



شركة الاستشارات المالية الدولية  
INTERNATIONAL FINANCIAL ADVISORS

ANNUAL REPORT 2015



MAINTAINING VALUES  
AND CREATING VALUE



شركة الاستشارات المالية الدولية  
INTERNATIONAL FINANCIAL ADVISORS





H.H. Shiekh  
**Nawaf Al Ahmad Al Jaber Al Sabah**  
The Crown Prince of the State of Kuwait



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





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# MEMBERS OF THE BOARD

Saleh Saleh Al-Selmi

Chairman

Talal Jassim Al-Bahar

Vice Chairman

Wafa Ahmed Al-Qatami

Board Member

Nedal Khaled Al Maso'd

Board Member

Abdulwahab Ahmad Al-Nakib

Board Member

# REPORT TO THE SHAREHOLDERS

Dear Shareholders,

## Overview

The fluctuation and instability continued in 2015 due to the continuous drop of oil prices and its impact on local economy. Kuwait Stock Exchange closed its 2015 trading with a unanimous regression of all its indexes. The Price Index lost 14.1%, Weight index lost 13% while Kuwait 15 lost 15%. Also, the Average Daily Trading Volume dropped by 19.1% and the Average Daily Value dropped by 35.2%.

Liquidity also dropped significantly in 2015 compared to the past ten years which created great concerns for investors. Additionally, listed companies were affected by that dropped and preferred to delist from the Kuwait Stock Exchange, as listing is no longer lucrative and the new Corporate Governance law required by CMA as well as their inability to continue pay annual KSE fee.

Generally, KSE performed negatively in 2015. We hope that the issuance of Law No 22 of 2015 on the amendments of Law No 7 of 2010 regarding the Establishment of the Capital Markets Authority, as well as the issuance of CMA's Executive Bylaws will develop the Kuwaiti market and provide new instruments and opportunities for investors.

## Financial Performance

International Financial Advisors Company achieved profit of KD1,214,181 (Fils1.80 per share), compared to losses of KD 34,055,858 (Fils50.62 loss per share) in 2014. The company also repaid a KD2,000,000 loan to a local bank.

## 2015 Company's Performance

### Cedar Mundi Fund

International Financial Advisors established a holding company in Lebanon under the name of cedar Mundi Holding SAL with the sole purpose of capitalizing on the facilities that may be granted by Banque du Liban to banks and financial institutions in accordance with the Basic Decision No. 6116 of March 7, 1996.

The company will set up a fund under the name of Cedar Mundi Fund that focuses on investing in a portfolio of startup companies working in the field of Information Technology and Communications.

### Kabd Municipal Solid Waste Project

The Consortium of EVN Umweltholding und Betriebs GmbH, International Financial Advisors (IFA), KCC Engineering & Contracting Co. (KCCEC), Steinmuller Babcock Environment GmbH (SBE) was shortlisted for Kabd Municipal Solid Waste Project.

The scope of the Project is to design, build, finance, operate and transfer a facility to treat municipal solid waste (household/commercial/agriculture) with a capacity of approximately 3,000 tons per day using a waste to energy technology to generate electricity. Recovery of remaining slag and flue gas will be disposed into separate sanitary landfills on the site. The Project site is located in the Kabd area in a distance of approx. 35 km from Kuwait City with an area of 500,000 sqm and is valued at US\$1.4 Billion.

The objectives of the Project are to protect the environment and natural resources, diversion of municipal waste from landfills and the generation of the renewable energy through waste incineration. The facility is expected to contribute to the modernization of Kuwait's integrated municipal solid waste system and improve its economic, environmental and social performance.

It is expected to announce the qualified consortium for the Project during 3rd quarter of 2016.

### Wastewater Project-Umm Al Hayman

The Consortium of WTE Wassertechnik GmbH Group and International Financial Advisors Company was also pre-qualified for the Wastewater Project in Kuwait Southern Area, Umm Al Hayman.

The primary objective of the Project is to build a wastewater system with an initial capacity of 500,000 m<sup>3</sup>/day, with an option to expand the capacity by an additional 200,000 m<sup>3</sup>/day, and associated wastewater transmission and sewage effluent networks. The Project will be located on the site of the existing Umm Al Hayman wastewater treatment plant in Southern Kuwait, with transmission and distribution systems extending to the surrounding catchment areas.

Ministry of Public works will enter into a PPP Agreement for a period of 27 years that includes Build-Operate-Transfer (BOT) Agreement, whereby the investor will be responsible for the design, financing, construction, rehabilitation, commissioning of the wastewater plant and Design-Build-Operate (DBO) Agreement for the associated wastewater transmission and sewage effluent networks.

As per law No. 116 of 2014 the Project Company will established as a Public Joint Stock Company and the investor will hold a minimum of 26% of the Project Company's shares. It is expected to announce the qualified consortium for the Project during 2016.

## Associated and Subsidiaries

### First Takaful Insurance Company

In 2015, the ordinary and extraordinary general assembly of First Takaful Insurance Company approved to write off its accumulated losses by reducing and increasing the capital to KD10,660,000, whereby International Financial Advisors Company become a holder of 90% stake. The capital restructuring plan will contribute in enhancing the company's strength and financial position and will place it in its best condition since incorporation.

First Takaful Insurance Company also carried out an intensive media campaign to mitigate the damage it sustained as a result of the company's suspension of trading in Kuwait Stock Exchange. The campaign included creating a new logo, identity, vision, mission and values to upgrade and deliver products and services to its clients that meet their satisfaction. Moreover, the company replaced its current system with an updated one that is considered one of the best systems in the Middle East. This system includes insurance, reinsurance, integrated financial system and other related systems.

The company reduced its losses to KD832,350 in 2015, compared to KD5,784,821 losses in 2014. The shareholders' equity increased by 865%, total assets increased by 262% and underwriting subscriptions amounted to KD10,424,108.

### IFA Hotels & Resorts Company

IFA Hotels & Resorts Company recorded year end revenue of KD61,906,141, with a net profit totaling KD1,843,189 (fils3.95 per share). Shareholders' equity increased by 16% to KD61,099,480 while the company's total assets reduced by 23% to KD294,321,279 compared to KD382,082,080 in 2014 due to the adaptation of IFRS15.

2015 saw major progress within The8, construction of the development moved to the super-structure phase and key milestones were reached. The resort has made great strides towards the targeted completion in 2017. 2015 also saw the introduction of the first Delano branded property in the region through our partnership with Morgans Hotel Group Co. Delano's brand rests comfortably with the boutique, modernistic nature of The8.

Yotel's presence, through new contract signature, covers further airports in Europe as well as entrance into the South East Asia market in Singapore. The signing of YOTEL's first hotel management agreement with Dubai Investment Properties LLC ('DIP') for a 565 key property in Dubai's vibrant business hub proves that YOTEL's brand and inimitable style of management is establishing a growing base of asset owners attuned to their unique offering.

Yotel's further expansion into mature markets has also been an achievement of significant worth, most especially in USA which is arguably the most competitive market in the world. During 2015, Yotel secured agreements to manage close to 800 keys in San Francisco, Boston and Miami. With further pipeline properties in the MEA region, Europe and South East Asia; the metamorphosis from a fledgling airport hotel provider to a truly innovative global brand is truly promising.

Finally, in South Africa, 2015 saw major progress and improvement in our South African operation both in the development and operational business. Growth was seen in operating revenue, most specifically in the Fairmont Zimbali Resort, remarkable success given the challenges that the market has experienced. Considerable achievements were also made in sales and construction within the Zimbali Suites and Zimbali Ocean Club product offerings.

### Arzan Financial Group for Financing & Investments

Arzan Financial Group Company incurred a loss of KD 6.99 million at the end of 2015, compared to KD3.6 million profits in 2014. The loss was mainly due to the poor performance of company's listed investments in Kuwait Stock Exchange during the year. The company has achieved operating revenues in the amount of KD 8.25 million, a decrease of 27.5%. The reason for this decline is that during the fiscal year of 2015 there hasn't been any reversal of provisions of installment credit debtors.

Arzan Wealth, part of Arzan Group, was able to successfully advise various professional clients during 2015. It enabled its clients to acquire distinctive assets in the United Kingdom, Germany, United States, Norway and Netherlands. These assets allowed the clients to achieve a predictable and secure monthly income stream. Additionally, Arzan Venture Capital continued to build an attractive and dynamic business model for entrepreneurs and innovators and met with entrepreneurs from different countries to consider more than 253 different investment opportunities. The company has invested in a number of them.

Arzan Brokerage has implemented its strategy of restructuring and recapitalizing its subsidiary brokerage companies, with the prime focus being in Egypt. The department maintains its positive outlook of Egypt for a number of attributes, mainly since it is one of the primary markets that demonstrated success within the past period.

In 2015, Arzan Credit focused on financing small to medium enterprises in line with Arzan Financial Group new strategy and its view of the financing market in light of this turbulent economic environment.

Finally, on behalf of the Board Members of International Financial Advisors, I would like to thank our shareholders for their confidence and continued support to our initiatives that seek to achieve the best results during challenging times. I also would like to thank our executive management and all employees for their continued efforts and dedication.

Saleh Saleh Al-Selmi  
Chairman



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## Independent auditors' report

To the shareholders of  
International Financial Advisors – KPSC  
Kuwait

### Report on the Consolidated Financial Statements

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

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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





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### *Opinion*

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

### **Report on Other Legal and Regulatory Matters**

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, and the executive regulations of Law No. 25 of 2012 and by the Parent Company's Articles of Association and Memorandum of Incorporation, 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 the executive regulations and of the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Parent Company.

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

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

Ali A. Al-Hasawi  
(Licence No. 30-A)  
of Rödl Middle East  
Burgan – International Accountants

Kuwait  
2 June 2016

## Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
<b>Revenue</b>			
Interest income	9	269,039	505,747
Management fees and similar income	10	106,736	553,536
Dividend income		162,855	218,713
Net income from hoteliers and related services	11	23,092,819	18,387,803
Net gain/(loss) from investments	12	6,340,710	(85,137)
Gain on sale of subsidiaries	8.3	15,626,544	1,856,935
Net loss from investment properties	13	(9,651)	(1,425,743)
Share of results of associates and joint ventures	25	(1,616,102)	(1,113,532)
Gain on sale of property, plant and equipment	29	2,579,207	-
Other income	14	745,099	1,430,897
		<b>47,297,256</b>	<b>20,329,219</b>
<b>Expenses and other charges</b>			
Staff costs		(6,562,151)	(6,882,260)
Other operating expenses and charges		(15,365,920)	(15,437,649)
Impairment of investment in associates and joint ventures	25	(2,538,808)	(15,539,748)
Impairment of available for sale investments	23	(250,961)	(2,964,235)
Impairment of goodwill	26	(604,639)	(7,946,410)
Due from related party written off	20	(1,551,746)	-
Impairment of property, plant and equipment	29	-	(2,458,481)
Depreciation	29	(5,757,366)	(4,771,695)
Interest and similar expenses	15	(12,470,722)	(11,637,546)
		<b>(45,102,313)</b>	<b>(67,638,024)</b>
<b>Profit/(loss) before provisions for National Labour Support Tax (NLST), Zakat and taxation on overseas subsidiaries</b>		<b>2,194,943</b>	<b>(47,308,805)</b>
Provision for NLST		(42,351)	-
Provision for Zakat		(16,920)	-
Taxation on overseas subsidiaries		(206,452)	(57,069)
<b>Profit/(loss) for the year</b>		<b>1,929,220</b>	<b>(47,365,874)</b>
<b>Profit/(loss) for the year attributable to :</b>			
Owners of the parent company		1,214,181	(34,055,858)
Non-controlling interests		715,039	(13,310,016)
<b>Profit/(loss) for the year</b>		<b>1,929,220</b>	<b>(47,365,874)</b>
<b>Basic and diluted earnings/(loss) per share attributable to the owners of the parent company</b>	16	<b>1.80 Fils</b>	<b>(50.62) Fils</b>

The notes set out on pages 25 to 96 form an integral part of these consolidated financial statements.

## Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
<b>Profit/(loss) for the year</b>	<b>1,929,220</b>	<b>(47,365,874)</b>
<b>Other comprehensive (loss)/income :</b>		
<i>Items that will be reclassified subsequently to the statement of profit or loss:</i>		
<i>Available for sale investments:</i>		
- Net change in fair value arising during the year	(1,448,156)	2,585,646
- Transferred to consolidated statement of profit or loss on sale	(6,807,631)	(181,127)
- Transferred to consolidated statement of profit or loss on impairment	250,961	2,964,235
Share of other comprehensive loss of associates	(993,608)	(2,506,866)
Exchange differences arising on translation of foreign operations	(352,162)	1,333,840
<b>Total other comprehensive (loss)/income</b>	<b>(9,350,596)</b>	<b>4,195,728</b>
<b>Total comprehensive loss for the year</b>	<b>(7,421,376)</b>	<b>(43,170,146)</b>
<b>Total comprehensive loss for the year attributable to:</b>		
Owners of the parent company	(8,059,097)	(30,093,585)
Non-controlling interests	637,721	(13,076,561)
	<b>(7,421,376)</b>	<b>(43,170,146)</b>

The notes set out on pages 25 to 96 form an integral part of these consolidated financial statements.

## Consolidated statement of financial position

	Notes	31 Dec. 2015	31 Dec. 2014
		KD	KD
<b>Assets</b>			
Cash and cash equivalents	17	13,923,394	6,460,734
Investments at fair value through profit or loss	18	532,087	1,114,621
Receivables and other debit balances	19	20,006,220	19,304,942
Due from related parties	20	2,016,963	3,134,001
Trading properties	21	7,486,446	4,023,921
Asset classified as held for sale	22	-	5,487,720
Available for sale investments	23	26,000,708	35,060,848
Investment properties	24	10,341,992	10,828,524
Investment in associates	25	42,645,744	29,183,734
Goodwill	26	40,224,898	40,761,426
Properties under development	27	80,506,538	158,251,603
Capital work in progress	28	46,700,561	45,662,545
Property, plant and equipment	29	109,452,749	119,404,731
<b>Total assets</b>		<b>399,838,300</b>	<b>478,679,350</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to bank	17	1,292,668	980,744
Payables and other credit balances	30	68,673,380	63,205,914
Due to related parties	20	27,638,183	26,052,377
Borrowings	31	190,483,464	174,399,170
Advances received from customers	32	22,224,779	132,256,127
<b>Total liabilities</b>		<b>310,312,474</b>	<b>396,894,332</b>

## Consolidated statement of financial position (continued)

	Notes	31 Dec. 2015	31 Dec. 2014
		KD	KD
<b>Equity</b>			
Share capital	33	72,000,000	72,000,000
Share premium	33	11,973,061	11,973,061
Treasury shares	33	(32,757,404)	(32,757,404)
Treasury shares reserve	33	104,935	104,935
Statutory and voluntary reserves	34	32,757,404	61,426,066
Fair value reserve		6,481,542	15,479,976
Foreign currency translation reserve		(5,236,354)	(4,961,510)
Accumulated losses		(30,687,752)	(65,513,413)
<b>Total equity attributable to the owners of the parent company</b>		<b>54,635,432</b>	<b>57,751,711</b>
Non-controlling interests		34,890,394	24,033,307
<b>Total equity</b>		<b>89,525,826</b>	<b>81,785,018</b>
<b>Total liabilities and equity</b>		<b>399,838,300</b>	<b>478,679,350</b>

Saleh Saleh Al-Selmi  
Chairman

Talal Jassim Al-Bahar  
Vice Chairman

The notes set out on pages 25 to 96 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

### Equity attributable to the owners of the parent company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
<b>Balance at 31 December 2014</b>	72,000,000	11,973,061	(32,757,404)	104,935	61,426,066	15,479,976	(4,961,510)	(65,513,413)	57,751,711	24,033,307	81,785,018
Effect of adoption of IFRS 15	-	-	-	-	-	--	--	5,537,526	5,537,526	4,117,415	9,654,941
<b>Balance at 1 January 2015</b>	72,000,000	11,973,061	(32,757,404)	104,935	61,426,066	15,479,976	(4,961,510)	(59,975,887)	63,289,237	28,150,722	91,439,959
Write off of accumulated losses (note 36)	-	-	-	-	(28,668,662)	-	-	28,668,662	-	-	-
Acquisition of non-controlling interest in subsidiaries (note 8.2)	-	-	-	-	-	-	-	(594,651)	(594,651)	594,651	-
Additional investment made by non-controlling interests	-	-	-	-	-	-	-	-	-	3,964,343	3,964,343
Loss arising on partial disposal of subsidiary shares	-	-	-	-	-	-	-	(57)	(57)	-	(57)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	1,542,957	1,542,957
Transactions with owners	-	-	-	-	(28,668,662)	-	-	28,073,954	(594,708)	6,101,951	5,507,243
Profit for the year	-	-	-	-	-	-	-	1,214,181	1,214,181	715,039	1,929,220
<b>Other comprehensive loss</b>											
Available for sale investments:											
- Net change in fair value arising during the year	-	-	-	-	-	(1,448,156)	-	-	(1,448,156)	-	(1,448,156)
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	(6,807,631)	-	-	(6,807,631)	-	(6,807,631)
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	-	-	250,961	-	-	250,961	-	250,961
Share of other comprehensive loss of associates	-	-	-	-	-	(993,608)	-	-	(993,608)	-	(993,608)
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-	(274,844)	-	(274,844)	(77,318)	(352,162)
Total other comprehensive loss	-	-	-	-	-	(8,998,434)	(274,844)	-	(9,273,278)	(77,318)	(9,350,596)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(8,998,434)	(274,844)	1,214,181	(8,059,097)	637,721	(7,421,376)
<b>Balance at 31 December 2015</b>	<b>72,000,000</b>	<b>11,973,061</b>	<b>(32,757,404)</b>	<b>104,935</b>	<b>32,757,404</b>	<b>6,481,542</b>	<b>(5,236,354)</b>	<b>(30,687,752)</b>	<b>54,635,432</b>	<b>34,890,394</b>	<b>89,525,826</b>

## Consolidated statement of changes in equity (continued)

### Equity attributable to the owners of the parent company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
<b>Balance at 1 January 2014</b>	72,000,000	11,973,061	(32,869,551)	-	61,426,066	12,618,088	(6,061,895)	(30,132,882)	88,952,887	37,908,975	126,861,862
Purchase of treasury shares	-	-	(46,849)	-	-	-	-	-	(46,849)	-	(46,849)
Sale of treasury shares	-	-	158,996	-	-	-	-	-	158,996	-	158,996
Profit on sale of treasury shares	-	-	-	104,935	-	-	-	-	104,935	-	104,935
Loss arising on partial disposal of subsidiary shares	-	-	-	-	-	-	-	(19,455)	(19,455)	-	(19,455)
Acquisition of non-controlling interest in a subsidiary and joint venture	-	-	-	-	-	-	-	(466,020)	(466,020)	(367,069)	(833,089)
Acquisition of shares in subsidiary	-	-	-	-	-	-	-	(839,198)	(839,198)	(737,566)	(1,576,764)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	305,528	305,528
Transactions with owners	-	-	112,147	104,935	-	-	-	(1,324,673)	(1,107,591)	(799,107)	(1,906,698)
Loss for the year	-	-	-	-	-	-	-	(34,055,858)	(34,055,858)	(13,310,016)	(47,365,874)
<b>Other comprehensive income</b>											
Available for sale investments:											
- Net change in fair value arising during the year	-	-	-	-	-	2,585,646	-	-	2,585,646	-	2,585,646
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	(181,127)	-	-	(181,127)	-	(181,127)
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	-	-	2,964,235	-	-	2,964,235	-	2,964,235
Share of other comprehensive loss of associates	-	-	-	-	-	(2,506,866)	-	-	(2,506,866)	-	(2,506,866)
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-	1,100,385	-	1,100,385	233,455	1,333,840
Total other comprehensive income	-	-	-	-	-	2,861,888	1,100,385	-	3,962,273	233,455	4,195,728
Total comprehensive income /(loss) for the year	-	-	-	-	-	2,861,888	1,100,385	(34,055,858)	(30,093,585)	(13,076,561)	(43,170,146)
<b>Balance at 31 December 2014</b>	<b>72,000,000</b>	<b>11,973,061</b>	<b>(32,757,404)</b>	<b>104,935</b>	<b>61,426,066</b>	<b>15,479,976</b>	<b>(4,961,510)</b>	<b>(65,513,413)</b>	<b>57,751,711</b>	<b>24,033,307</b>	<b>81,785,018</b>

The notes set out on pages 25 to 96 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
<b>OPERATING ACTIVITIES</b>		
<b>Profit/(loss) for the year</b>	<b>1,929,220</b>	<b>(47,365,874)</b>
Adjustments:		
Gain on sale of available for sale investments	(6,754,606)	(30,144)
Gain on sale of investment properties	-	(760,413)
Gain on sale of subsidiaries	(6,832,806)	(1,856,935)
Gain on sale of property, plant and equipment	(2,579,207)	-
Change in fair value of investment properties	9,651	2,186,156
Impairment of goodwill	604,639	7,946,410
Impairment of available for sale investments	250,961	2,964,235
Impairment of investment in associates and joint ventures	2,538,808	15,539,748
Impairment of property, plant and equipment	-	2,458,481
Dividend income	(162,855)	(218,713)
Interest income	(269,039)	(505,747)
Interest and similar expenses	12,470,722	11,637,546
Provisions	-	1,225,252
Depreciation	5,757,366	4,771,695
Share of results of associates and joint ventures	1,616,102	1,113,532
Foreign exchange loss on non-operating liabilities	692,920	552,896
	<b>9,271,876</b>	<b>(341,875)</b>
<b>Changes in operating assets and liabilities:</b>		
Investments at fair value through profit or loss	582,534	2,448,233
Receivables and other debit balances	(698,507)	(1,422,568)
Due from related parties	1,117,038	9,154,613
Trading properties	759,199	188,937
Payables and other credit balances	(56,570)	(17,878,016)
Due to related parties	16,679,188	4,940,483
Advances received from customers	(9,183,166)	8,259,712
Cash from operating activities	<b>18,471,592</b>	<b>5,349,519</b>
Dividend income received	162,855	218,713
Interest income received	269,039	505,747
Interest and similar expenses paid	(11,530,312)	(11,637,546)
<b>Net cash from/(used in) operating activities</b>	<b>7,373,174</b>	<b>(5,563,567)</b>



## Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of shares in a consolidated subsidiary		-	105,188
Proceeds from sale of subsidiaries		-	2,474,557
Proceeds from sale of asset classified as held for sale		1,357,432	-
Net movement in investment in associates and joint ventures		(302,201)	2,957,282
Net movement in properties under development		(16,329,991)	(3,206,355)
Additions to capital work in progress		(512,230)	(187,949)
Net movement in property, plant and equipment		(3,128,363)	(2,018,352)
Proceeds from sale of property, plant and equipment		2,770,283	-
Net book value of property, plant and equipment on disposal		152,381	924,055
Proceeds from sale of available for sale investments		-	70,927
Net movement in investment properties		-	2,162,512
Purchase of available for sale investments		(95,304)	(549,035)
<b>Net cash (used in)/from investing activities</b>		<b>(16,087,993)</b>	<b>2,732,830</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from bank loans		27,610,702	27,449,440
Repayment of bank loans		(14,260,313)	(18,954,699)
Change in non-controlling interests		6,101,951	(2,733,082)
Purchase of treasury shares		-	(46,849)
Proceeds from sale of treasury shares		-	263,931
<b>Net cash from financing activities</b>		<b>19,452,340</b>	<b>5,978,741</b>
Increase in cash and cash equivalents		10,737,521	3,148,004
Foreign currency adjustment		(3,586,785)	(3,372,553)
Cash and cash equivalents at beginning of the year	17	5,479,990	5,704,539
<b>Cash and cash equivalents at end of the year</b>	17	<b>12,630,726</b>	<b>5,479,990</b>

## Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
		KD	KD
<b>Non-cash transactions</b>			
Proceeds from sale of subsidiaries		9,487,250	-
Due to related parties		(9,487,250)	-
Sale of available for sale investments		9,563,767	-
Reclassification of investments at fair value through statement of profit or loss upon consolidation		10,984	-
Additions to investment in associates		(9,686,644)	-
Purchase of available for sale investments		(2,236,297)	-
Receivables and other debit balances		(2,521)	-
Payables and other credit balances		2,455,350	-
Goodwill arising on acquisition of a subsidiary		(104,639)	-
Sale of asset classified as held for sale settled through related parties accounts		4,130,288	-
Due to related parties		(4,130,288)	-

The notes set out on pages 25 to 96 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### 1. Parent company incorporation and activities

International Financial Advisors – KPSC ("the parent company") is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait and Capital Market Authority of Kuwait as an investment company.

