait Tennis Federation for the development of Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex, which is regarded as an expansion to 360 MALL. This project offers an additional leasing space of approximately 40,000 square meters, a five-star world class hotel, in addition to covered and open tennis courts.

- Complementing the strategy of diversifying its activities, the Company increased its shareholding in an associate company, 360 Style Company to 92.5% in 2015. It is worth mentioning that 360 Style Company is considered one of the main companies that owns promotion rights for a number of prestigious world-class brands in the field of high fashion.

- The Company continued to develop the real estate properties owned by it. It started the construction of Sama Al-Jahra Project which will be a remarkable addition to its portfolio of commercial centers in the State of Kuwait. Construction is expected to be completed within two years.

- In addition to these achievements, the Company continued to improve its performance which led to a 4% increase in the number of visitors to Mall 360 and a 10% increase in operating revenues compared to the previous years.

## HONORABLE SHAREHOLDERS,

Tamdeen Real Estate Company continued to develop its operating performance through the Fahaheel Water Front Project (Al-Kout), one of its most outstanding projects in the Southern part of the State of Kuwait. With its traditional design style and its role as a social center to the South of Kuwait City, this project is of tremendous importance to the Company, having achieved an operating revenue of more than KD 4.9 million in 2015 with an increase of 6% compared to the previous year.

## ESTEEMED SHAREHOLDERS,

With the grace and blessing of God Almighty, your Company has achieved very good financial results for the year 2015. Net profits amounted to KD 9.9 million approximately, representing earnings per share amounting to 24.8 Fils. (against 19.3 Fils in the previous year).

In light of these positive results, the Board of Directors recommends for the general assembly to decide to distribute a cash dividends of 10% from the paid-up capital (which is equal to 10 Fils per share), and bonus shares of 5% from the capital (5 shares for every 100 shares) to the shareholders of the Company for the financial year ended on 31 December 2015. The Board of Directors further recommends payment of a remuneration to the members of the Board of Directors in the amount of KD 60,000 (KD 10,000 for each member) for the financial year ended on 31 December 2015. These proposals are subject to the approval of the general assembly of the Company's shareholders.

## IN CONCLUSION,

I would like to take this opportunity, on behalf of my colleagues on the Board of Directors and for myself, to express our deepest thanks and gratitude to His Highness the Amir, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmed Al-Jaber Al-Sabah, and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah, for their continuous support of the Private Sector in the State of Kuwait. We also thank the shareholders of the Company for their continuous valuable trust and support they have extended to us.

And finally, I would like to express my deepest thanks and appreciation to the members of the Board of Directors, and the employees of the company for their unremitting efforts that have enabled the Company to achieve the results it had during 2015.

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

MESHAL JASSIM  
AL MARZOUQ

CHAIRMAN OF  
THE BOARD OF DIRECTORS

# INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS  
OF TAMDEEN REAL ESTATE  
COMPANY – KPSC  
KUWAIT

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Tamdeen Real Estate Company – Kuwaiti Public Shareholding Company (the “Parent Company”) and Subsidiaries, (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

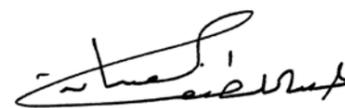
**M**anagement of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated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

### AUDITORS' RESPONSIBILITY

**O**ur 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.



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



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Hend Abdullah Al Surayea  
(Licence No. 141-A)  
Hend Abdullah Al Surayea & Co.  
Member of MAZARS

Kuwait  
23 March 2016

### OPINION

**I**n our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tamdeen Real Estate Company and subsidiaries 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

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

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT  
OF PROFIT OR LOSS  
31 DECEMBER 2015

	NOTE	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
<b>Revenue</b>			
Operational income		8,830	8,834
Operational expenses	8	(3,105)	(3,251)
Net operational income		5,725	5,583
Other operational income	9	1,350	1,023
Fees from management of investment portfolios		124	63
Change in fair value of investment properties	14	30	150
Net income from investments	10	12,648	6,261
Share of results of associates	13	7,315	8,056
Other income		207	62
Provisions no longer required		231	-
Foreign currency exchange gain/(loss)		96	(16)
		<u>27,726</u>	<u>21,182</u>
<b>Expenses and other charges</b>			
Staff costs		2,560	2,115
General and administrative expenses		3,582	2,698
Impairment in value of investment properties under development	15	413	-
Finance costs		5,344	4,592
		<u>11,899</u>	<u>9,405</u>
<b>Profit for the year before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration</b>			
		15,827	11,777
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	-
Provision for Zakat		-	(16)
Provision for National Labour Support Tax (NLST)		(87)	(99)
Board of directors' remuneration		(60)	(60)
<b>Profit for the year</b>		<u>15,680</u>	<u>11,602</u>
<b>Attributable to :</b>			
Owners of the Parent Company		9,863	7,399
Non-controlling interests		5,817	4,203
		<u>15,680</u>	<u>11,602</u>
<b>Basic and diluted earnings per share attributable to the owners of the Parent Company</b>			
	11	<u>24.8 Fils</u>	<u>18.4 Fils</u>

The notes set out on pages 22 to 68 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
31 DECEMBER 2015

	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Profit for the year	15,680	11,602
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	133	28
Available for sale investments:		
- Net change in fair value during the year	(10,511)	22,670
- Transferred to consolidated statement of profit or loss on sale	(6,519)	(2,320)
- Transferred to consolidated statement of profit or loss on impairment in value	827	3,014
Share of other comprehensive (loss)/income of associates	(3,924)	3,833
Total other comprehensive (loss)/income	(19,994)	27,225
<b>Total comprehensive (loss)/income for the year</b>	<u>(4,314)</u>	<u>38,827</u>
<b>Attributable to:</b>		
Owners of the Parent Company	(2,707)	25,325
Non-controlling interests	(1,607)	13,502
	<u>(4,314)</u>	<u>38,827</u>

The notes set out on pages 22 to 68 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION  
31 DECEMBER 2015

	NOTE	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	21,395	1,439
Investments in associates	13	130,332	155,790
Investment properties	14	21,280	21,250
Investment properties under development	15	53,272	38,941
Trading properties under development	16	20,030	-
Available for sale investments	17	133,051	134,612
		<u>379,360</u>	<u>352,032</u>
<b>Current assets</b>			
Inventories		767	-
Accounts receivable and other debit balances	18	17,855	15,210
Investments at fair value through profit or loss		703	1,081
Trading properties	19	-	11,609
Short term deposits	27	928	5,684
Cash and bank balances	27	11,927	5,555
		<u>32,180</u>	<u>39,139</u>
<b>Total assets</b>		<u>411,540</u>	<u>391,171</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	20	41,136	39,178
Share premium		11,132	11,132
Treasury shares	21	(9,625)	(3,462)
Reserve of profit on sale of treasury shares		756	739
Legal reserve	22	10,676	9,675
Voluntary reserve	22	12,074	11,073
Foreign currency translation reserve		406	273
Cumulative changes in fair value		37,219	49,922
Retained earnings		24,094	17,108
<b>Equity attributable to owners of the Parent Company</b>		<u>127,868</u>	<u>135,638</u>
<b>Non-controlling interests</b>		<u>79,911</u>	<u>72,901</u>
<b>Total equity</b>		<u>207,779</u>	<u>208,539</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for end of service indemnity		1,322	851
Refundable rental deposits		2,623	1,155
Term loans	23	174,287	146,750
		<u>178,232</u>	<u>148,756</u>
<b>Current liabilities</b>			
Accounts payable and other credit balances	24	12,250	24,206
Term loans	23	5,000	5,000
Due to banks	25	8,279	4,670
		<u>25,529</u>	<u>33,876</u>
<b>Total liabilities</b>		<u>203,761</u>	<u>182,632</u>
<b>Total equity and liabilities</b>		<u>411,540</u>	<u>391,171</u>

Meshal Jassim Al Marzouq  
Chairman

Ali Yacoub Ghafil Al Aryan  
Vice Chairman

The notes set out on pages 22 to 68 form an integral part of these consolidated financial statements.



TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY  
31 DECEMBER 2015

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
<b>Balance as at 1 January 2015</b>	39,178	11,132	(3,462)	739	9,675	11,073	273	49,922	17,108	135,638	72,901	208,539
Net change in treasury shares	-	-	(6,163)	17	-	-	-	-	-	(6,146)	-	(6,146)
Dividend paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	-	-	(1,511)	(1,511)
Other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	582	582
Cash dividends (Note 26)	-	-	-	-	-	-	-	-	(3,878)	(3,878)	-	(3,878)
Bonus shares (Note 20-b)	1,958	-	-	-	-	-	-	-	(1,958)	-	-	-
Transactions with the owners	1,958	-	(6,163)	17	-	-	-	-	(5,836)	(10,024)	(929)	(10,953)
Merger reserve (Note 13 a)	-	-	-	-	-	-	-	-	783	783	616	1,399
Transferred from cumulative changes in fair value related to associates	-	-	-	-	-	-	-	-	3,837	3,837	1,433	5,270
Non-controlling interests arising from the Merger (Note 13 a)	-	-	-	-	-	-	-	-	-	-	5,060	5,060
Net decline in non-controlling interest due to the Merger	-	-	-	-	-	-	-	-	-	-	(7,572)	(7,572)
Net dilution gain due to Merger and increase in Non-controlling interest due to issue of shares by the subsidiary (Note 13 a)	-	-	-	-	-	-	-	-	341	341	10,009	10,350
	-	-	-	-	-	-	-	-	4,961	4,961	9,546	14,507
Profit for the year	-	-	-	-	-	-	-	-	9,863	9,863	5,817	15,680
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	133	(12,703)	-	(12,570)	(7,424)	(19,994)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	133	(12,703)	9,863	(2,707)	(1,607)	(4,314)
Transferred to reserves (Note 22)	-	-	-	-	1,001	1,001	-	-	(2,002)	-	-	-
<b>Balance as at 31 December 2015</b>	<b>41,136</b>	<b>11,132</b>	<b>(9,625)</b>	<b>756</b>	<b>10,676</b>	<b>12,074</b>	<b>406</b>	<b>37,219</b>	<b>24,094</b>	<b>127,868</b>	<b>79,911</b>	<b>207,779</b>

The notes set out on pages 22 to 68 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY (CONTINUED)  
31 DECEMBER 2015

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
<b>Balance as at 1 January 2014</b>	37,312	11,132	(754)	739	8,918	10,316	245	32,024	13,885	113,817	56,568	170,385
Net change in treasury shares	-	-	(2,708)	-	-	-	-	-	-	(2,708)	-	(2,708)
Non-controlling interests arising on acquisition of subsidiaries (Note 13-c)	-	-	-	-	-	-	-	-	-	-	12,414	12,414
Dividend paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	-	-	(1,139)	(1,139)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,444)	(8,444)
Cash dividends (Note 26)	-	-	-	-	-	-	-	-	(2,954)	(2,954)	-	(2,954)
Bonus shares (Note 20-b)	1,866	-	-	-	-	-	-	-	(1,866)	-	-	-
Transactions with the owners	1,866	-	(2,708)	-	-	-	-	-	(4,820)	(5,662)	2,831	(2,831)
Profit resulting from the share capital decrease of an associate (Note 13-c)	-	-	-	-	-	-	-	-	2,158	2,158	-	2,158
Profit for the year	-	-	-	-	-	-	-	-	7,399	7,399	4,203	11,602
Other comprehensive income for the year	-	-	-	-	-	-	28	17,898	-	17,926	9,299	27,225
Total comprehensive income for the year	-	-	-	-	-	-	28	17,898	7,399	25,325	13,502	38,827
Transferred to reserves (Note 22)	-	-	-	-	757	757	-	-	(1,514)	-	-	-
<b>Balance as at 31 December 2014</b>	<b>39,178</b>	<b>11,132</b>	<b>(3,462)</b>	<b>739</b>	<b>9,675</b>	<b>11,073</b>	<b>273</b>	<b>49,922</b>	<b>17,108</b>	<b>135,638</b>	<b>72,901</b>	<b>208,539</b>

The notes set out on pages 22 to 68 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT  
OF CASH FLOWS  
31 DECEMBER 2015

	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the year</b>	<b>15,680</b>	11,602
Adjustments:		
Depreciation	<b>233</b>	261
Provision for end of service indemnity	<b>203</b>	182
Provisions no longer required	<b>(231)</b>	-
Net unrealised loss/(gain) from investments at fair value through profit or loss	<b>53</b>	(184)
Change in fair value of investment properties	<b>(30)</b>	(150)
Net gain on sale of available for sale investments	<b>(6,247)</b>	(2,258)
Impairment in value of available for sale investments	<b>827</b>	3,014
Loss from loss of control of a subsidiary	<b>47</b>	-
Gain from sale of investments at fair value through profit or loss	<b>(4)</b>	-
Dividends income	<b>(7,293)</b>	(6,811)
Interest income	<b>(30)</b>	(22)
Share of results of associates	<b>(7,315)</b>	(8,056)
Finance costs	<b>5,344</b>	4,592
	<b>1,237</b>	2,170
End of service indemnity paid	<b>(258)</b>	(45)
	<b>979</b>	2,125
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable and other debit balances	<b>(1,765)</b>	(3,853)
Accounts payable and other credit balances	<b>(12,815)</b>	(6,421)
Refundable rental deposits	<b>1,468</b>	(51)
<b>Net cash used in operating activities</b>	<b>(12,133)</b>	(8,200)

The notes set out on pages 22 to 68 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT OF  
CASH FLOWS (CONTINUED)  
31 DECEMBER 2015

	NOTE	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
<b>INVESTING ACTIVITIES</b>			
Net purchase of available for sale investments		<b>(1,098)</b>	(144)
Proceeds from sale of available for sale investments		<b>9,954</b>	5,208
Proceeds from sale of Investments at fair value through profit or loss		<b>327</b>	10
Additions to trading properties		-	(268)
Paid for acquisition of subsidiary companies	13d	-	(7,605)
Paid to purchase additional shares in subsidiary companies		-	(500)
Paid to purchase additional shares in associates		-	(6,132)
Effect of loss of control of a subsidiary		<b>(292)</b>	-
Proceeds from capital reduction of an associate		<b>3,055</b>	-
Additions to investment properties under development		<b>(13,848)</b>	(4,227)
Additions to trading properties under development		<b>(8,421)</b>	-
Net purchase of property, plant and equipment		<b>(136)</b>	(190)
Dividends income received		<b>7,293</b>	6,811
Dividends income received from associates		<b>4,048</b>	2,100
Interest income received		<b>30</b>	22
<b>Net cash from/(used in) investing activities</b>		<b>912</b>	(4,915)
<b>FINANCING ACTIVITIES</b>			
Cash dividends to shareholders		<b>(3,915)</b>	(2,943)
Cash dividends paid to non-controlling interests by subsidiary		<b>(1,511)</b>	(1,139)
Changes in non-controlling interests		<b>2,704</b>	(4,314)
Net change in treasury shares		<b>(1,839)</b>	(191)
Change in due to banks		<b>3,609</b>	3,733
Net proceeds from term loans		<b>19,845</b>	28,688
Finance costs paid		<b>(6,292)</b>	(4,466)
<b>Net cash from financing activities</b>		<b>12,601</b>	19,368
<b>Net increase in cash and cash equivalents</b>		<b>1,380</b>	6,253
Cash resulting from consolidating a subsidiary		<b>236</b>	-
Cash and cash equivalents at the beginning of the year		<b>11,239</b>	4,986
<b>Cash and cash equivalents at the end of the year</b>	27	<b>12,855</b>	11,239

The notes set out on pages 22 to 68 form an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

## 1- INCORPORATION AND ACTIVITIES OF THE PARENT COMPANY

TAMDEEN REAL ESTATE COMPANY – KPSC (THE “PARENT COMPANY”) WAS INCORPORATED IN KUWAIT ON 16 DECEMBER 1982 IN ACCORDANCE WITH THE COMPANIES LAW. THE PARENT COMPANY ALONG WITH ITS SUBSIDIARIES ARE JOINTLY REFERRED TO AS “THE GROUP”. THE PARENT COMPANY’S SHARES ARE TRADED ON THE KUWAIT STOCK EXCHANGE.

THE PRINCIPAL ACTIVITIES OF THE PARENT COMPANY ARE REPRESENTED IN THE REAL ESTATE INVESTMENTS INSIDE AND OUTSIDE THE STATE OF KUWAIT, FOR THE PURPOSES OF OWNERSHIP, RESALE, LEASING AND RENTING. THE PARENT COMPANY IS ALSO ENGAGED IN THE DEVELOPMENT OF REAL ESTATE PROJECTS AND CONSTRUCTION CONTRACTS OF BUILDINGS, MANAGING THE PROPERTIES OF OTHERS, ESTABLISHING AND MANAGING REAL ESTATE INVESTMENT FUNDS, REAL ESTATE STUDIES AND CONSULTANCY, AND INVESTING IN COMPANIES WITH ACTIVITIES SIMILAR TO ITS OWN AND EXPLOITING THE FINANCIAL SURPLUSES AVAILABLE AT THE COMPANY THROUGH ITS INVESTMENT IN FINANCIAL PORTFOLIOS MANAGED BY PROFESSIONAL COMPANIES AND AUTHORITIES.

THE NEW COMPANIES LAW NO. 1 OF 2016 WAS ISSUED ON 24 JANUARY 2016 AND PUBLISHED IN THE OFFICIAL GAZETTE ON 1 FEBRUARY 2016 IN WHICH THEY HAVE CANCELLED LAW NO. 25 OF 2012 AND ITS AMENDMENTS THERETO, AS STIPULATED IN ARTICLE (5) THERETO. THE NEW LAW WILL BE EFFECTIVE RETROSPECTIVELY FROM

26 NOVEMBER 2012 AND THE EXECUTIVE REGULATIONS OF LAW NO. 25 OF 2012 WILL REMAIN EFFECTIVE PENDING THE ISSUANCE OF THE NEW EXECUTIVE REGULATIONS.

THE ADDRESS OF THE PARENT COMPANY: PO BOX 21816, SAFAT 13079, STATE OF KUWAIT.

THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015 WERE AUTHORISED FOR ISSUE BY THE PARENT COMPANY’S BOARD OF DIRECTORS ON 23 MARCH 2016 AND ARE SUBJECT TO THE APPROVAL OF THE GENERAL ASSEMBLY OF THE SHAREHOLDERS.

## 2- BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss, available for sale financial assets and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

The Group has elected to present the “consolidated statement of profit or loss and other comprehensive income” in two statements: “consolidated statement of profit or loss” and “consolidated statement of profit or loss and other comprehensive income”.

## 3- STATEMENT OF COMPLIANCE

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

## 4- CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Group’s consolidated financial statements are consistent with those used in previous year except as discussed below:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

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

(ii) Amendments to IFRS 13- The addition to the Basis for Conclusions confirms the existing measurement treatment

of short-term receivables and payables.

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

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

(iv) Amendments to 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.

(v) 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 amendments did not have any material impact to the Group’s consolidated financial statements.

### Annual Improvements 2011-2013 Cycle

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

- IFRSs that are currently effective

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

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

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

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

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

The amendments did not have any material impact to the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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 financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

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 an Investor and its Associate or Joint Venture - Amendments	Date To be decided
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 July 2016

## 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 trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria

- \* it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income. This will affect the Group's investment amounting to KD6,186 (see note 32.1) if still held on 1 January 2018

- \* if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

## IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 Revenues and IAS 11 Construction Contracts 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 arrangements.

The Group's management has yet to assess the impact of this standard on these consolidated financial statements.

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

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

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

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

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

## 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

## 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.

The Group's management has yet to assess the impact of this standard on these consolidated financial statements.

## 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.

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

## IAS 16 and IAS 38 Clarifications 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.

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

## 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

- **Disclosures required:** An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

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

## Annual Improvements to IFRSs 2012–2014 Cycle

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

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

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

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

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

## 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 Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they

are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated 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 date the Group gains control, or until the date the Group ceases to control the subsidiary, 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. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary

- Derecognizes the carrying amount of any non-controlling interests

- Derecognizes the cumulative translation differences, recorded in equity

- Recognizes the fair value of the consideration received

- Recognizes the fair value of any investment retained

- Recognizes any surplus or deficit in profit or loss

- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

## 5-2 BUSINESS COMBINATIONS

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

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

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

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

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

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

## 5-3 GOODWILL

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

## 5-4 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 share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is 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 'share of results of an associate' in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

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.

## 5-5 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 products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated 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.

## 5-6 REVENUE

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

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 following specific recognition criteria should also be met before revenue is recognised;

### 5-6-1 Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

### ***Fee income earned from services that are provided over a certain period of time***

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

### ***Fee income from providing transaction services***

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

### 5-6-2 Revenue from sale of properties

Revenue on sale of trading properties is recognised when risk and reward related to property has been transferred to customer. Risk and reward are transferred when legal notice is served to customer to take the possession of the property or on actual hand over to the customer.

### 5-6-3 Interest and similar income

Interest income and expenses are reported on an accrual basis using the effective interest method.

### 5-6-4 Dividend income

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

## 5-7 OPERATING EXPENSES

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

## 5-8 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.

## 5-9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognised at acquisition cost or manufacturing 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.

Property, plant and 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 property, plant and 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 property, plant and equipment. The following annual rates are applied:

- Buildings and right of use of lands 2%
- Machines and equipment 20% to 33.33%
- Vehicles 20% to 25%
- Furniture, fixtures and office equipment 5% to 33.33%

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

The right of use of lands are carried at cost less accumulated amortisation and impairment losses and has been included under property, plant & equipment. The right of use of land represents land leased from the government of Kuwait based on renewable lease contracts. The buildings are constructed on the right of use of land.

The costs incurred by the Group for the right of use of lands are capitalized and amortized on a straight line basis according to its expected useful economic life (50 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.

## 5-10 INVESTMENT PROPERTIES

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

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

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

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

## 5-11 INVESTMENT PROPERTIES UNDER DEVELOPMENT

Investment properties under development represents property held for future use as investment property and is initially measured at cost. Subsequently, property under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

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## 5-12 TRADING PROPERTIES UNDER DEVELOPMENT

Trading properties under development represent lands and real estate under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to trading properties under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any are transferred to trading properties. Property under development is stated after deducting cost of properties sold during the year.

## 5-13 TRADING PROPERTIES

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

## 5-14 IMPAIRMENT TESTING OF GOODWILL AND NON FINANCIAL ASSETS

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

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

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or 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 asset or 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 Financial instruments

### 5-15-1 Recognition, initial measurement and derecognition

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

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.

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A financial asset (or, where applicable a part of financial asset or part of Group of similar financial assets) is primarily 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

## 5-15-2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- 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.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

### • Receivables

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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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 receivables into following categories:

### • Receivables and other financial assets

Trade receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "Other debit balances/Other financial assets"

### • Cash and bank balances and Short term deposits

Cash on hand and demand deposits are classified under cash and bank balances and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

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### • 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 income statement in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in 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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

### • 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 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 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 profit or loss and presented as a reclassification adjustment within other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a Group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair

value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

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

AFS financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

## 5.15.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include terms loans, due to banks, accounts payable and other credit balances.

The subsequent measurement of financial liabilities depends on their classification. The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL)".

### Financial liabilities other than at fair value through profit or loss

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

### • Borrowings (terms loans and due to banks)

Borrowings are carried on the date of the consolidated statement of financial position at their principal amounts. Interest is charged as an expense as it accrues, with unpaid interest included in the creditors' balances. All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

### • Wakala payables

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

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## • *Murabaha finance payables*

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

## • *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

### 5-15-4 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.

### 5-15-5 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.

### 5-15-6 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 32.

## 5-16 EQUITY, RESERVES AND DIVIDEND PAYMENTS

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

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

Statutory 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:

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

Retained earnings includes all current and prior period retained profits. All transactions with owners of the Parent 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 assembly meeting.

## 5-17 TREASURY SHARES

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

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When the treasury shares are reissued, gains are credited to a separate account in equity, (the "Reserve of profit on sale of treasury shares"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

## 5-18 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.

## 5-19 FOREIGN CURRENCY TRANSLATION

### 5-19-1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

### 5-19-2 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 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.

### 5-19-3 Foreign operations

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

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

## 5-20 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.

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## 5-21 TAXATION

### 5-21-1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group 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.

### 5-21-2 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 transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

### 5-21-3 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.

## 5-22 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception.

## 5-23 FIDUCIARY ASSETS

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

## 6- SIGNIFICANT MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure

of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

## 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. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or other comprehensive income.

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

Designation of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets.

When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are designated as at fair value through profit or loss.

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

All other financial assets are classified as available for sale.

### 6-1-2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

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

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business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under 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. And if such properties are under development they are classified under investment properties under development.

### 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 ESTIMATION UNCERTAINTY

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

### 6-2-1 Impairment of available for sale investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including the future cash flows and the discount factors for unquoted equities.

During the year ended 31 December 2015, impairment loss recognised for available for sale investments amounted to KD827 thousand (2014: KD3,014 thousand).

### 6-2-2 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associates, 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.

### 6-2-3 Impairment of receivables

The Group's management reviews periodically items classified as receivables to assess whether a provision for

impairment should be recorded in profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2015, no impairment losses were recognised for receivables (2014: KD Nil).

### 6-2-4 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

### 6-2-5 Impairment investment in trading properties and trading properties under development

Investments in trading properties and trading properties under development(Inventories) are held at the lower of cost or net realisable value. An estimate is made of their net realisable value on an individual basis.

Management estimates the net realisable values of these properties, taking into account the most reliable evidence available at each reporting date. The future realisation of these properties may be affected by market-driven changes that may reduce future selling prices.

### 6-2-6 Useful lives of depreciable assets

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

### 6-2-7 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.

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## 7- SUBSIDIARY COMPANIES

### 7-1 THE CONSOLIDATED SUBSIDIARY COMPANIES OF THE GROUP ARE AS FOLLOWS:

SUBSIDIARY COMPANIES	Percentage of ownership in subsidiary companies		Country of incorporation	Principal activity	Date of incorporation	Date of control
	31 Dec. 2015 %	31 Dec. 2014 %				
Tamdeen Investment Company-KPSC (a)	55.94	51.37	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company -KSC (Closed)	77.97	75.69	Kuwait	Real Estate	17 March 2007	17 March 2007
Al Adiyat International Real Estate Company – KSC (Closed)	98.98	97.75	Kuwait	Real Estate	25 June 2006	1 April 2012

(a) The registered shareholdings of the Parent Company in this subsidiary is 55.94% (31 December 2014: 51.37%). However, the effective ownership percentage in this subsidiary (Tamdeen Investment Company – KPSC) during 2014 for consolidation purposes was 56.93% after due addition of the Group's share in the treasury shares held by this subsidiary to the registered shareholding of the Parent Company during the last year. During the year these treasury shares have been re-issued by the subsidiary as part of the Merger referred to in note 13a and consequently the Group's ownership percentage for consolidation purposes as of 31 December 2015 is equal to the registered shareholding.