The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolios management and trading in future contracts.

The group comprises the parent company and its subsidiaries as detailed in note 8.

The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

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 parent company's board of directors approved these consolidated financial statements for issue on 2 June 2016 and are subject to the approval of the general assembly of the shareholders.

### 2. Basis of preparation

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

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

### 3. Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

### 4. Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except for adoption of new standards, amendments to certain standards and interpretations discussed below.

## Notes to the consolidated financial statements (continued)

### 4. Changes in accounting policies (continued)

#### 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 the relevant new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 15 Revenue from Contracts with Customers	1 January 2018 (Early adopted)
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014

#### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 replaced IAS 18 Revenues and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

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

The standard includes important guidance, such as

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

The group's management has assessed the impact of this new standard on the group's consolidated financial statements (note 7).

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.1 New and amended standards adopted by the group (continued)

##### **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 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.

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

(iv) *Amendments to 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 annual improvements 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 annual improvements did not have any material impact to the group's consolidated financial statements.

#### 4.2 IASB Standards issued but not yet effective

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

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

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

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

#### ***IFRS 9 Financial Instruments: classification and measurement***

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 KD1,953,565 (note 23) if still hold 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.

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

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

The Amendments are aimed at clarifying the following aspects:

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

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

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

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

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

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

The group's management has yet to assess the impact of these amendments 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.

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### *IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments (continued)*

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.

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

##### *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 new standard on the group's 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.

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

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

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

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.



## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### *IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments (continued)*

- 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.

The groups' management has yet to assess the impact of these amendments 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.

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

##### *Annual Improvements to IFRSs 2012–2014 Cycle*

- 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
- 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 condensed interim financial statements
- Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

The group's management has yet to assess the impact of these annual improvements on the group's consolidation financial statements.

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

## Notes to the consolidated financial statements (continued)

### 5. Summary of significant accounting policies (continued)

#### 5.1 Basis of consolidation (continued)

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

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

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

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

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

#### 5.2 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 acquire either at fair value or at the proportionate share of the acquire'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 acquire 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 acquire'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 acquire.

## Notes to the consolidated financial statements (continued)

### 5. Summary of significant accounting policies (continued)

#### 5.2 Business combinations (continued)

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 acquire and c) acquisition-date fair value of any existing equity interest in the acquire, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

#### 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 are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

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

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

#### 5.5 Segment reporting

The group has four operating segments: the assets management, treasury and investments, real estate and other. 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 transactions 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.

## Notes to the consolidated financial statements (continued)

### 5. Summary of significant accounting policies (continued)

#### 5.6 Revenue recognition

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

Revenue arises from rendering of services and is measured by reference to the fair value of consideration received or receivable.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

##### 5.6.1 Rendering of services

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 Interest income

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

##### 5.6.3 Dividend income

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

##### 5.6.4 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

##### 5.6.5 Income from hotel operations and other related services

Income from hotel includes hotel services revenue, food and beverage and room revenue.

Income from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services on the performance of services. Income from hotel operations and other related services is shown net of all direct expenses in the consolidated statement of profit or loss

##### 5.6.6 Income from sale of properties

Revenue on sale of condominiums 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. Income from sale of properties is shown net of all direct expenses in the consolidated statement of profit or loss.

## Notes to the consolidated financial statements (continued)

### 5. Summary of significant accounting policies (continued)

#### 5.6 Revenue recognition (continued)

##### 5.6.7 Revenue from Beach club revenue

Revenue from beach club and related services are recognised when the services are rendered.

#### 5.7 Operating expenses

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

#### 5.8 Cost of sale of properties

Cost of sale of properties includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of sale of condominiums is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

#### 5.9 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.

#### 5.10 Taxation

##### 5.10.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

##### 5.10.2 National Labour Support Tax (NLST)

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

##### 5.10.3 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.

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

##### 5.10.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

#### 5.11 Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees for qualifying assets, and the borrowing costs incurred in accordance with the group's accounting policies.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.11 Property, plant and equipment (continued)

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under development over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

Plant and Equipments, Furniture and Fixtures, Motor Vehicles and Yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss.

#### 5.12 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. 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 the consolidated statement of profit or loss within "change in fair value of investment properties" and "gain/loss on sale of investment properties"

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.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.13 Property under development

Property under development represents properties 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 property 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.

#### 5.14 Capital work-in-progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed according to circumstances to make sure that there is no impairment loss in value or that the carrying value may not be recoverable. If any such indication exists and when the carrying value is declined, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalised 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 capitalised.

#### 5.15 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.16 Impairment testing of goodwill and non financial assets

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

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment losses reduce first the carrying amount of any goodwill allocated to that asset. Any remaining impairment loss is charged pro rata to the other assets. 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 asset's recoverable amount exceeds its carrying amount.

#### 5.17 Financial instruments

##### 5.17.1 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.

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

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

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



## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.17 Financial instruments (continued)

##### 5.17.1 Recognition, initial measurement and derecognition (continued)

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.

##### 5.17.2 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:

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

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

All income and expenses relating to financial assets that are recognised in the consolidated statement of 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.

##### • *Loans and receivables*

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

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

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The group categorises loans and receivables into following categories:

##### • *Loans and advances*

Loans and advances are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.17 Financial instruments (continued)

##### 5.17.2 Classification and subsequent measurement of financial assets (continued)

- *Trade receivables*

Trade receivables 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.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances, together with fixed deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less due to banks.

- *Financial assets at FVTPL*

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition. 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 the consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- *AFS financial assets*

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

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

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.17 Financial instruments (continued)

##### 5.17.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include borrowings, payables and other credit balances, advances received from customers and due to related parties.

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

- *Payables and other credit balances*

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

- *Borrowings*

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.

- *Advances received from customers*

Advances received from customers represent money received from customers towards instalments for properties they have contracted to purchase in accordance with the terms of the sale agreements.

- *Due to related parties*

Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

#### 5.18 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.

#### 5.19 Trade and settlement date accounting

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

#### 5.20 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.

#### 5.21 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.

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.21 Fair value of financial instruments (continued)

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 41.

#### 5.22 Trading properties

Trading properties include purchase and development costs of completed unsold real estate properties. Development costs include planning, maintenance and service costs. Trading properties are recorded at the lower of cost and net realisable value. Cost are those expense incurred in brining each property to its present condition. Net realisable value is based on estimated selling price less any further cost expected to be incurred on disposal.

#### 5.23 Non-current assets held for sale

When the group intends to sell a non-current asset, and if sale is highly probable within 12 months, the assets is classified as "held for sale" and presented separately in the consolidated statement of financial position.

Assets classified as "held for sale" are remeasured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell.

#### 5.24 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 companies' law and the parent company's articles of association.

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.

Accumulated losses include all current and prior period profits and losses. All transactions with owners of the parent company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in payables and other credit balances when the dividends have been approved in a meeting of the general assembly.

#### 5.25 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.

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.25 Treasury shares (continued)

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), 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.

#### 5.26 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.

#### 5.27 Foreign currency translation

##### 5.27.1 Foreign currency transactions

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 the consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

##### 5.27.2 Foreign operations

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

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

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.28 End of service indemnity

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

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

#### 5.29 Fiduciary assets

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

#### 5.30 Related party transactions

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

### 6. Significant management judgements and estimation uncertainty

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

#### 6.1 Significant management judgments

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

##### 6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

## Notes to the consolidated financial statements (continued)

### 6. Significant management judgements and estimation uncertainty (continued)

#### 6.1 Significant management judgments (continued)

##### 6.1.2 *Classification of real estate*

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

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

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

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

##### 6.1.3 *Fair values of assets and liabilities acquired*

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

##### 6.1.4 *Control assessment*

When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself.

The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

#### 6.2 Estimates uncertainty

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

##### 6.2.1 *Impairment of goodwill and other intangible assets*

The group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

##### 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 associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

##### 6.2.3 *Impairment of available for sale equity investments*

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

## Notes to the consolidated financial statements (continued)

### 6. Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.4 Impairment of trade receivables and due from related parties

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

##### 6.2.5 Impairment of loans to customers

An estimate of the collectible amount of loans to customers is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

##### 6.2.6 Estimation of impairment of property, plant and equipment and capital work-in progress and their useful lives

The group's management tests annually whether property plant and equipment and capital work-in progress have suffered impairment in accordance with the accounting policies stated within note 5 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The group's management determines the useful lives of property plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

##### 6.2.7 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 5.2).

##### 6.2.8 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. (see note 41).

##### 6.2.9 Percentage of completion

The group recognises accrual for capital work in progress and properties under development based on the percentage of completion method. The percentage of work completion is determined by the independent lead consultant of the respective projects.

The percentage of completion method is applied on a cumulative basis in each accounting year to the current estimates of accrual for capital work in progress and property under development. Any change in estimate for determination of accruals for capital work in progress and property under development is recognised in current consolidated statement of financial position.



## Notes to the consolidated financial statements (continued)

### 6. Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.10 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. The group engaged independent valuation specialists to determine fair value as at 31 December 2015 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual, prices that would be achieved in a arm's length transaction at the reporting date

### 7. Effect of adoption of IFRS 15

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, which is currently found across several standards and interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it with effect from 1 January 2015, as the group considers it better reflects the real estate business performance of the group. The group has opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly, the standard has been applied to the year ended 31 December 2015 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2015 in the form of an adjustment to the opening balance of retained earnings as at that date.

Adjustments to the opening balances of the consolidated statement of financial position are detailed below:

	31 Dec. 2014	Adjustments/ reclassification	1 Jan. 2015
	KD	KD	KD
<b>Assets</b>			
Properties under development (note 27)	158,251,603	(96,583,628)	61,667,975
Trading properties (note 21)	4,023,921	4,080,984	8,104,905
Receivables and other debit balances (note 19)	19,304,942	96,690	19,401,632
<b>Liabilities</b>			
Advances received from customers (note 32)	132,256,127	(104,769,468)	27,486,659
Payables and other credit balances (note 30.d)	63,205,915	2,708,569	65,914,484
<b>Equity</b>			
Accumulated losses attributable to the owners of the parent company	(65,513,413)	5,537,526	(59,975,887)
Non-controlling interests	24,033,307	4,117,415	28,150,722

## Notes to the consolidated financial statements (continued)

### 7. Effect of adoption of IFRS 15(continued)

The table below represents impact on net income from hoteliers and related services and operating expenses for the year had the earlier policy for revenue recognition been continued during the year:

	As per IFRS 15	As per the old policy	Impact due to change
	KD	KD	KD
<b>For the year ended 31 December 2015</b>			
Net income from hoteliers and related services	23,092,819	17,123,543	5,969,276
Other operating expenses	(15,365,920)	(15,246,941)	(118,979)
Net impact	7,726,899	1,876,602	5,850,297

### 8. Subsidiary companies

8.1 Details of the group's material consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2015	31 Dec. 2014	
		%	%	
IFA Hotels and Resorts Co.– KPSC	Kuwait	57.357	57.357	Hotel operations
Seven Seas Resorts Co. – KSCC	Kuwait	63.566	48.299	Hotel operations
Gulf Real Estate Co. – WLL	Kuwait	46.318	46.318	Real estate
IFA Aviation Co. – KSCC	Kuwait	74.8	74.8	Aviation
Radeem Real Estate Co. – SAL	Lebanon	99.9	99.7	Real estate
Dana Real Estate Co. – SAL	Lebanon	96.67	90	Real estate
IFA Investments (Switzerland) SA	Switzerland	-	100	Investments
Suhail Telecommunication Services Company-KSCC	Kuwait	99	99	Telecommunication
First Takaful Insurance Company - KPSC	Kuwait	90.98	-	Insurance

### 8.2 Acquisition of additional shares from non-controlling interests

1) The group acquired 15% shareholding held by non-controlling interests in Seven Seas Resorts Company-KSCC for a total consideration of KD456,249 resulting in a loss of KD213,677 which has been recognised in the equity.

2) The group acquired 0.2% shareholding held by non-controlling interests in Radeem Real Estate Company for a total consideration of KD2,185,010 resulting in a gain of KD1,662 which has been recognised in the equity.

3) The group acquired 6.67% shareholding held by non-controlling interests in Dana Real Estate Company for a total consideration of KD292,491 resulting in a gain of KD56,896 which has been recognised in the equity.

4) During the year, one of the group subsidiaries has acquired the entire non-controlling interest with respect to Yotel Investment Limited for a consideration of KD204,398 resulting in a loss of KD439,532 which has been recognised in the equity.

## Notes to the consolidated financial statements (continued)

### 8. Subsidiary companies (continued)

#### 8.3 Sale of subsidiaries:

The group recognised gain on sale of subsidiaries amounting to KD15,626,544 (31 December 2014: KD1,856,935) resulting from the following disposals:

1) During the year the group sold 75% of its equity shares in IFA Investments (Switzerland) Company for a total consideration of KD455,243 (has been recognised in the equity). In addition, the entire non-controlling interest with respect to Yotel Investment Limited resulting in profit from sale of KD339,187 since the group is able to exert significant influence over the investee company the remaining 25% holding been accounted for as investment in associate in accordance with the requirement of IAS 28.

2) At the beginning of the year, the group held a controlling interest (constituting 85% of the shares) in Yotel Investment Limited (YIL) through its fully owned subsidiary "IFA Yotel Investment FZE" (IFA YI). During the year ended 31 December 2015, IFA YI acquired the remaining 15% shares (the "Non controlling interest") of YIL (note 8.2.d). On 31 December 2015, IFA YI disposed 50% equity stake, and the right to appoint three of five directors in YIL, to a related party for a total consideration of KD9,032,007. The group has accounted for its remaining 50% interest in YIL as an investment in associate, by virtue of significant influence acquired by having a right to appoint two of five directors. The investment retained is valued at fair value, immediately following the disposal of the controlling interest.

The fair value of YIL at the date of disposal has been determined by an independent valuer.

	2015
	KD
Fair value of consideration received	9,032,007
Less: Net assets disposed at the date of disposal (50%) (c)	(1,269,194)
Gain on partial disposal of a subsidiary	7,762,813
Translation gain previously recognised in other comprehensive income transferred to profit or loss (b)	213,330
Provision made for employee benefit trust (d)	(451,600)
Net assets related to the residual interest recognised as associate (c)	(1,269,194)
Fair value of residual interest recognised as associate (note 25.2.c)	9,032,007
Net gain on disposal (a)	15,287,357

(a) Gain on disposal includes the deemed gain of KD7,643,679 arising from the re-measurement of the residual interest at fair value and reclassifying it to investment in associate (note 25.2.c).

(b) The translation gain arose in the prior year upon translation of balances of YIL's subsidiaries, having functional currency other than the parent's currency. This is being realised to consolidated statement of profit or loss upon disposal.

(c) The net assets of the subsidiary at the date of disposal were as follows:

	31 Dec. 2015
	KD
Property and equipment	2,971,716
Capital work in progress	783,696
Trading properties	7,224
Trade receivables and other assets	587,912
Cash and cash equivalents	103,763
Accounts payable and other liabilities	(1,615,869)
Short-term loans	(191,734)
Amounts due to a related party	(108,327)
Net assets	2,538,387

## Notes to the consolidated financial statements (continued)

### 8. Subsidiary companies (continued)

(d) As of December 31, 2015, the shareholders of YIL were in the process of approval of a board resolution to grant 5% of their shareholding to Employee Benefit Trust ("EBT") by issuing a total of 1,915,320 ordinary shares having a par value of GBP 1 each. The shares will be considered as fully paid without the payment of any cash, as the employees' services, goodwill and know-how of the Company will be deemed as consideration. On February 15, 2016, the Directors of YIL approved the said resolution and are in the process of issuing share certificates to the EBT. As a result of this transaction, the company recognised a provision against the dilution of their share in YIL, as per the percentage of group's shareholding in YIL as at the reporting date. The provision for EBT is calculated as follows:

	2015
	KD
Value of group's shareholding in YIL	9,032,007
Percentage of shares granted to EBT	5%
Provision for EBT	451,600

#### 8.4 Business combination:

During the year, the group acquired 90.98% equity shares in First Takaful Insurance Company - KPSC ("Takaful") for a total consideration of KD9,698,897. The group previously held 11% in equity shares Takaful was classified as investments at fair value through profit or loss. The reclassification of previously held investment at fair value through profit or loss resulted in a loss of KD94,105.

The consideration of KD9,698,897 was settled by transferring group's investment in unquoted shares in Neova Sigorta Insurance Company ("Nevo") carried at equivalent value against 90.98% equity interest in Takaful (note 23).

The identifiable assets and liabilities of First Takaful Insurance Company - KPSC at the date of acquisition were as follows:

	KD
Cash and bank balances	136,448
Available for sale investments	2,457,901
Investment in associates (includes goodwill amounting to KD 7,291,365 on acquisition of additional shares in the associate- note 25.2.b)	10,646,533
Other assets	2,771
<b>Total assets</b>	<b>13,243,653</b>
Amount due to policyholders	2,640,719
Other liabilities	57,942
<b>Total liabilities</b>	<b>2,698,661</b>
<b>Net assets</b>	<b>10,544,992</b>
<b>Share of net assets acquired – 90.98%</b>	<b>9,594,258</b>
<b>Less: purchase consideration</b>	<b>(9,698,897)</b>
<b>Goodwill</b>	<b>104,639</b>
Purchase consideration	9,698,897
Cash balances on acquisition	(136,448)
Net outflow of assets (see cash flows non-cash transactions)	9,562,449

## Notes to the consolidated financial statements (continued)

### 8. Subsidiary companies (continued)

#### 8.4 Business combination: (continued)

The fair value of identifiable assets and liabilities acquired has been determined by the management of the parent company.

#### 8.5 Subsidiaries with material non-controlling interests

The group includes one subsidiary, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	%	%	KD	KD	KD	KD
IFA Hotels and Resorts Co. – KPSC ('IFAHR')	42.646%	42.646%	803,025	(13,242,044)	32,204,647	22,300,398
Individually immaterial subsidiaries with non controlling interests			(87,986)	(67,972)	2,685,747	1,732,909
			715,039	(13,310,016)	34,890,394	24,033,307

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

Summarised financial information for IFA Hotels & Resorts Company - KPSC, before intra group eliminations, is set out below:

The financial year end of IFA Hotels and Resorts Company-KPSC is 31 December 2015, but for the purpose of consolidation of this subsidiary in to the group's consolidated financial statements, the financial statements for the period ended 30 September 2015 have been used after appropriate adjustments are made for the effects of any significant transactions or events that occur between that date and the reporting date of the parent company financial statements as of 31 December 2015:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Non-current assets	187,210,925	190,435,845
Current assets	117,380,431	185,770,373
<b>Total assets</b>	<b>304,591,356</b>	<b>376,206,218</b>
Non-current liabilities	155,066,878	138,577,527
Current liabilities	84,111,364	183,761,740
<b>Total liabilities</b>	<b>239,178,242</b>	<b>322,339,267</b>
Equity attributable to the owners of the parent company	33,208,467	31,566,553
Non-controlling interest	32,204,647	22,300,398
<b>Total equity</b>	<b>65,413,114</b>	<b>53,866,951</b>

## Notes to the consolidated financial statements (continued)

### 8. Subsidiary companies (continued)

#### 8.5 Subsidiaries with material non-controlling interests (continued)

	31 Dec. 2015	31 Dec. 2014
	KD	KD
<b>Revenue</b>	<b>40,148,134</b>	<b>29,378,200</b>
Profit/(loss) for the year attributable to the owners of the parent company	1,855,765	(16,369,187)
Profit/(loss) for the year attributable to NCI	803,025	(13,242,044)
<b>Profit/(loss) for the year</b>	<b>2,658,790</b>	<b>(29,611,231)</b>
Total other comprehensive (loss)/income	(133,088)	720,439
<b>Total comprehensive income/(loss) for the year</b>	<b>2,525,702</b>	<b>(28,890,792)</b>
Total comprehensive income/(loss) for the year attributable to the owners of the parent company	1,709,156	(15,606,256)
Total comprehensive income/(loss) for the year attributable to NCI	816,546	(13,284,536)
<b>Total comprehensive income/(loss) for the year</b>	<b>2,525,702</b>	<b>(28,890,792)</b>
	31 Dec. 2015	31 Dec. 2014
	KD	KD
Net cash used in operating activities	(9,956,439)	(674,308)
Net cash from investing activities	1,170,011	366,467
Net cash from /(used in) financing activities	12,921,491	(8,953,243)
<b>Net cash inflow/(outflow)</b>	<b>4,135,063</b>	<b>(9,261,084)</b>

8.6 The group has pledge 90% (31 December 2014:89%) group's shares of IFA-Hotels and Resorts (Subsidiary) against group's borrowings (note 31).

### 9. Interest income

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
Loans to customers	156,261	363,920
Cash and cash equivalents	34,181	70,002
Late payments by customers	42,879	54,922
Loans to related parties	35,718	16,903
	<b>269,039</b>	<b>505,747</b>

## Notes to the consolidated financial statements (continued)

### 10. Management fees and similar income

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
Management fees from assets under management	80,598	98,247
Consultancy fees from managed assets	26,138	83,414
Advisory services income	-	371,875
	<b>106,736</b>	<b>553,536</b>

Management fees and similar income relate to income arising from the group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory services.

### 11. Net income from hoteliers and related services

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
<b>Income:</b>		
Sale of properties	26,473,434	1,566,842
Hotel operations	27,519,842	26,652,527
Beach club operations	2,233,299	2,181,199
Management fees	1,760,644	1,192,118
Residential service income	3,874,104	3,056,715
Rental income	853,731	99,612
	<b>62,715,054</b>	<b>34,749,013</b>
Direct costs	(39,622,235)	(16,361,210)
	<b>23,092,819</b>	<b>18,387,803</b>

Sale of properties represents revenue from trading properties and properties under development which have been originally purchased by the group and then developed and sold to customers.

## Notes to the consolidated financial statements (continued)

### 12. Net gain/(loss) from investments

Net gain/(loss) from investments, analysed by category is as follows:

	31 Dec. 2015			31 Dec. 2014		
	Investments at fair value through profit or loss KD	Available for sale investments KD	Total KD	Investments at fair value through profit or loss KD	Available for sale investments KD	Total KD
(Loss)/gain on sale	(120,874)	6,754,606	6,633,732	108,768	30,144	138,912
Change in fair value	(293,022)	-	(293,022)	(224,049)	-	(224,049)
	(413,896)	6,754,606	6,340,710	(115,281)	30,144	(85,137)

### 13. Net loss from investment properties

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Gain on sale of investment properties	-	760,413
Change in fair value arising from revaluation (Note 24.2.a)	(9,651)	13,364,745
	(9,651)	14,125,158
Loss on settlements of disputes	-	(15,550,901)
	(9,651)	(1,425,743)

In the previous year, loss on settlement of disputes rose from group successfully negotiating all disputes with Nakheel PJSC. As part of the settlement the group transferred a title of a plot with carrying value of KD15,350,701 to a sister concern of Nakheel PJSC

### 14. Other income

The other income consists of the following:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Properties rental income	41,989	27,586
Foreign currency exchange loss	(692,920)	(657,248)
Net income from ticket sales and related services	232,390	241,929
Reversal of provision on loans to customers	114,872	143,682
Income on default of customers to the terms in the sale contracts of the sold residential units	424,758	657,084
Other miscellaneous income	624,010	1,017,864
	745,099	1,430,897



## Notes to the consolidated financial statements (continued)

### 15. Interest and similar expenses

Interest and similar expenses result from the group's short, medium and long term borrowing activities. All these financial liabilities of the group are stated at amortised cost.

### 16. Basic and diluted earnings/(loss) per share attributable to the owners of the parent company

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

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
Profit/(loss) for the year attributable to the owners of the parent company (KD)	1,214,181	(34,055,858)
weighted average number of shares outstanding during the year (excluding treasury shares)	672,889,436	672,744,624
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	1.80 Fils	(50.62) Fils

### 17. Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise of the following accounts:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Cash and bank balances	13,923,394	5,902,975
Fixed deposits	-	557,759
	13,923,394	6,460,734
Less: Due to bank	(1,292,668)	(980,744)
Cash and cash equivalents as per consolidated statement of cash flows	12,630,726	5,479,990

The group's fixed deposits yield interest at an average rate of nil% (31 December 2014: 0.075%) per annum.