### 7-2 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group includes only one subsidiary with material non-controlling interests (NCI):

	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2015	31 Dec. 2014	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Tamdeen Investment Company-KPSC*	44.06%	43.07%	5,821	4,205	80,518	72,896
Immaterial subsidiaries with non-controlling interests			(4)	(2)	9	5
			<u>5,817</u>	<u>4,203</u>	<u>80,527</u>	<u>72,901</u>

\* The NCI of Manshar Real Estate Company – KSC (Closed) is included within Tamdeen Investment Company's NCI.

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## 7- SUBSIDIARY COMPANIES (CONTINUED)

### 7-3 SUMMARISED FINANCIAL INFORMATION FOR TAMDEEN INVESTMENT COMPANY - KPSC, BEFORE INTRAGROUP ELIMINATIONS, IS SET OUT BELOW:

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Non-current assets	252,430	242,032
Current assets	13,320	10,882
Total assets	<u>265,750</u>	<u>252,914</u>
Non-current liabilities	(88,182)	(74,368)
Current liabilities	(4,249)	(23,108)
Total liabilities	<u>(92,431)</u>	<u>(97,476)</u>
Equity attributable to the shareholders of the Parent Company	92,801	82,542
Non-controlling interests (including non controlling interests in the subsidiary's statement of financial position)	80,518	72,896
	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Revenue	17,311	12,987
Profit for the year attributable to the shareholders of the Parent Company	6,556	5,034
Profit for the year attributable to NCI	5,821	4,414
Profit for the year	<u>12,377</u>	<u>9,448</u>
Other comprehensive (loss)/income for the year attributable to the owners of the Parent Company	(8,522)	15,352
Other comprehensive (loss)/income for the year attributable to NCI	(6,713)	11,006
Total other comprehensive (loss)/income for the year	<u>(15,235)</u>	<u>26,358</u>
Total comprehensive (loss)/income for the year attributable to the shareholders of the Parent Company	(1,585)	20,386
Total comprehensive (loss)/income for the year attributable to NCI	(1,269)	15,420
Total comprehensive (loss)/income for the year	<u>(2,854)</u>	<u>35,806</u>
Dividends paid to non controlling interests	1,511	1,139
	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Net cash flow from operating activities	(22,956)	(7,914)
Net cash flow from investing activities	19,128	(4)
Net cash flow from financing activities	4,587	15,008
Net cash outflow	<u>759</u>	<u>7,090</u>

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## 8- OPERATIONAL EXPENSES

	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Direct staff costs	890	992
Other real estate expenses	<u>2,215</u>	<u>2,259</u>
	<u><b>3,105</b></u>	<u>3,251</u>

## 9- OTHER OPERATIONAL INCOME

	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Yacht club membership revenue	26	86
Projects management fees and consultancies	963	533
Services revenue – Al Kout Complex	223	236
Other miscellaneous revenue	<u>138</u>	<u>168</u>
	<u><b>1,350</b></u>	<u>1,023</u>

## 10- NET INCOME FROM INVESTMENTS

	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Net gain on sale of available for sale investments	6,247	2,258
Impairment in value of available for sale investments	(827)	(3,014)
Net unrealised (loss)/gain from investments at fair value through profit or loss	(53)	184
Dividends income	7,293	6,811
Others	<u>(12)</u>	<u>22</u>
	<u><b>12,648</b></u>	<u>6,261</u>

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## 11- BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

Earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Profit for the year attributable to owners of the Parent Company (KD'000)	<u>9,863</u>	<u>7,399</u>
Weighted average of the number of outstanding shares (excluding treasury shares) (in thousands)	<u><b>396,913</b></u>	<u>401,867</u>
<b>Basic and diluted earnings per share attributable to owners of the Parent Company</b>	<u><b>24.8 Fils</b></u>	<u>18.4 Fils</u>

The weighted average number of shares outstanding during the previous year have been restated to add the bonus shares issued during the year (Note 26).

The earnings per share reported during the previous year ended 31 December 2014, before the bonus shares noted above, was 19.3 Fils.

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## 12- PROPERTY, PLANT AND EQUIPMENT

31 December 2015	Right of use of lands KD'000	Buildings KD'000	Machines and equipment KD'000	Vehicles KD'000	Furniture, fixtures and office equipment KD'000	Total KD'000	31 Dec. 2015			31 Dec. 2014			
							Ownership %		Value KD'000	Ownership %		Value KD'000	
Cost							Place of incorporation	Direct	Indirect *		Direct	Indirect *	
At beginning of the year	-	-	683	52	2,549	3,284							
Additions during the year	-	-	31	-	105	136							
Resulting from consolidating a subsidiary due to Merger (Note 13b)	1,769	5,852	12,102	-	330	20,053							
Disposals during the year	-	-	(11)	-	(5)	(16)							
<b>At end of the year</b>	<b>1,769</b>	<b>5,852</b>	<b>12,805</b>	<b>52</b>	<b>2,979</b>	<b>23,457</b>							
<b>Accumulated depreciation</b>													
At beginning of the year	-	-	576	41	1,228	1,845							
Charge for the year	-	-	36	5	192	233							
Relating to disposals	-	-	(11)	-	(5)	(16)							
<b>At end of the year</b>	<b>-</b>	<b>-</b>	<b>601</b>	<b>46</b>	<b>1,415</b>	<b>2,062</b>							
<b>Net book value</b>													
<b>At end of the year</b>	<b>1,769</b>	<b>5,852</b>	<b>12,204</b>	<b>6</b>	<b>1,564</b>	<b>21,395</b>							
<b>31 December 2014</b>													
<b>Cost</b>													
At beginning of the year	-	-	602	58	2,442	3,102							
Additions during the year	-	-	81	-	109	190							
Disposals during the year	-	-	-	(6)	(2)	(8)							
<b>At end of the year</b>	<b>-</b>	<b>-</b>	<b>683</b>	<b>52</b>	<b>2,549</b>	<b>3,284</b>							
<b>Accumulated depreciation</b>													
At beginning of the year	-	-	520	37	1,035	1,592							
Charge for the year	-	-	56	10	195	261							
Relating to disposals	-	-	-	(6)	(2)	(8)							
<b>At end of the year</b>	<b>-</b>	<b>-</b>	<b>576</b>	<b>41</b>	<b>1,228</b>	<b>1,845</b>							
<b>Net book value</b>													
<b>At end of the year</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>11</b>	<b>1,321</b>	<b>1,439</b>							

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## 13- INVESTMENTS IN ASSOCIATES

This item comprises the investments of the Group in the following associates:

	Place of incorporation	31 Dec. 2015			31 Dec. 2014		
		Ownership %		Value KD'000	Ownership %		Value KD'000
		Direct	Indirect *		Direct	Indirect *	
Ajmal Holding Company – BSC (b, c)	Bahrain	19	38	665	19	38	682
Tamdeen Holding Company – KSC (Holding Closed) (a)	Kuwait	-	-	-	30	40	27,538
Fucom for Central Markets – KSC (Closed)	Kuwait	25	-	634	25	-	490
Tamdeen Shopping Centers Company – KSC (Closed)	Kuwait	30	-	41,517	30	-	39,479
Al Maysam Combined General Trading Company – WLL (b)	Kuwait	20	40	2,248	20	40	2,398
Kuwait National Cinema Company – KPSC (c)	Kuwait	-	47	54,776	-	45	51,600
Tamdeen Pearl Real Estate Company – KSC (Closed) (c)	Kuwait	-	31	27,540	-	31	27,533
Tamdeen for Real Estate Development Company – KSC (Closed) (b)	Kuwait	15	37	2,516	15	35	5,599
Gulf and Asia Holding Company – (Holding)	Kuwait	-	20	436	-	20	471
				<b>130,332</b>			<b>155,790</b>

\* Indirect holding through two subsidiaries [Tamdeen Investment Company – KPSC and Manshar Real Estate Company – KSC (Closed) (Note 7)].

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 13- INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) On 4 October 2015, the Extraordinary General Assembly of Tamdeen Investment Company – KPSC (a subsidiary) approved the Merger between Tamdeen Investment Company – KPSC (a subsidiary) and Tamdeen Holding Company – KSCC (formerly an associate) in accordance with the following terms:

- Business combination by way of Merger between Tamdeen Investment Company – KPSC and Tamdeen Holding Company – KSCC by dissolving Tamdeen Holding Company – KSCC and transferring its assets and liabilities to Tamdeen Investment Company – KPSC in return for issuing 47,260,274 shares (at 438 Fils per share) by Tamdeen Investment Company – KPSC to the shareholders of Tamdeen Holding Company – KSCC. The above issued shares includes 23,630,137 shares issued to the Parent Company in exchange for giving up its direct holding in the former associate.

- Utilize the treasury shares of Tamdeen Investment Company – KPSC totalling 30,478,171 shares as a part of the shares that must be issued to the shareholders of Tamdeen Holding Company – KSCC as noted above.

- Increase the share capital of the subsidiary, Tamdeen Investment Company – KPSC by issuing 16,782,103 shares with a nominal value of 100 fils each (at a premium of 338 Fils per share) to the shareholders of Tamdeen Holding Company – KSCC.

The Merger was authorized and registered in the commercial registry on 13 December 2015 and the merger became effective on that date.

As a result of the above Merger, the Group's previous share ownership in British Industries for Printing and Packaging Company – KSC (Closed), which was classified as available for sale investments, increased to 57.81% and accordingly it has been consolidated as a subsidiary of the Group.

The accounting for the acquisition was done based on the fair value of the assets and liabilities for the acquired companies at the date of acquisition as follows:

	<b>Total KD'000</b>
<b>Assets:</b>	
Cash and cash equivalents	<b>236</b>
Accounts receivable and other debit balances	<b>880</b>
Inventories	<b>681</b>
Available for sale investments	<b>23,482</b>
Investments in associates	<b>17,093</b>
Property, plant of equipment	<b>20,070</b>
<b>Liabilities:</b>	
Provision for end of service indemnity	<b>(525)</b>
Term loans	<b>(7,692)</b>
Accounts payable and other credit balances	<b>(1,090)</b>
Net assets purchased	<b>53,135</b>
Non-controlling interests eliminated	<b>(1,977)</b>
Net adjusted assets purchased	<b>51,158</b>
Share of non-controlling interests	<b>(5,060)</b>
Deduct: Fair value of investment which was held by Tamdeen Holding and acquired by the Group consequent to the Merger	<b>(5,696)</b>
Deduct: Fair value of the Group's previously held investments	<b>(28,653)</b>
Acquisition cost	<b>(10,350)</b>
	<b>1,399</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

### 13- INVESTMENTS IN ASSOCIATES (CONTINUED)

The gain resulting from acquisition amounting to KD1,399 thousand was recognised in equity, under retained earnings of the Group, as this transaction is considered as a business combination transaction under common control.

Further due to the above Merger and consequent issue of shares amounting to KD10,350 thousand to Non-controlling interest, by the subsidiary Tamdeen Investment Company - KPSC, the Parent Company's shareholding in the subsidiary diluted by 0.99% (Net) which resulted in a net dilution gain of KD341 thousand being recognised in equity, under retained earnings.

(b) The Parent Company's management confirms that the Group do not exercise control over the decisions of Ajmal Holding Company – BSC, Al Maysam Combined General Trading Company – WLL and Tamdeen for Real Estate Development – KSC (Closed) either directly or in participation with the indirect shares. Accordingly, the financial statements of these companies were not consolidated, and they were accounted for using the equity method within the associates above.

(c) During the previous year, the Group received shares of a Company outside the State of Kuwait of total value equivalent to KD11,231 thousand against the decrease of the share capital of Ajmal Holding Company - BSC, which resulted in decrease in the value of the investment in this associate by the same amount, and also resulted in an effect on the retained earnings by an amount of KD2,158 thousand as a result of the restructuring of the share capital of this associate.

(d) During the previous year, the Group has increased its share in Tamdeen Franchises Holding Company – KSC (Holding Closed) by an amount of KD15,000 thousand and Tamdeen Resorts Company – WLL by an amount of KD7,000 thousand, and this has resulted in an increase in the share of the Group in these companies to 80% and 75% respectively. Consequently, the Group's previous holding in these investments have been reclassified from associates to subsidiary companies. The Group has started consolidating the financial statements of these two companies from the date when the Group exercised control over these companies in May and September 2014 respectively.

The process of integrating the business of Tamdeen Franchises Holding Company – KSC (Holding Closed) occurred in phases, and the Group recognized a net profit of amount KD1,150 thousand which is represented in the Group's share in the reserves of the previously held ownership share, and which has been reclassified to the consolidated statement of profit or loss for the year ended 31 December 2014 within share of results of associates.

The acquisition process has been accounted for based on the specified value of the acquired companies' assets and liabilities at the date of acquisition, and the following is an illustration for the fair value of net assets acquired and which is approximately equivalent to its book value based on management's estimation as at the date of acquisition:

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13- INVESTMENTS IN ASSOCIATES (CONTINUED)

	Tamdeen Franchises Holding Company	Tamdeen Resorts Company	Total KD'000
<b>Assets:</b>			
Investments in associates	47,549	27,531	75,080
Available for sale investments	2,026	-	2,026
Accounts receivable and other debit balances	5	-	5
Cash and cash equivalents	2,875	11,520	14,395
<b>Liabilities:</b>			
Term loans and due to banks	(15,250)	-	(15,250)
Accounts payable and other credit balances	(118)	(20,534)	(20,652)
Provision for end of service indemnity	(1)	-	(1)
<b>Net assets acquired</b>	<b>37,086</b>	<b>18,517</b>	<b>55,603</b>
Share of non-controlling interests	(7,293)	(5,121)	(12,414)
<b>Group's share in net assets acquired</b>	<b>29,793</b>	<b>13,396</b>	<b>43,189</b>
Deduct: Fair value of Tamdeen Investment Company - KPSC previously held share in the investment	(7,293)	(4,258)	(11,551)
Deduct: Fair value of the Parent Company's previously held share in the investment	(7,500)	(2,138)	(9,638)
<b>Acquisition cost</b>	<b>15,000</b>	<b>7,000</b>	<b>22,000</b>
Deduct: Cash and cash equivalents at acquisition date	(2,875)	(11,520)	(14,395)
<b>Cash used in/(resulting from) acquisition of subsidiaries at end of the year</b>	<b>12,125</b>	<b>(4,520)</b>	<b>7,605</b>

The consolidation of the financial statements of Tamdeen Franchises Holding Company – KSC (Holding Closed) has resulted in the appearance of a new associate which is Kuwait National Cinema Company - KPSC.

The consolidation of the financial statements of Tamdeen Resorts Company – WLL has resulted in the appearance of a new associate which is Tamdeen Pearl Real Estate Company – KSC (Closed).

(e) Summarised financial information in respect of each of the Group's material associates, are set out in the following notes (i,ii,iii,iv). The summarised financial information in these notes represents the amounts presented in the financial statements of the associates (and not the Group's share in these amounts) adjusted for differences in accounting policies between the Group and the associate.

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13- INVESTMENTS IN ASSOCIATES (CONTINUED)

(i) Tamdeen Holding Company - KSC (Holding Closed)  
(unquoted investment) (refer 13 a)

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Non-current assets	-	44,253
Current assets	-	105
Non-current liabilities	-	(8)
Current liabilities	-	(5,155)
Equity attributable to the shareholders of the associate	-	39,195
	<b>(519)</b>	1,815
(Loss)/revenue	<b>(824)</b>	1,369
(Loss)/profit for the period/year	<b>618</b>	6,077
Other comprehensive income for the period/year	<b>(206)</b>	7,446
Total comprehensive (loss)/income for the period/year		

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Holding Company – KSC (Holding Closed) is set out below:

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Net assets of the associate attributable to the shareholders of the associate	-	39,195
The Group's ownership interest in the associate	-	% 70
Other adjustments	-	101
Carrying value of the investment	-	27,538

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13- INVESTMENTS IN ASSOCIATES (CONTINUED)

(ii) Tamdeen Shopping Centers Company – KSC (Closed)  
(unquoted investment)

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Non-current assets	198,933	187,530
Current assets	81,203	62,861
Non-current liabilities	(91,288)	(81,375)
Current liabilities	(33,352)	(23,004)
Non controlling interest	(8,516)	(6,486)
Equity attributable to the shareholders of the associate	<u>146,980</u>	<u>139,526</u>

	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Revenue	30,624	21,184
Profit for the year	12,546	8,942
Other comprehensive income for the year	1,144	3,022
Total comprehensive income for the year	13,709	11,954
Dividends received from the associate during the year	<u>1,800</u>	<u>1,500</u>

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Shopping Centers Company – KSC (Closed) is set out below:

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Net assets of the associate attributable to the shareholders of the associate	146,980	139,526
Proportion of the Group's ownership interest in the associate	%30	%30
Other adjustments	(2,577)	(2,379)
Carrying value of the investment	<u>41,517</u>	<u>39,479</u>

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13- INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Kuwait National Cinema Company – KPSC  
(quoted investment)

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Non-current assets	92,349	89,595
Current assets	20,454	12,653
Non-current liabilities	(1,209)	(1,166)
Current liabilities	(28,081)	(19,959)
Equity attributable to the shareholders of the associate	<u>83,513</u>	<u>81,123</u>

	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000
Revenue	19,929	17,970
Profit for the year	9,981	8,995
Other comprehensive income for the year	2,131	8,637
Total comprehensive income for the year	12,112	17,633
Dividends received from the associate during the year	<u>2,248</u>	<u>2,154</u>

A reconciliation of the above summarised financial information to the carrying value of the investment in Kuwait National Cinema Company – KPSC is set out below:

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Net assets of the associate attributable to the shareholders of the associate	83,513	81,123
Proportion of the Group's ownership interest in the associate	%46.74	%44.52
Goodwill	14,463	14,463
Other adjustments	1,279	1,021
Carrying value of the investment	<u>54,776</u>	<u>51,600</u>

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13- INVESTMENTS IN ASSOCIATES (CONTINUED)

(iv) Tamdeen Pearl Real Estate Company – KSC (Closed)  
(unquoted investment)