Due to bank represents KD1 Million overdraft facility from a local bank of which the group had drawn an amount of KD1,292,668 as at end of the year (31 December 2014: KD980,744) and it carries interest at 4% (31 December 2014: 4%) per annum and is secured by way of certain managed portfolio.

## Notes to the consolidated financial statements (continued)

### 18. Investments at fair value through profit or loss

	31 Dec. 2015	31 Dec. 2014
	KD	KD
<b>Held for trading:</b>		
<b>Local</b>		
Quoted securities	458,144	763,510
Unquoted securities	71,272	232,156
	<b>529,416</b>	<b>995,666</b>
<b>Foreign</b>		
Quoted securities	2,671	118,955
<b>Total</b>	<b>532,087</b>	<b>1,114,621</b>

Quoted securities with carrying value of KD116,434 (31 December 2014: KD158,173) pledged against due to bank (note 17).

### 19. Receivables and other debit balances

	31 Dec. 2015	31 Dec. 2014
	KD	KD
<b>Financial assets</b>		
Trade receivables	7,089,791	6,675,282
Advances	125,386	313,146
Kuwait Clearing Company receivable	79,056	112,191
Staff receivables	76,008	50,422
<b>Non financial assets</b>		
Prepaid expenses	2,256,131	2,279,807
Advances to contractors	2,255,437	1,969,586
Other miscellaneous receivables	8,124,411	7,904,508
	<b>20,006,220</b>	<b>19,304,942</b>

The carrying values of the financial assets included above approximate their fair values and all of these are due within one year, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

Trade receivables are non-interest bearing and generally due on 30 – 180 days terms.

Receivables and other debit balances include an amount of KD96,690 recognised at the beginning of the year upon the early adoption of IFRS 15 (note 7).

## Notes to the consolidated financial statements (continued)

### 19. Receivables and other debit balances (continued)

As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Neither past due nor impaired		
- Less than three months	4,726,527	4,450,188
- Three – six months	2,363,264	2,225,094
Total trade receivables	7,089,791	6,675,282

### 20. Due from/to related parties

	31 Dec. 2015	31 Dec. 2014
	KD	KD
<b>Due from related parties:</b>		
IFA Hotels and Resorts FZE	1,669,508	-
Al Wafir Marketing Services Company-KSSC	-	88,330
Marasi Al Ofuq General Trading Co. – WLL	-	1,551,746
Keller Willian Franchise	-	206,707
Al Deera Holding Company – KPSC	1,207,120	1,199,850
Souq Palm FZ Co.	-	403,034
Other related parties	626,685	1,170,684
	3,503,313	4,620,351
Provision for doubtful debts	(1,486,350)	(1,486,350)
	2,016,963	3,134,001

## Notes to the consolidated financial statements (continued)

### 20. Due from / to related parties

	31 Dec. 2015	31 Dec. 2014
	KD	KD
<b>Due to related parties:</b>		
IFA Zimbali H & R (Pty) Ltd	1,479,000	1,173,767
Al Tital Investment Co. – WLL	1,300,125	1,303,409
Kuwait Real Estate Company – KPSC	12,329,731	8,443,876
Al Rana General Trading Co. – WLL	833,132	1,600,518
Kuwait Holding Co. – KSCC	2,052,622	2,053,275
United Investment Portugal Company	366,146	375,801
Aim Consulting Services Co. – WLL	35,171	105,958
International Resorts Company – KPSC	169,211	143,487
Al Dahiya Investment Co. – WLL	5,683,486	5,439,142
Al Wafir Marketing Services Company	1,294,835	-
IFA Properties Brokerage – LLC	414,976	-
Fiarmount Zimbali H & R (Pty) Ltd	469,299	-
EFG Hermes-KSCC	-	3,956,080
Kuwait Invest Real Estate-KSCC	435,040	603,019
Other related parties	775,409	854,045
	<b>27,638,183</b>	<b>26,052,377</b>

Due from related parties include balance amounting to KD459,268 (31 December 2014: KD420,370) carries interest at the rate of 8%(31 December 2014:8%) per annum and has no specific repayment date. The remaining balances of KD1,557,695 (31 December 2014: KD2,713,631) are non interest bearing and have no specific repayment terms.

During the year, the group recognised impairment loss amounting to KD1,551,746 against amount due from Marasi Al Ofuq General Trading Company based on recoverability assessment carried out by the group's management.

During the year the group sold its investment in Kuwait Invest Real Estate which was classified as asset held for sale (note 22) amounting to KD5,487,720 to a EFG Hermes – KSCC against a payable balance of KD3,956,080. The deference of KD1,357,432 was received in cash by the group.

Due to related parties include balance amounting to KD9,015,571 (31 December 2014: KD9,419,882) carries interest rate of 4.25%(31 December 2014: 4.25%) per annum and has no specific repayment date. The remaining balances of KD18,622,612 (31 December 2014: KD16,632,495) are non interest bearing and have no specific repayment terms.

## Notes to the consolidated financial statements (continued)

### 21. Trading properties

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Residential apartments in Dubai (UAE)	4,299,030	145,900
Properties in South Africa	3,187,416	3,878,021
	<b>7,486,446</b>	<b>4,023,921</b>

The trading properties in Dubai represent unsold residential units. Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprised of land at cost and development expenditure related to unsold properties. Residential apartment in Dubai amounting to KD4,080,984 were transferred to trading properties from properties under development at the beginning of the year upon the early adoption of IFRS 15 (refer note 7).

As at 31 December 2015, the fair value of trading properties is KD10,565,376.

Trading properties in South Africa have been pledged as security against borrowing facilities of the group (note 31).

### 22. Asset classified as held for sale

During the year, the group sold its 49% holding in Kuwait Invest Real Estate Company which was classified as asset held for sale for total consideration of KD5,487,720 which was equal to carrying value of the investment resulting in no gain or loss from this sale (note 20).

### 23. Available for sale investments

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Local quoted securities	272,042	434,371
Foreign quoted securities	150,641	215,446
Local unquoted securities	11,319,234	9,677,806
Foreign unquoted securities	13,621,112	24,155,188
Managed funds	637,679	578,037
	<b>26,000,708</b>	<b>35,060,848</b>

Foreign and local unquoted investments amounting to KD1,953,565 (31 December 2014: KD7,834,672) are carried at cost less impairment, if any, since their fair values cannot be reliably determined. Management is not aware of any circumstances that would indicate impairment in value of these investments.

During the year, the group acquired 90.98% of equity interest in First Takaful Insurance Company-KPSC ("Takaful") and paid for this investment by transferring its shares in foreign unquoted securities in Neova Sigorta Insurance Company for total sale consideration of KD9,687,913 resulting in a gain of KD6,754,606 (note 12).

## Notes to the consolidated financial statements (continued)

### 23. Available for sale investments (continued)

Managed funds include investments in units of private equity funds amounting to KD637,679 (31 December 2014: KD578,037). Fair value of these investments are determined using net asset values reported by the investment managers and the management believes that these represent the best estimate of fair value available for these investments.

During the year, the group recognised an impairment loss of KD250,961 (31 December 2014: KD2,964,235) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicate that there is no further impairment.

Available for sale investments amounting to KD6,755,705 (31 December 2014: KD8,379,535) are pledged as security against group's borrowings (note 31).

### 24. Investment properties

24.1 Investment properties represent the following:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Freehold land in Zimbali – South Africa	-	3,014
Land in Jordan	393,010	404,520
Land in UAE	575,351	556,170
Apartments in Dubai – UAE	132,455	91,660
Building in Lebanon	1,598,182	1,563,556
Apartments in Portugal	7,642,994	8,209,604
	<b>10,341,992</b>	<b>10,828,524</b>

24.2 The movement in investment properties is as follows:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Carrying value at the beginning of the year	10,828,524	58,361,664
Transferred to property plant and equipment	(3,014)	-
Transferred to capital work in progress –	-	(45,133,824)
Utilised in the settlements of disputes with Nakheel PJSC	-	(15,550,901)
Changes in fair value arising during the year – below (a)	(9,651)	13,364,745
Disposals during the year	-	(1,402,099)
Foreign currency adjustment	(473,867)	1,188,939
Ending balance	<b>10,341,992</b>	<b>10,828,524</b>
Unrealised (loss)/gain recognised in the consolidated statement of profit or loss resulting from change in fair value (note 13)	<b>(9,651)</b>	<b>13,364,745</b>

## Notes to the consolidated financial statements (continued)

### 24. Investment properties (continued)

(a) The fair value of investment properties located outside the State of Kuwait has been estimated by independent external valuers resulting in revaluation loss of KD(9,651) (31 December 2014: KD13,364,745).

Investment properties were revalued by independent valuers using market comparable approach that reflects the recent transaction prices for similar properties. Refer to note 41.3 for their classification under different levels. Independent valuers report for investment property in Portugal was dated 28 February 2016.

Foreign investment properties with a carrying value of KD1,598,182 (31 December 2014: KD1,563,556) have not been revalued by independent valuers which is not in compliance with the requirements of the Kuwaiti Capital Market Authority. In the opinion of management the carrying value of these investment properties approximates their fair value.

Investment properties amounting to KD7,642,994 (31 December 2014: KD8,209,604) are pledged against group's borrowings (note 31).

### 25. Investment in associates

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Investment in associates	42,645,744	29,183,734
	42,645,744	29,183,734

25.1 The details of the group's investments in associates are as follows:

Company name	Principal Activities	Place of incorporation	31 Dec. 2015		31 Dec. 2014	
			%	KD	%	KD
Arzan Financial Group For Financing and Investment – KPSC (Quoted)	Financing	Kuwait	19.36	20,296,070	19.36	22,521,222
Neova Sigorta Insurance Company("Neova")*	Insurance	Turkey	35	10,133,094	-	-
Yotel Investment Limited – UK*	Investment	UK	50	8,889,001	-	-
Legend & IFA Developments (Pty) Ltd *	Property development	South Africa	50	3,249,561	50	6,604,522
IFA Investments (Switzerland) SA	Investments	Switzerland	25	40,169	-	-
Zamzam Religious Tourism Co. – KSCC	Hajj & Umrah	Kuwait	20	37,847	20	57,990
Abwab Capital Limited	Investments	UAE	42.43	1	-	-
Weqaya Takaful Insurance and Reinsurance Company-SSC (Quoted)*	Insurance	Saudi Arabia	20	1	-	-
				42,645,744		29,183,734

\* Associates held through group's subsidiaries companies.

## Notes to the consolidated financial statements (continued)

### 25. Investment in associates (continued)

The movement of investment in associates during the year is as follows:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Carrying value at the beginning of the year	29,183,734	36,632,501
Additions(25.2.b)	10,991,176	-
Reclassification of remaining 50% interest held in subsidiary (25.2.c)	8,889,001	-
Share of results of associates	(1,616,102)	777,978
Impairment of partners' loan	(2,500,000)	-
Impairment of investment in associate	(38,808)	-
Impairment of goodwill	-	(5,368,839)
Share of other comprehensive loss	(993,608)	(2,506,866)
Foreign exchange translation adjustment	(1,269,649)	(351,040)
	<b>42,645,744</b>	<b>29,183,734</b>

Investment in Legends & IFA Developments (Pty) Limited, includes partners' loan of KD5,749,561 (31 December 2014: KD6,604,509) during the year the group recognised impairment loss amounting to KD2,500,000 (31 December 2014: KD nil) relating to loan provided from company's partners to support its share capital, based on recoverability assessment carried out by the group's management.

During the year, the group recognised impairment loss amounting to KD38,808 (31 December 2014: KD nil) relating to group's investment in Abwab Capital Limited (UAE).

Investment in associate amounting to KD2,448,143 (31 December 2014: KD3,133,623) is pledged against group's borrowings (note 31).

Group's investment in Waqaya Takaful Insurance and Reinsurance Company-SSC is carried at KD1 since the group's subsidiary fully impaired this investment in 2014. The group's subsidiary has discontinued to recognise its share of further losses of the associate from 1 April 2014 in accordance with IAS-28. The group's share of unrecognised losses of the associate or its fair value as at 31 December 2015 cannot be determined because the investee company shares have been suspended from trading since 3 June 2014. If the investee company subsequently reports profit, the group will resume recognising its share of these profits only after its share of profits equal the share of losses not recognised.