	<b>31 Dec. 2015</b> <b>KD'000</b>	31 Dec. 2014 KD'000
Total assets	<b>90,121</b>	89,566
Total liabilities	<b>(330)</b>	-
Equity attributable to the shareholders of the associate	<b>89,791</b>	89,566
	<b>Year ended</b> <b>31 Dec. 2015</b> <b>KD'000</b>	Year ended 31 Dec. 2014 KD'000
Profit for the year	<b>22</b>	-
Total comprehensive income for the year	<b>22</b>	-

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Pearl Real Estate Company – KSC (Closed) is set out below:

	<b>31 Dec. 2015</b> <b>KD'000</b>	31 Dec. 2014 KD'000
Net assets of the associate attributable to the shareholders of the associate	<b>89,791</b>	89,566
Proportion of the Group's ownership interest in the associate	<b>%30.74</b>	%30.74
Other adjustments	<b>(62)</b>	-
Carrying value of the investment	<b>27,540</b>	27,533

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13- INVESTMENTS IN ASSOCIATES (CONTINUED)

(iv) Tamdeen Pearl Real Estate Company – KSC (Closed)  
(unquoted investment) (continued)

All the associates of the Group are not listed in active markets except for Kuwait National Cinema Company – KPSC and the fair value of the Group's investments in this associate amounted to KD40,100 thousand as at 31 December 2015 (31 December 2014: KD43,200 thousand)

(f) Aggregate information of the associates that are not individually material to the Group:

	<b>31 Dec. 2015</b> <b>KD'000</b>	31 Dec. 2014 KD'000
The Group's share in (loss)/profit for the year	<b>(143)</b>	1,336
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	<b>6,499</b>	9,640

(g) The Group's share of results of associates has been recorded based on the latest available (audited/unaudited) financial information prepared by the managements of these associates for the year ended 31 December 2015.

14- INVESTMENT PROPERTIES

	<b>31 Dec. 2015</b> <b>KD'000</b>	31 Dec. 2014 KD'000
Value at beginning of the year	<b>21,250</b>	21,100
Change in fair value during the year	<b>30</b>	150
<b>Value at end of the year</b>	<b>21,280</b>	21,250

The Group's investment properties amounting to KD21,280 thousand (2014: KD21,250 thousand) represents the estimated fair value of Al-Manshar Rotana Hotel property which is totally managed and operated by Rotana Hotel Management Corporation LTD and which has been separated during the year 2012 from Al-Manshar Commercial and Residential Complex property which has been demolished and is currently being redeveloped (Note 15). These investment properties are totally mortgaged against term loans (Note 23).

The estimation of fair value by an independent real estate valuer has resulted in a change in fair value of KD30 thousand (2014: KD150 thousand) being recognized in the consolidated statement of profit or loss (note 32.4).

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### 15- INVESTMENTS PROPERTIES UNDER DEVELOPMENT

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
<b>Cost</b>		
At beginning of the year	<b>41,302</b>	37,198
Additions during the year (a)	<b>14,744</b>	4,227
Disposals	<b>-</b>	(123)
<b>At end of the year</b>	<b>56,046</b>	41,302
<b>Impairment in value</b>		
At beginning of the year	<b>2,361</b>	2,484
Additions during the year	<b>413</b>	-
Related to disposals	<b>-</b>	(123)
<b>At end of the year</b>	<b>2,774</b>	2,361
<b>Net book value at end of the year</b>	<b>53,272</b>	38,941

(a) The additions to the investment properties under development mainly represent the amounts expensed during the year for the redevelopment of Al-Kout Mall project through one of the subsidiaries (Manshar Real Estate Company – KSC). Investment properties under development with a carrying value of KD53,250 thousand (2014: KD38,528 thousand) (Al-Kout Mall project) are totally mortgaged against term loans (Note 23).

(b) Due to difficulty of obtaining a reliable fair value of the investment properties under development, the management decided to maintain the cost method for all investment properties under development until the implementation stages are completed, unless there are signs of decline in the value of these properties.

(c) Finance costs of KD896 thousand (KD379 thousand as at 31 December 2014) have been capitalized during the year.

### 16- TRADING PROPERTIES UNDER DEVELOPMENT

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
<b>Cost</b>		
At beginning of the year	<b>-</b>	-
Transferred from trading properties (a)	<b>11,609</b>	-
Additions during the year (b)	<b>8,421</b>	-
<b>At end of the year</b>	<b>20,030</b>	-

(a) During the year, the management decided to utilise the lands included under trading properties (located in Sabah Al-Salem) for construction of investment residential towers which will be offered for sale ("Tamdeen Square Project"). Accordingly, the trading properties with a carrying value of KD11,609 thousand were transferred to trading properties under development.

(b) The additions to trading properties under development include the cost of purchase of a land of KD7,000 thousand, from an associate, for the above mentioned project in the Sabah Al Salem area. The remaining additions represent the construction and development cost incurred for the above project.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 17- AVAILABLE FOR SALE INVESTMENTS

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
Local managed portfolios	<b>-</b>	236
Participations in local companies shares	<b>7,975</b>	9,659
Participations in capital of companies located outside Kuwait	<b>125,076</b>	124,717
	<b>133,051</b>	134,612

Participations in capital of companies located outside Kuwait include investments of the subsidiary company [Tamdeen Investment Company – KPSC], in shares listed outside Kuwait. These participations include investments with a total fair value of KD68,168 thousand (2014: KD74,095 thousand) mortgaged against term loans (Note 23).

### 18- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
Receivable from tenants	<b>555</b>	543
Staff receivable	<b>101</b>	56
Prepaid expenses	<b>200</b>	157
Due from related parties(a)	<b>2,412</b>	2,190
Due from sale of trading properties (a)	<b>5,621</b>	6,184
Advance payments to contractors (b)	<b>8,394</b>	5,535
Other debit balances	<b>842</b>	803
	<b>18,125</b>	15,468
Provision for doubtful debts	<b>(270)</b>	(258)
	<b>17,855</b>	15,210

(a) The balances due above (from related parties and from sale of trading properties) are mainly represented by the amounts due from the sale transaction previously performed by the Group for some of its real estate plots which have been invested in for trading purposes to related parties for an amount of KD9,103 thousand and other third parties for an amount of KD10,030 thousand. The Group's management confirms that these due amounts are totally collectible from the concerned parties.

(b) The advance payments to contractors include an amount of KD4,290 thousand (31 December 2014: KD5,523 thousand) which represents the balance out of an amount KD5,711 thousand paid during the previous year to a local contractor as an advance payment from the total signed contract value for Al-Kout Mall project (Fahaheel, Kuwait) which is classified under investment properties under development. The Group has recovered an amount of KD1,421 thousand (till 31 December 2014: KD188 thousand) from this advance payment till the end of this year against payments made to the contractor. Further, advance payments to contractors also includes an amount of KD3,940 thousand which represents the balance out of an amount KD4,000 thousand which was paid during the year to a local contractor as an advance payment from the total value of signed contract for Tamdeen Square Project which is classified under trading properties under development.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19- TRADING PROPERTIES

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
Balance at beginning of the year	<b>11,609</b>	11,341
Transferred to trading properties under development (Note 16-a)	<b>(11,609)</b>	-
Additions during the year	-	268
<b>Balance at end of the year</b>	<b>-</b>	<b>11,609</b>

### 20- SHARE CAPITAL

a) As of 31 December 2015, the authorized, issued and fully paid share capital in cash of the Parent Company comprised of 411,365 thousand shares of 100 Kuwaiti Fils each (2014: 391,776 thousand shares of 100 Kuwaiti Fils each).

b) At the Annual General Meeting held on 29 of April 2015, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 19,589 thousand shares of 100 Kuwaiti Fils each amounting to KD1,958 thousand and it was approved and pointed in the commercial register on the 6th of May 2015.

### 21- TREASURY SHARES

	<b>31 Dec. 2015</b>	31 Dec. 2014
Number of shares - share	<b>23,429,600</b>	12,673,656
Percentage of issued shares	<b>5.7%</b>	% 3.2
Market value (KD'000)	<b>14,761</b>	5,830
Cost (KD'000)	<b>9,625</b>	3,462

### 22- RESERVES

In accordance with the Companies Law of Kuwait, 10% of the profit attributable to the owners of the In accordance with the Companies Law of Kuwait, 10% of the profit attributable to the owners of the Parent Company before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is transferred each year to the legal reserve until such time that the balance of the legal reserve account equals 50% of the balance of the paid up share capital.

Distribution of the legal reserve is limited to the amount required to enable the payment of dividends of 5% of paid-up share capital to be made in years when retained earnings are insufficient for the payment of dividends of that amount.

10% of this profit before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is also transferred to the voluntary reserve, and this transfer could be ceased based on the decision of the Parent Company's board of directors. Transfers to the voluntary reserve are made in accordance with the recommendation of the Parent Company's board of directors to the general assembly.