25.2 Summarised financial information of group's material associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates and not the group's share of these amounts adjusted for differences in accounting policies between the group and its associates.



## Notes to the consolidated financial statements (continued)

### 25. Investment in associates (continued)

#### a) Arzan Financial Group for Financing and Investment - KPSC (Quoted):

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Non-current assets	142,111,931	122,135,539
Current assets	36,238,558	39,795,437
<b>Total assets</b>	<b>178,350,489</b>	<b>161,930,976</b>
Non-current liabilities	(62,066,362)	(33,541,725)
Current liabilities	(11,465,839)	(12,079,016)
<b>Total liabilities</b>	<b>(73,532,201)</b>	<b>(45,620,741)</b>
<b>Net assets</b>	<b>104,818,288</b>	<b>116,310,235</b>
	Year ended	Year ended
	31 Dec. 2015	31 Dec. 2014
	KD	KD
Revenue	6,994,396	10,415,427
(Loss)/profit for the year	(5,861,513)	4,017,846
Other comprehensive loss for the year	(1,324,874)	(12,946,642)
Total comprehensive loss for the year	(7,186,387)	(8,928,796)

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Group's ownership interest (%)	19.36	19.36
Net assets of the associate	104,818,288	116,310,235
Group's share of net assets	20,296,070	22,521,222
Goodwill	-	5,368,839
Impairment of goodwill	-	(5,368,839)
Carrying amount	20,296,070	22,521,222
Fair value	5,985,311	7,462,206

## Notes to the consolidated financial statements (continued)

### 25. Investment in associates (continued)

#### a) Arzan Financial Group for Financing and Investment - KPSC (Quoted)(continued):

No dividends were received from Arzan during the years 2015 and 2014.

The management believes that the market value is not indicative of the fair value for this investment.

#### b) Neova Sigorta Insurance Company (Unquoted):

	31 Dec. 2015
	KD
Non-current assets	501,358
Current assets	61,258,686
<b>Total assets</b>	<b>61,760,044</b>
Non-current liabilities	(441,981)
Current liabilities	(53,198,841)
<b>Total liabilities</b>	<b>(53,640,822)</b>
<b>Net assets</b>	<b>8,119,222</b>
	Year ended 31 Dec. 2015
	KD
Revenue	44,708,252
Loss for the year	(1,346,642)
Other comprehensive loss	(2,508,310)
<b>Total comprehensive loss for the year</b>	<b>(3,854,952)</b>

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

	31 Dec. 2015
	KD
Group's ownership interest	35 %
Net assets of the associate	8,119,222
Group's share of net assets	2,841,729
Goodwill	7,291,365
<b>Carrying amount</b>	<b>10,133,094</b>

The parent company previously held 25% equity interest in Neova which was classified as available for sale investment as the parent company did not exercise significant influence. The shares in Neova were transferred to Takaful (subsidiary) as part of parent company's contribution to its share capital increase, resulting in parent company's acquiring 90.98% equity shares of Takaful. Takaful previously held 10% equity interest in Neova before the capital increase and now holds 35% . Takaful's additional acquisition of 25% equity interest from the parent company for a total consideration of KD9,687,913 resulted in recognition of goodwill amounting to KD7,291,365.

## Notes to the consolidated financial statements (continued)

### 25. Investment in associates (continued)

#### b) Neova Sigorta Insurance (Unquoted)(continued):

The identifiable assets and liabilities of Neova Sigorta Insurance Company at the date of acquisition were as follows:

	KD
Total assets	50,265,537
Total liabilities	(40,679,347)
<b>Net assets</b>	<b>9,586,190</b>
<b>Share of net assets acquired – 25%</b>	<b>2,396,548</b>
<b>Less: purchase consideration</b>	<b>(9,687,913)</b>
<b>Goodwill</b>	<b>7,291,365</b>

The total consideration paid by the group to acquire the additional shares in Neova was based on fair valuation performed by an independent valuer using Discounted Cash Flow methodology; therefore, management believes there is no impairment of the goodwill as at reporting date.

Neova Signorta Insurance Company is a private company, therefore, no quoted market price is available for its share. No dividends were received from Neova during the years 2015.

#### c) Yotel Investment Limited (Unquoted):

	31 Dec. 2015
	KD
Non-current assets	3,003,645
Current assets	1,498,525
<b>Total assets</b>	<b>4,502,170</b>
Current liabilities	(1,936,510)
<b>Total liabilities</b>	<b>(1,936,510)</b>
<b>Net assets</b>	<b>2,565,660</b>

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

	31 Dec. 2015
	KD
Group's ownership interest	50 %
Net assets of the associate	2,565,660
Group's share of net assets	1,282,830
Goodwill	7,606,171
Carrying amount	8,889,001

## Notes to the consolidated financial statements (continued)

### 25. Investment in associates and joint ventures (continued)

#### c) Yotel Investment Limited (Unquoted): (continued)

The group's subsidiary (IFA Yotel Investment FZE) previously held 100% equity interest in Yotel Investments Limited classified as investment in subsidiary as the parent company exercised control over the investee company. On 31 December 2015, the group's subsidiary disposed 50% of its shares and the right to appoint three of the five directors in Yotel Investment Limited to a third party. The group's subsidiary has accounted for its remaining 50% interest in Yotel Investment Limited as an investment in associate by virtue of a significant influence acquired by having a right to appoint two of the five directors. The investment retained is valued at fair value by KD9,032,007 resulted in recognition of goodwill amounting to KD7,606,171

The identifiable assets and liabilities of Yotel Investment Limited Company at the date of reclassification from subsidiary to associate were as follows:

	31 Dec. 2015
	KD
Total assets	4,502,170
Total liabilities	(1,936,510)
<b>Net assets</b>	<b>2,565,660</b>
Share of net assets acquired – 50%	1,282,830
Less: fair value of residual interest recognised as associate	(9,032,007)
Add: Foreign currency adjustment	143,006
<b>Goodwill</b>	<b>7,606,171</b>

The fair value of Yotel Investment at the date of disposal was based on fair valuation performed by an independent valuer using Discounted Cash Flow methodology; therefore, management believes there is no impairment of the goodwill as at reporting date.

Yotel Investment Limited is a private company, therefore, no quoted market price is available for the share. No dividends were received from Yotel during the year 2015.

#### d) Legend & IFA Development (Pty) Ltd (Unquoted):

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Non-current assets	16,377,922	18,128,194
Current assets	406,127	548,639
<b>Total assets</b>	<b>16,784,049</b>	<b>18,676,833</b>
Non-current liabilities	(2,092,105)	(2,483,093)
Current liabilities	(16,673,793)	(17,859,747)
Total liabilities	(18,765,898)	(20,342,840)
<b>Net assets</b>	<b>(1,981,849)</b>	<b>(1,666,007)</b>

## Notes to the consolidated financial statements (continued)

### 25. Investment in associates and joint ventures (continued)

#### d) Legend & IFA Development (Pty) Ltd (Unquoted): (continued)

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
Revenue	1,845,507	(1,790,478)
Loss for the year	(305,495)	(3,783,020)
Other comprehensive loss for the year	(22,653)	(702,080)
Total comprehensive loss for the year	(328,148)	(4,485,100)

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Group's ownership interest	50 %	50 %
Net assets of the associate	(1,981,849)	(1,666,007)
Groups' share of net assets	(990,925)	(833,004)
Other adjustments	990,925	833,018
Partners' loan	5,749,561	6,604,508
Impairment of partners' loan	(2,500,000)	-
Carrying amount	3,249,561	6,604,522

Legend & IFA Development (Pty) Ltd is a private company, therefore, no quoted market price is available for the share. No dividends were received from Legend during the years 2015 and 2014.

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

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
Group's share of the profits and losses	160,412	16,837
Group's share of total comprehensive income	160,412	16,837
Aggregate carrying amount of group's interest in these associates	78,018	57,990

## Notes to the consolidated financial statements (continued)

### 26. Goodwill

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Carrying value at the beginning of the year	40,761,426	48,665,305
Additions (note 8.4)	104,639	-
Impairment of goodwill - below	(604,639)	(7,946,410)
Foreign exchange translation adjustments	(36,528)	42,531
Carrying value at the end of the year	40,224,898	40,761,426

The goodwill consists of the following:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
IFA Hotels and Resorts Company-KPSC	38,578,309	39,114,837
Dana Real Estate Company	1,646,589	1,646,589
	40,224,898	40,761,426

IFA Hotels and Resorts Company-KPSC and Dana Real Estate Company:

Goodwill acquired through business combination with indefinite life has been allocated to the entire subsidiaries, IFA Hotels and Resorts Company-KPSC and Dana Real Estate Company (cash generating unit), for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

#### *Key assumptions used in value in use calculations*

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

- Gross margins,
- Discount rates and
- Growth rate to extrapolate cash flows beyond forecast period

Gross margins are based on average values achieved in the last three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates reflect the current market assessment of the risks specific to cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the subsidiary.

Projected growth rates and local inflation rate assumptions are based on published research.

## Notes to the consolidated financial statements (continued)

### 26. Goodwill (continued)

#### *Sensitivity to changes in assumptions*

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The group impaired the goodwill amounting to KD604,639 relating to First Takaful Insurance Company-KPSC and IFA Hotels and Resorts - KPSC based on management annual impairment assessment for the fair value of the investee companies goodwill.

### 27. Properties under development

The movement in properties under development is as follows:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Carrying value at the beginning of the year	158,251,603	152,715,385
Effect of adoption of IFRS 15 (note 7)	(96,583,628)	-
	61,667,975	152,715,385
Additions during the year	16,329,991	3,206,355
Transferred from property, plant and equipment (note 29)	6,686,975	-
Cost absorbed during the year	(9,368,949)	(611,862)
Foreign exchange translation adjustments	5,190,546	2,941,725
	80,506,538	158,251,603

During the year, cost of properties under development amounting to KD18,343,176 were transferred to 'Cost of revenue' and KD72,783 was transferred to other operating expenses, following the early adoption of IFRS 15. The costs transferred were in respect of projects being undertaken by Balqis Residence FZE and C Fourteen FZE, subsidiaries of the group.

In the opinion of the management, there has been no impairment in the carrying values of the property under development as at 31 December 2015 (31 December 2014: KD Nil.).

	31 Dec. 2015	31 Dec. 2014
	KD	KD
The above balance consists of the following:		
<b>Cost of land:</b>		
- UAE (Balqis Residence & C14 property)	36,410,068	52,836,912
- Lebanon (Tilal Al Abadiyah)	5,642,200	4,593,976
- Zimbali Prescint Real Estate	281,398	547,564
	42,333,666	57,978,452
Construction, piling and enabling works	28,967,783	80,658,427
Other construction related costs	9,205,089	19,614,724
	80,506,538	158,251,603

Properties under development amounting to KD42,333,666 (31 December 2014: KD57,978,452) are pledged against group's borrowings (note 31).

## Notes to the consolidated financial statements (continued)

### 28. Capital work in progress

These represent hotel and other capital projects under construction in UAE and South Africa.

28.1 Capital work in progress consists of the following:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Land cost-crescent Palm Jumeirah	46,513,762	45,133,824
Construction pilling and enabling works	186,799	528,721
	<b>46,700,561</b>	<b>45,662,545</b>

28.2 The movement in capital work in progress is as follows:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Carrying value at the beginning of the year	45,662,545	335,065
Additions during the year	512,230	187,949
Transferred from investment properties	-	45,133,824
De-recognition on disposal of subsidiary (note 8.2)	(783,696)	-
Foreign currency translation adjustments	1,309,482	5,707
	<b>46,700,561</b>	<b>45,662,545</b>

In the opinion of the management, there has been no impairment in the carrying values of the land as at 31 December 2015 (31 December 2014: KD Nil.).