The amounts transferred during the year to the legal and voluntary reserves attributable to the Parent Company have been calculated as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 22- RESERVES (CONTINUED)

	<b>Year ended 31 Dec. 2015 KD'000</b>	Year ended 31 Dec. 2014 KD'000
Profit for the year	<b>15,680</b>	11,602
<b>Deduct:</b>		
Profit attributable to non-controlling interests	<b>(5,817)</b>	(4,203)
Profit attributable to owners of the Parent Company	<b>9,863</b>	7,399
<b>Add:</b>		
Board of directors' remuneration of the Parent Company	<b>60</b>	60
Provision for National Labour Support Tax (NLST) of the Parent Company	<b>87</b>	99
Provision for Zakat of the Parent Company	-	16
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) of the Parent Company	-	-
Profit attributable to owners of the Parent Company before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	<b>10,010</b>	7,574
<b>Transferred to legal reserve (10%)</b>	<b>1,001</b>	757
<b>Transferred to voluntary reserve (10%)</b>	<b>1,001</b>	757

### 23- TERM LOANS

The settlement due dates of loans have been classified by the Parent Company's management as follows:

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
Within one year	<b>5,000</b>	5,000
Over one year	<b>174,287</b>	146,750
	<b>179,287</b>	151,750

The loans which due dates are classified over one year, included loan balances of KD114,365 thousand (2014: KD99,750 thousand) which represent revolving loans which can be renewed annually without preconditions at the request of the Parent Company's management, accordingly, it has been classified by the Parent Company's management as non-current loans.

All the term loans are granted to the Group by local banks. These loans are denominated in Kuwaiti Dinars with annual interest rate ranging between 0.75% and 1.75% (2014: ranging between 1.75% and 2%) over the discount rate announced by the Central Bank of Kuwait. The total amount of the instalments relating to the loans which are to be repaid within twelve months from the date of the consolidated statement of financial position is shown as a current liability.

The loans granted to the subsidiary companies are against the mortgage of investments in shares with a fair value of KD68,168 thousand (2014: KD74,095 thousand) (Note 17), mortgage of investments in associates by an amount of KD41,667 thousand (2014: KD39,708 thousand), and mortgage of investment properties (Note 14) and investment properties under development (Note 15).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 24- ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
Retentions for executed works	<b>1,844</b>	514
Income received in advance	<b>468</b>	583
Accrued leave and expenses	<b>2,626</b>	3,292
Due to related parties	<b>563</b>	66
Uncollected dividends to shareholders	<b>316</b>	330
Other creditors	-	13,798
Other credit balances	<b>6,433</b>	5,623
	<b>12,250</b>	24,206

### 25- DUE TO BANKS

Due to banks represent the balances of overdraft facilities which are granted to the Group by local banks to finance the working capital and the real estate activities. They are repayable on demand with annual floating interest rate which is equal to current interest rate in market.

### 26- PROPOSED APPROPRIATIONS

The board of directors of the Parent Company propose to distribute cash dividends of 10% or 10 Kuwaiti Fils per share from the paid-up share capital and bonus share of 5% per share from the paid-up share capital, and pay a remuneration to the board of directors of amount of KD60 thousand and this proposal is subject to the approval of the general assembly of shareholders and control authorities.

The general assembly of shareholders held on 29 April 2015 approved the consolidated financial statements for the year ended 31 December 2014 and directors' proposal to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital and bonus shares dividends of 5% from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2014 (the general assembly of shareholders held on 23 June 2014 approved to distribute cash dividends of 8% or equivalent to 8 Kuwaiti Fils per share from the paid-up share capital to the shareholders and bonus shares dividends of 5% from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD50 thousand for the year ended 31 December 2013).

### 27- CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following balances of the consolidated statement of financial position:

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
Cash and bank balances	<b>11,927</b>	5,555
Short term deposits	<b>928</b>	5,684
	<b>12,855</b>	11,239

Short term deposits earn interest at annual rate of 1% (annual rate of 1% in 2014).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 28- SEGMENTAL ANALYSIS

The Group activities are concentrated in two main segments: Real Estate and Investment. The segments' results are reported to the top management in the Group. The activities of the Group are principally carried out within the State of Kuwait; With the exception of participations in capital of companies located outside Kuwait (Note 17), all of the assets and liabilities are located inside Kuwait.

The following is the segments information, which conforms with the internal reporting presented to management:

	<b>Real Estate KD'000</b>	<b>Investment KD'000</b>	<b>Total KD'000</b>
<b>Year ended at 31 December 2015</b>			
Gross income	<b>7,418</b>	<b>20,308</b>	<b>27,726</b>
Profit for the year	<b>312</b>	<b>15,368</b>	<b>15,680</b>
Total assets	<b>113,840</b>	<b>297,700</b>	<b>411,540</b>
Total liabilities	<b>(111,329)</b>	<b>(92,432)</b>	<b>(203,761)</b>
<b>Total equity</b>	<b>2,511</b>	<b>205,268</b>	<b>207,779</b>
<b>Year ended at 31 December 2014</b>			
Gross income	10,011	14,422	24,433
Profit for the year	580	11,022	11,602
Total assets	88,534	302,637	391,171
Total liabilities	(85,156)	(97,476)	(182,632)
<b>Total equity</b>	<b>3,378</b>	<b>205,161</b>	<b>208,539</b>

### 29- RELATED PARTY TRANSACTIONS

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
<b>Consolidated statement of financial position</b>		
Accounts receivable and other debit balances (Note 18)	<b>2,412</b>	2,190
Accounts payable and other credit balances (Note 24)	<b>563</b>	66
Purchase of additional shares in associates (Note 13)	-	2,722
Purchase of additional shares in subsidiaries (Note 13)	-	15,000
Purchase of trading properties under development and other additions(note 16)	<b>7,000</b>	-
Additions to investment properties under development and trading properties under development	<b>730</b>	240
	<b>Year ended 31 Dec. 2015 KD'000</b>	Year ended 31 Dec. 2014 KD'000
<b>Consolidated statement of profit or loss</b>		
Management fees income and consultancies	<b>1,070</b>	643
Operational expenses	<b>667</b>	747
General and administrative expenses	<b>511</b>	168
<b>Compensation of key management personnel of the Group</b>		
Short term employee benefits and board of directors' remuneration	<b>965</b>	705
	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
<b>Contra accounts – off consolidated statement of financial position items</b>		
Net book value of customers' portfolios (major shareholders) managed by Tamdeen Investment Company – KPSC (subsidiary company)	<b>309,189</b>	141,122

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### 30- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the date of the consolidated statement of financial position, the Group had contingent liabilities against letters of guarantee issued in favour of third parties of amount KD1,071 thousand (KD1,096 thousand at 31 December 2014).

The Group had capital commitments amounting to KD73,560 thousand (KD49,707 thousand at 31 December 2014) for its two projects classified as properties under development.

### 31- CONTRA ACCOUNTS – OFF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

One of the subsidiary companies [Tamdeen Investment Company – KPSC] manages investment portfolios for third parties which had a net book value of KD380,490 thousand at 31 December 2015 (2014: KD267,562 thousand) including KD309,189 thousand (2014: KD141,122 thousand) related to portfolios for related parties (Note 29). These balances are not included in the consolidated statement of financial position.

### 32- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT

#### 32-1 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
<b>Financial assets</b>		
<b>Financial assets at amortised cost:</b>		
- Accounts receivable and other debit balances	17,855	15,210
- Cash and cash equivalents	12,855	11,239
	<u>30,710</u>	<u>26,449</u>
<b>Investments at fair value through profit or loss :</b>		
- At fair value	703	1,081
<b>Available for sale investments :</b>		
-At fair value	126,865	122,563
-Carried at cost less impairment in value, if any*	6,186	12,049
	<u>133,051</u>	<u>134,612</u>
<b>Total financial assets</b>	<u>164,464</u>	<u>162,142</u>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost:</b>		
- Due to banks	8,279	4,670
- Accounts payable and other credit balances	12,250	24,206
- Term loans	174,287	151,750
- Refundable rental deposits	2,223	1,155
<b>Total financial liabilities</b>	<u>197,039</u>	<u>181,781</u>

\* It was not possible to reliably measure the fair value of available for sale investments amounting to KD6,186 thousand (2014: KD12,049 thousand) due to non availability of reliable method that could be used to determine the fair value of such investments, accordingly, these were stated at cost less impairment, if any. Management is not aware of any circumstances that would indicate any impairment/further impairment, in the value of these investments as of the reporting date. At the end of the year, the Group recognized impairment losses of KD827 thousand (2014: KD3,014 thousand) against local and foreign shares based on the management's estimates according to the information available to them.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

### 32- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

#### 32-2 FAIR VALUE MEASUREMENT

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. Investments at fair value through profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in note 32.1 to the consolidated financial statements) are carried at fair value and measurement details are disclosed in note 32.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values. The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (note 14 and 32.4).

#### 32-3 FAIR VALUE HIERARCHY

All financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements 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 quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level within which the 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:

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>Financial assets at fair value at 31 December 2015</b>					
<b>Investments at fair value through profit or loss</b>					
• Quoted shares	a	703	-	-	703
<b>Available for sale investments</b>					
- Participations in local companies shares					
• Quoted shares	a	4,222	-	-	4,222
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	118,661	-	-	118,661
• Unquoted shares	b	-	-	3,982	3,982
		<u>123,586</u>	<u>-</u>	<u>3,982</u>	<u>127,568</u>

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32- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY  
CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

32-3 FAIR VALUE HIERARCHY (CONTINUED)

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>Financial assets at fair value at 31 December 2014</b>					
<b>Investments at fair value through profit or loss</b>					
• Quoted shares	a	1,081	-	-	1,081
Available for sale investments					
- Local managed portfolios					
• Quoted shares	a	236	-	-	236
- Participations in local companies shares					
• Quoted shares	a	4,971	-	-	4,971
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	113,230	-	-	113,230
• Unquoted shares	b	-	-	4,126	4,126
		<u>119,518</u>	<u>-</u>	<u>4,126</u>	<u>123,644</u>

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

MEASUREMENT AT FAIR VALUE

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

a) Quoted shares (level 1)

The quoted shares present all listed shares that are traded in the financial markets. The fair values are determined by reference to the latest bid prices at the reporting date.

b) Unquoted shares (level 3)

The fair value of unquoted shares is determined by using valuation techniques. Fair value for the unquoted shares investments are approximately the summation of the estimated value of underlying investments as if realised on the date of the consolidated statement of financial position. 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 consolidated financial position date. Investment managers also used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

With regard to certain other unquoted shares, information is limited to periodic financial reports submitted by the managers of the investment. These investments are stated at the net assets value announced by the managers of the investment. As to the nature of these investments, the net assets value announced by the managers of the investment represents the best estimation of available fair values for these investments.

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32- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY  
CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

32-3 FAIR VALUE HIERARCHY (CONTINUED)

LEVEL 3 FAIR VALUE MEASUREMENTS

Reconciliation of level 3 fair value measurements is as follows:

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Balance as at 1 January	4,126	4,703
Transfer inside level 3	1,388	(160)
Impairment in value – recognised in consolidated statement of profit or loss	(294)	(417)
Transfer outside level 3	(1,238)	-
Balance as at 31 December	<u>3,982</u>	<u>4,126</u>

The level 3 investments have been fair valued as follows:

Financial assets	Valuation techniques and key input	Significant unobservable input	Relationship of unobservable input to fair value
Unquoted shares	Market value estimation	Book value adjusted with market risk	The higher the market risk the lower the fair value

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.

32-4 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2015 and 31 December 2014:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>31 December 2015</b>				
<b>Investment properties</b>				
- Al Manshar Rotana Hotel property	-	-	21,280	21,280
	<u>-</u>	<u>-</u>	<u>21,280</u>	<u>21,280</u>
<b>31 December 2014</b>				
<b>Investment properties</b>				
- Al Manshar Rotana Hotel property	-	-	21,250	21,250
	<u>-</u>	<u>-</u>	<u>21,250</u>	<u>21,250</u>

The fair value of the investment property has been determined based on the lower of two valuations obtained from independent valuers (one of the valuers is a bank located in Kuwait), who are specialised in valuing this type of investment properties. The significant inputs and assumptions are developed in close consultation with management. The valuers have valued the investment property using the market comparison approach. When the market comparison approach is used, adjustments have been incorporated for factors specific to the property in question, including property size, location, economic condition, similar property prices in surrounding area and permitted activities on the property.

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### 32- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

#### 32-4 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (CONTINUED)

##### LEVEL 3 FAIR VALUE MEASUREMENTS

The measurement of the investment property classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment property within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Opening balance	21,250	21,100
Changes in fair value recognised in profit or loss	30	150
Ending balance	<u>21,280</u>	<u>21,250</u>

### 33- RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Parent Company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management is carried out by investment management and audit committee and 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 through internal risk reports. 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 to are as follows:

#### 33-1 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 mainly operates in the Kuwait, GCC and other Middle Eastern countries, and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in accordance with the Group's risks management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

### 33- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 33-1 MARKET RISK (CONTINUED)

##### a). FOREIGN CURRENCY RISK (CONTINUED)

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
US Dollar	119,861	76,874

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5%, then this would have impact on the equity by KD5,993 thousand (2014: KD3,844 thousand).

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

##### 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 is exposed to interest rate risk with respect to its short term deposits, and its borrowings (term loans and due to banks). The borrowings mainly represent short and long term borrowings and bear fixed or variable rates of interest. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

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

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +0.5% and - 0.5% (2014: +0.5 % and - 0.5%) retrospectively 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 exposed to interest rate risk held at the date of the consolidated statement of financial position. All other variables are held constant. There has been no change during this year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2015		Year ended 31 Dec. 2014	
	0.5 % KD'000	- 0.5 % KD'000	+ 0.5 % KD'000	- 0.5 % KD'000
Effect on profit for the year	(898)	898	(730)	730

##### c). PRICE RISK

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) and available for sale securities. The Group's investments are listed on the Kuwait Stock Exchange and other Gulf markets.

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33- RISK MANAGEMENT OBJECTIVES  
AND POLICIES (CONTINUED)

33-1 MARKET RISK (CONTINUED)

c). PRICE RISK (CONTINUED)

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

The sensitivity analyses below have been determined based on the exposure to equity price risks at the date of the consolidated financial statements. There has been no change in the methods and assumptions used in the preparation of the sensitivity analysis.

If the prices of securities had been 5% higher/lower, the effect on the profit for the year and equity for the year ended 31 December would have been as follows:

	Profit for the year		Equity	
	Year ended 31 Dec. 2015 KD'000	Year ended 31 Dec. 2014 KD'000	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Market Stock Exchange index + 5%	35	54	6,313	5,979
Market Stock Exchange index – 5%	(35)	(54)	(6,313)	(5,979)

33-2 CREDIT RISK

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

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

	31 Dec. 2015 KD'000	31 Dec. 2014 KD'000
Available for sale investments	133,051	134,612
Accounts receivable and other debit balances	17,855	15,210
Investments at fair value through profit or loss	703	1,081
Cash and cash equivalents	12,855	11,239
	<b>164,464</b>	<b>162,142</b>

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33- RISK MANAGEMENT OBJECTIVES  
AND POLICIES (CONTINUED)

33-3 CONCENTRATION OF ASSETS

The distribution of assets by geographic region was as follows:

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
<b>At 31 December 2015</b>			
<b>Geographic region:</b>			
Property, plant and equipment	21,395	-	21,395
Investments in associates	129,667	665	130,332
Investment properties	21,280	-	21,280
Investment properties under development	53,272	-	53,272
Trading properties under development	20,030	-	20,030
Available for sale investments	10,408	122,643	133,051
Inventories	767	-	767
Accounts receivable and other debit balances	17,851	4	17,855
Investments at fair value through profit or loss	-	703	703
Short term deposits	928	-	928
Cash and bank balances	11,927	-	11,927
	<b>287,525</b>	<b>124,015</b>	<b>411,540</b>

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
<b>At 31 December 2014</b>			
<b>Geographic region:</b>			
Property, plant and equipment	1,439	-	1,439
Investments in associates	155,108	682	155,790
Investment properties	21,250	-	21,250
Investment properties under development	38,941	-	38,941
Available for sale investments	9,895	124,717	134,612
Accounts receivable and other debit balances	15,205	5	15,210
Investments at fair value through profit or loss	-	1,081	1,081
Trading properties	11,609	-	11,609
Short term deposits	5,684	-	5,684
Cash and bank balances	5,555	-	5,555
	<b>264,686</b>	<b>126,485</b>	<b>391,171</b>

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**33- RISK MANAGEMENT OBJECTIVES  
AND POLICIES (CONTINUED)**

**33-4 LIQUIDITY RISK**

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

The contractual maturities (except for term loans which have been classified in accordance with the estimates of the parent Company's management – Note 23) of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	1 - 5 Years KD'000	Total KD'000
<b>31 December 2015</b>					
<b>Financial liabilities (undiscounted)</b>					
Refundable rental deposits	-	-	-	2,623	2,623
Accounts payable and other credit balances	-	-	12,250	-	12,250
Due to banks	-	-	8,279	-	8,279
Term loans	959	590	4,100	181,638	187,287
	<u>959</u>	<u>590</u>	<u>24,629</u>	<u>184,261</u>	<u>210,439</u>

**31 December 2014**

**Financial liabilities (undiscounted)**

Refundable rental deposits	-	-	-	1,155	1,155
Accounts payable and other credit balances	-	-	24,206	-	24,206
Due to banks	-	-	4,670	-	4,670
Term loans	958	595	4,110	180,263	185,926
	<u>958</u>	<u>595</u>	<u>32,986</u>	<u>181,418</u>	<u>215,957</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 34- 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 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, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
Due to banks	<b>8,279</b>	4,670
Term loans	<b>179,287</b>	151,750
Less: Cash and cash equivalents	<b>(12,855)</b>	(11,239)
Net debt	<b>174,711</b>	145,181
Equity attributable to owners of the Parent Company	<b>127,868</b>	135,638
Non-controlling interests	<b>79,911</b>	72,901
Total capital	<b>382,490</b>	353,720

The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital as follows:

	<b>31 Dec. 2015 KD'000</b>	31 Dec. 2014 KD'000
Net debt	<b>174,711</b>	145,181
Total capital	<b>382,490</b>	353,720
Gearing ratio	<b>46 %</b>	41 %

## 35- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including equity, net profit and cash and cash equivalents.