## Notes to the consolidated financial statements (continued)

### 29. Property, plant and equipment

	Freehold land	Buildings on freehold land	Building on leasehold Land	Plant and equipment	Furniture and fixture	Motor vehicles	Total
31 December 2015	KD	KD	KD	KD	KD	KD	KD
<b>Cost</b>							
At 1 January 2015	7,884,505	106,785,162	8,668,022	4,913,857	8,883,720	249,565	137,384,831
Additions	-	201,724	830,735	1,076,643	1,014,648	4,613	3,128,364
Disposals	-	(204,935)	-	-	(221,227)	(9,953)	(436,115)
Transferred from investment properties	3,014	-	-	-	-	-	3,014
Transferred to properties under development (note 27)	(468,168)	(5,858,504)	-	(162,591)	(197,712)	-	(6,686,975)
De-recognition on disposal of subsidiary(note 8.2)	-	-	(6,056,504)	-	(757,666)	-	(6,814,170)
Foreign currency adjustment	98,311	3,164,004	24,454	175,739	(275,057)	(7,307)	3,180,143
<b>At 31 December 2015</b>	<b>7,517,662</b>	<b>104,087,451</b>	<b>3,466,707</b>	<b>6,003,648</b>	<b>8,446,706</b>	<b>236,918</b>	<b>129,759,092</b>
<b>Accumulated depreciation</b>							
At 1 January 2015	-	7,906,950	2,958,482	2,907,030	4,039,844	167,794	17,980,100
Charge for the year	-	2,000,291	925,976	1,581,674	1,232,306	17,119	5,757,366
Relating to disposals	-	(14,143)	-	-	(71,652)	(6,863)	(92,658)
Relating to de-recognition on disposal of subsidiary(note 8.2)	-	-	(3,211,880)	-	(630,574)	-	(3,842,454)
Foreign currency adjustment	-	424,819	36,202	106,082	(61,781)	(1,333)	503,989
<b>At 31 December 2015</b>	<b>-</b>	<b>10,317,917</b>	<b>708,780</b>	<b>4,594,786</b>	<b>4,508,143</b>	<b>176,717</b>	<b>20,306,343</b>
<b>Net carrying amount</b>							
<b>At 31 December 2015</b>	<b>7,517,662</b>	<b>93,769,534</b>	<b>2,757,927</b>	<b>1,408,862</b>	<b>3,938,563</b>	<b>60,201</b>	<b>109,452,749</b>

## Notes to the consolidated financial statements (continued)

### 29. Property, plant and equipment (continued)

	Freehold land	Buildings on freehold land	Building on leasehold Land	Plant and equipment	Furniture and fixture	Motor Vehicles	Total
31 December 2014	KD	KD	KD	KD	KD	KD	KD
<b>Cost</b>							
At 1 January 2014	7,886,624	105,580,908	9,597,793	5,410,058	6,966,389	179,493	135,621,265
Additions	-	94,734	10,364	495,870	1,343,626	73,758	2,018,352
Disposals	-	-	(903,442)	(50,866)	(185,791)	(776)	(1,140,875)
Reclassifications	-	-	-	(910,615)	910,615	-	-
Foreign currency adjustment	(2,119)	1,109,520	(36,693)	(30,590)	(151,119)	(2,910)	886,089
<b>At 31 December 2014</b>	<b>7,884,505</b>	<b>106,785,162</b>	<b>8,668,022</b>	<b>4,913,857</b>	<b>8,883,720</b>	<b>249,565</b>	<b>137,384,831</b>
<b>Accumulated depreciation and impairment</b>							
At 1 January 2014	-	3,270,606	2,527,755	2,034,936	3,094,471	148,556	11,076,324
Charge for the year	-	2,169,163	498,817	1,109,296	973,031	21,388	4,771,695
Relating to disposals	-	-	(51,854)	(38,500)	(126,466)	-	(216,820)
Relating to reclassifications	-	-	-	(185,454)	185,454	-	-
Impairment	-	2,458,481	-	-	-	-	2,458,481
Foreign currency adjustment	-	8,700	(16,236)	(13,248)	(86,646)	(2,150)	(109,580)
<b>At 31 December 2014</b>	<b>-</b>	<b>7,906,950</b>	<b>2,958,482</b>	<b>2,907,030</b>	<b>4,039,844</b>	<b>167,794</b>	<b>17,980,100</b>
<b>Net carrying amount</b>							
<b>At 31 December 2014</b>	<b>7,884,505</b>	<b>98,878,212</b>	<b>5,709,540</b>	<b>2,006,827</b>	<b>4,843,876</b>	<b>81,771</b>	<b>119,404,731</b>

During the year, property and equipment amounting to KD6,686,975, pertaining to Trunk Propco FZE, a subsidiary of the group, were transferred to properties under development (note 27) after the final cost allocation was undertaken by an expert. This property houses 'Fairmont The Palm' hotel, Penthouses and Private Residential Clubs ("PRCs"), and the total project cost is split amongst these. The portion of costs pertaining to 'Fairmont The Palm' are recognised as property, plant and equipment, while the portion of costs relating to the Penthouses and PRCs was recorded under properties under development as these were yet to be handed over to the buyers, although these costs have eventually been transferred to cost of revenue under IFRS 15 as an opening retained earnings adjustment. Under the final cost allocation, costs amounting to KD6,686,975, which were previously allocated to 'Fairmont The Palm' have been transferred to Penthouses and PRCs.

## Notes to the consolidated financial statements (continued)

### 29. Property, plant and equipment (continued)

In 2014, the management assessed a building erected on a freehold land in South Africa to be impaired by KD2,458,481 based on independent valuer report. No such impairment is recorded in 2015 based on valuation reports as at 31 December 2015.

During the year, the group sold building on freehold land with net book value of KD191,076 for total consideration of KD2,770,283 resulting in a gain on sale of KD2,579,207 (31 December 2014: KD nil).

Land and building with a carrying value of KD6,345,281 (31 December 2014: KD7,008,840) located in South Africa have been pledged as security for term loan facility obtained by subsidiary's of group located in South Africa. Further building with carrying value of KD74,077,903 (31 December 2014: KD92,671,919) located in UAE has been pledged as security for loan facility obtained by subsidiary's of group located in UAE (see note 31).

## Notes to the consolidated financial statements (continued)

### 30. Payables and other credit balances

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Accrued expenses(a-below)	4,546,205	7,092,149
Accounts payable (b-below)	20,843,886	24,181,126
Dividends payable	512,511	515,320
Obligations against purchase of land (c - below)	-	1,201,284
Kuwait Foundation for the Advancement of Science	2,448,681	2,448,681
National Labour Support Tax	7,661,108	7,618,757
Zakat provision	656,268	639,348
Provision for staff end of service benefits and leave	2,726,617	2,311,229
Deferred income	1,955,794	2,128,126
Accrued retention payable	2,822,797	-
Accrued construction costs	2,255,715	733,722
Redeemable preference shares	3,029,147	2,889,252
Refundable deposits on cancellation and resale of units	1,627,298	1,521,039
Land transfer fee payable	2,560,857	1,054,704
Provision for loans receivable	1,556,000	1,556,000
Amount due to policyholders	3,128,133	-
Other payables	10,342,363	7,315,177
	<b>68,673,380</b>	<b>63,205,914</b>

Accrued expenses includes provision amounting to KD1,300,000 against legal cases filed against the UAE subsidiary (note 37)

Accounts payable includes amount of KD1,102,348 (31 December 2014: KD12,840,747) (equivalent AED160,460,181) payable to main contractor, Dubai Contracting Company (DCC) of which an amount of KD12,255,610 (equivalent of AED148,604,698) was paid to DCC in two instalments date 3 July 2015 and 15 July 2015.

During the year the group settled its obligations against purchase of land amounting to KD1,201,284, as a result the title deeds of the land were transferred to the group.

During the year, as part of opening balance adjustments resulting from early adoption of IFRS 15, an amount of KD2,708,569 was recognised in payables and other credit balances (note 7).

## Notes to the consolidated financial statements (continued)

### 31. Borrowings

The loan balances and bank facilities of the group are represented at the date of the consolidated statement of financial position by the following:

	Currency	Period due		Effective interest rates	Purpose	Assets pledged	31 Dec. 2015	31 Dec. 2014
		From	To					
1	USD	28/12/2005	28/12/2019	3.33%	Financing the group's investments	Shares of parent company and IFA H& R shares	36,489,000	35,266,800
2	EUR	15/06/2007	28/12/2019	2.5%	Financing the group's investments	Shares of IFA H& R and certain AFS investments	6,616,976	7,054,242
3	KD	26/06/2014	31/12/2023	4.25%	Repayment of indebtedness	Local portfolio with 120% coverage	23,000,000	23,000,000
4	KD	05/01/2014	31/12/2019	4%	Local equity financing	Financial portfolio with 200% coverage	8,555,000	8,555,000
5	AED	01/05/2007	30/06/2018	7% - 12%	Projects financing	Properties located in Palm Jumeirah, U.A.E and collections deposited in account opened in a foreign bank	96,481,704	80,042,196
6	Rand	23/05/2007	21/05/2017	2% - 8.5%	Financing the group's investments	Mortgage of certain properties, plant and equipment and certain trading properties in South African subsidiaries	12,284,463	12,193,868
7	USD	01/01/2010	31/12/2016	9%	Acquisition of properties	Land included in properties under development	2,857,938	2,977,299
8	EUR	15/09/2011	15/03/2024	6.5%	Acquisition of properties	Investment properties owned by the subsidiary	4,198,383	5,021,760
9	GBP	01/08/2008	31/07/2018	4.5%	Financing the group's investments	Assets of Yotel Airports Limited	-	288,005
							<b>190,483,464</b>	<b>174,399,170</b>

The borrowings are pledged against certain group's assets as follow:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Investments at fair value through profit or loss (note 18)	116,434	158,173
Trading properties (note 21)	3,187,417	3,878,021
Available for sale investments (note 23)	6,755,705	8,379,535
Investment in associate (note 25)	2,448,143	3,133,623
Investment properties (note 24)	7,642,994	8,209,604
Properties under development (note 27)	42,333,666	57,978,452
Property, plant and equipment (note 29)	80,423,184	99,680,759
Investment in subsidiary (note 8)	62,402,154	60,778,583
<b>Total assets pledged</b>	<b>205,309,697</b>	<b>242,196,750</b>

## Notes to the consolidated financial statements (continued)

### 32. Advances received from customers

These balances represent amounts collected in advance from customers of a subsidiary company of the group on the sale of residential flats currently under construction by the group. Advances from those customers are transferred to income upon completion of the construction of the sold unit and handing it over to the customer.

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Balance at the beginning of the year	132,256,127	123,996,415
Effect of adoption of IFRS 15 (note 7)	(104,769,468)	-
	27,486,659	123,996,415
Advances received during the year	7,065,872	5,774,711
Revenue recognised during the year	(16,249,041)	(40,422)
Foreign currency adjustment	3,921,289	2,525,423
Balance at end of the year	22,224,779	132,256,127

### 33. Equity

#### 33.1 Share capital

The authorised, issued and paid up share capital of the parent company comprised of 720,000,000 shares of 100 Fils each, all fully paid (31 December 2014: 720,000,000 shares of 100 Fils each).

#### 33.2 Share premium

Share premium is not available for distribution, unless otherwise stipulated by local laws.

#### 33.3 Treasury shares

	31 Dec. 2015				31 Dec. 2014			
	Number of shares	%	Cost KD	Market Value KD	Number of shares	%	Cost KD	Market Value KD
	47,110,564	6.54	32,757,404	1,366,206	47,110,564	6.54	32,757,404	1,884,423

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable. Treasury shares carried at cost amounting to KD32,743,499 (31 December 2014: KD32,743,499) are pledged as security against group's borrowings.

### 34. Statutory and Voluntary reserves

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

## Notes to the consolidated financial statements (continued)

### 34. Statutory and Voluntary reserves (continued)

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

The parent company's articles of association requires that, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

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

The balance of voluntary reserve as of 31 December 2014 used to set off the accumulated losses of the parent company (note 36).

### 35. Fiduciary accounts

The group manages investment portfolios on behalf of others, mutual funds, and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management as at 31 December 2015 amounted to KD40,547,067 (31 December 2014: KD52,082,306). The group earned management fees of KD80,598 (31 December 2014: KD98,247) from these activities.

### 36. Annual general assembly

The board of directors of the parent company did not propose dividend for the year ended 31 December 2015. This proposal is subject to the approval of the parent company's shareholders at the Annual General Assembly.

The Annual General Assembly of the Shareholders held on 21 September 2015 approved the consolidated financial statements of the group for the year ended 31 December 2014 and approved the directors' proposal not to distribute any dividend for the year ended 31 December 2014.

Also the General Assembly Meeting of the Shareholders held on same date approved to set off part of the accumulated losses of the group amounting to KD28,668,662 through utilisation of the voluntary reserve with the same amount.

### 37. Contingent liabilities

Certain customers have initiated legal proceeding against the UAE subsidiary for the delay in completion of its projects and cancellations of units. Based on the legal opinion of the UAE subsidiary's legal advisors, the group has sufficiently provided for the expected loss that could accrue from these litigations (note 30).

## Notes to the consolidated financial statements (continued)

### 38. Capital Commitments

#### Capital expenditure commitments

At 31 December 2015, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai – UAE , Beirut –Lebanon, and South Africa. The group's share in the estimated funding commitments on these projects is as follows:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Estimated and contracted commitment outstanding on account of revenue projects	16,051,125	27,001,086

The group expects to finance the future expenditure commitments from the following sources:

- a) sale of investment properties;
- b) advances from customers;
- c) raising additional share capital;
- d) advances provided by the shareholders, related entities, joint ventures; and
- e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.



## Notes to the consolidated financial statements (continued)

### 39. Segmental information

The group activities are concentrated in four main segments: asset management, treasury and investments, real estate and others. The segments' results are reported to the higher management in the group. In addition, the segments revenue, assets are reported based on the geographic locations which the group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Asset Management		Treasury and Investments		Real Estate		Others		Total	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Segment income/(loss)	106,736	553,536	20,783,046	1,382,726	25,327,269	20,268,835	1,080,205	(1,875,878)	47,297,256	20,329,219
Segment (loss)/profit	(5,650,636)	(4,218,159)	5,522,555	(28,274,571)	25,327,269	14,886,131	(23,004,245)	(29,702,206)	2,194,943	(47,308,805)
Unallocated expenses (NLST ,Zakat and taxations)									(265,723)	(57,069)
Profit/(loss) for the year									1,929,220	(47,365,874)
Depreciation									5,757,366	4,771,695
Impairment on various assets									4,946,154	28,908,874
Interest and similar expenses									12,470,722	11,637,546
<b>Statement of financial position</b>										
Total segmental assets	109,452,750	119,404,731	120,041,249	111,600,618	145,035,537	224,254,313	-	-	374,529,536	455,259,662
Total segmental liabilities	-	-	(191,776,132)	(174,399,170)	(22,224,779)	(132,256,127)	-	-	(214,000,911)	(306,655,297)
Net segmental assets	109,452,750	119,404,731	(71,734,883)	(62,798,552)	122,810,758	91,998,186	-	-	160,528,625	148,604,365
Unallocated assets									25,308,764	23,419,688
Unallocated liabilities									(96,311,563)	(90,239,035)
<b>Net Assets</b>									<b>89,525,826</b>	<b>81,785,018</b>

Geographical information:-

	Assets		Revenue	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Kuwait	103,991,026	116,548,855	2,229,176	4,524,789
UAE and Asia	243,890,168	313,993,701	26,568,749	9,968,480
Africa	27,388,381	33,084,729	1,570,392	3,657,077
Others	24,568,725	15,052,065	16,928,939	2,178,873
	<b>399,838,300</b>	<b>478,679,350</b>	<b>47,297,256</b>	<b>20,329,219</b>

## Notes to the consolidated financial statements (continued)

### 40. Related parties transactions

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

During the year, the group entities entered into the following transactions with related parties that are not members of the group:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
<b>Balances included in the consolidated statement of financial position:</b>		
Amounts due from related parties (note 20)	5,302,545	3,134,001
Amounts due to related parties (note 20)	27,638,183	26,052,377
Purchase of available for sale investment	-	590,000
<b>Transactions included in the consolidated statement of profit or loss:</b>		
Interest and similar expenses	295,500	284,109
Interest income (note 9)	35,718	25,284
Advisory services (note 10)	-	371,875
Gain on sale of available for sale investments (note 12)	6,754,606	
Gain on sale of subsidiaries (note 7)	8,102,000	1,856,935
Due from related party written off (note 20)	1,551,746	-
Impairment of partners' loan (note 25)	2,500,000	-
<b>Key management compensation of the group:</b>		
Short-term benefits	1,126,741	1,059,714

### 41. Fair value measurement

#### 41.1 Fair value hierarchy

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

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

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

## Notes to the consolidated financial statements (continued)

### 41. Fair value measurement (continued)

#### 41.2 Fair value measurement of financial instruments

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
<b>Financial assets:</b>		
<b><i>Loans and receivables at amortised cost:</i></b>		
- Cash and cash equivalents	13,923,394	6,460,734
- Receivables and other debit balances	7,370,241	7,151,041
- Due from related parties	2,016,963	3,134,001
- Partners' loan	5,749,561	6,604,508
<b><i>Investments at fair value through profit or loss:</i></b>		
-At fair value	532,087	1,114,621
<b><i>Available for sale investments:</i></b>		
-At fair value	24,047,143	27,226,176
-At cost	1,953,565	7,834,672
	<b>55,592,954</b>	<b>59,525,753</b>
<b>Financial liabilities:</b>		
<b><i>Financial liabilities at amortised cost:</i></b>		
-Due to bank	1,292,668	980,744
-Payables and other credit balances	68,673,380	63,205,914
-Due to related parties	27,638,183	26,052,377
-Borrowings	190,483,464	174,399,170
	<b>288,087,695</b>	<b>264,638,205</b>

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values. Certain available for sale investment is carried at cost for reason specified in note 23.

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

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

## Notes to the consolidated financial statements (continued)

### 41. Fair value measurement (continued)

#### 41.2 Fair value measurement of financial instruments

31 December 2015

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<b>Assets:</b>				
<i>Investments at fair value through profit or loss</i>				
<i>Investments held for trading:</i>				
Local:				
Quoted securities	458,144	-	-	458,144
Unquoted securities	-	-	71,272	71,272
Foreign:				
Quoted securities	2,671	-	-	2,671
<i>Available for sale investments</i>				
Quoted securities	272,042	-	-	272,042
Foreign quoted securities	150,641	-	-	150,641
Managed funds	-	637,679	-	637,679
Unquoted securities	-	-	22,986,781	22,986,781
	<b>883,498</b>	<b>637,679</b>	<b>23,058,053</b>	<b>24,579,230</b>
<b>31 December 2014</b>				
<i>Investments at fair value through profit or loss</i>				
<i>Investments held for trading:</i>				
Local:				
Quoted securities	763,510	-	-	763,510
Unquoted securities	-	-	232,156	232,156
Foreign:				
Quoted securities	118,955	-	-	118,955
<i>Available for sale investments</i>				
Quoted securities	434,371	-	-	434,371
Foreign quoted securities	215,446	-	-	215,446
Managed funds	-	578,037	-	578,037
Unquoted securities	-	-	25,998,322	25,998,322
	<b>1,532,282</b>	<b>578,037</b>	<b>26,230,478</b>	<b>28,340,797</b>

## Notes to the consolidated financial statements (continued)

### 41. Fair value measurement (continued)

#### 41.2 Fair value measurement of financial instruments (continued)

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

#### Measurement at fair value

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

#### a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

#### b) Unquoted securities

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

#### c) Investment in managed funds

Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

## Notes to the consolidated financial statements (continued)

### 41. Fair value measurement (continued)

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at		Fair value Hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
	31 Dec. 2015 KD	31 Dec. 2014 KD				
Investment at fair value through Profit or loss:						
Investments held for trading:						
Local:						
Quoted securities	458,144	763,510	1	Quoted bid prices	N/A	N/A
Unquoted securities	71,272	232,156	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Foreign:						
Quoted securities	2,671	118,995	1	Quoted bid prices	N/A	N/A
Available for sale investments						
Quoted securities	272,042	434,371	1	Quoted bid prices	N/A	N/A
Foreign quoted securities	150,641	215,446	1	Quoted bid prices	N/A	N/A
Managed funds	637,679	578,037	2	NAV Basis	N/A	N/A
Unquoted securities	22,986,781	25,998,322	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value

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

## Notes to the consolidated financial statements (continued)

### 41. Fair value measurement (continued)

#### Level 3 fair value measurements

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

	Investments at fair value through profit or loss	
	31 Dec. 2015	31 Dec. 2014
	KD	KD
Opening balance	232,156	232,156
Transferred from level 1	136	-
Gains or losses recognised in:		
- Consolidated statement of profit or loss	(161,020)	-
Closing balance	71,272	232,156

	Available for sale Investments	
	31 Dec. 2015	31 Dec. 2014
	KD	KD
Opening balance	25,998,322	17,663,070
Additions	2,657,098	624,232
Transferred to level 3 previously carried at cost	4,580,155	-
Disposals	(9,682,646)	(2,459,079)
Gains or losses recognised in:		
- Other comprehensive (loss)/income	(566,148)	10,170,099
Closing balance	22,986,781	25,998,322

## Notes to the consolidated financial statements (continued)

### 41. Fair value measurement (continued)

#### 41.3 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:

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<b>31 December 2015</b>				
<b>Investment properties</b>				
Land in Jordan	-	-	393,010	393,010
Land in UAE	-	-	575,351	575,351
Apartments in Dubai – UAE	-	-	132,455	132,455
Apartments in Portugal	-	-	7,642,994	7,642,994
	-	-	8,743,810	8,743,810
<b>31 December 2014</b>				
<b>Investment properties</b>				
Land in Jordan	-	-	404,520	404,520
Land in UAE	-	-	556,170	556,170
Apartments in Dubai – UAE	-	-	91,660	91,660
Apartments in Portugal	-	-	8,209,604	8,209,604
	-	-	9,261,954	9,261,954

The fair value of the investment property has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. For the valuation purpose, the group has selected to use the lower value of the two valuations in accordance with local regularities (31 December 2014: lower of two valuations). Further information regarding the level 3 fair value measurements is set out below:

#### Land in Jordan

**Basis of valuations:** Direct comparison approach having regard to market transactional evidence known to the valuer and recent sales of similar plot of land as reported by the Jordan Land Department.

#### Land in UAE

**Basis of valuations:** Direct comparison approach having regard to market transactional evidence known to the valuer and recent sales of similar plot of land as reported by the Dubai Land Department.



## Notes to the consolidated financial statements (continued)

### 41. Fair value measurement (continued)

#### 41.3 Fair value measurement of non-financial assets (continued)

##### Apartments in Dubai – UAE

**Basis of valuations:** Comparable method. In determining the Gross Development Value (GDV) of the proposed development the valuer has used comparable method, which utilizes the evidence of transactions or current asking prices of similar properties in the immediate vicinity and, if appropriate, applies adjustment to the figures based on market research, discussion with independent agents and in some cases, developers or construction companies

##### Apartments in Portugal

**Basis of valuations:** Market comparison approach. The method is based on comparison of the property value with data, relating to the transaction of properties with similar or comparable characteristics. The used in the valuation is collected directly from the market, providing an objective indicator of values which is used as reference parameter. The method performs a comparison stratification of the data collected to be homogeneous in order to allow comparison and determine which features most relevant. Data are collected from several unobservable sources from the Real Estate Market.

The non-financial assets within this level can be reconciled from beginning to ending balances as follows:

	Investment properties Total	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Opening balance	9,261,954	56,152,810
Transferred to capital work in progress	-	(45,133,824)
Transferred to property, plant and equipment	(3,014)	-
Disposal	-	(252,064)
Gains or losses recognised in consolidated statement of profit or loss:		
Change in fair value of investment properties	(9,651)	(1,831,191)
Foreign currency adjustments	(473,866)	326,223
Closing balance	8,775,423	9,261,954
Total amount included in the consolidated statement of profit or loss for unrealised loss on Level 3 assets	(9,651)	(1,831,191)

## Notes to the consolidated financial statements (continued)

### 42. Risk management objectives and policies

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

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The group's risk management is carried out by the central risk management function 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 which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

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

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

#### 42.1 Market risk

##### a) Foreign currency risk management

The group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to UAE Dirham, Euro, South Africa Rand, Sterling Pound and 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, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. 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 contracts are mainly 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 at year end:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
UAE Dirhams	(94,297,610)	(96,531,375)
Euro	(11,315,686)	(11,753,325)
South African Rand	(18,225,106)	(17,434,526)
Sterling Pound	(627,666)	(537,007)
US Dollar	(52,404,257)	(45,414,617)

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit/(loss) for the year:

## Notes to the consolidated financial statements (continued)

### 42. Risk management objectives and policies (continued)

#### 42.1 Market risk (continued)

	31 Dec. 2015		31 Dec. 2014	
	Changes in variables %	Profit for the year KD	Changes in variables %	Loss for the year KD
UAE Dirham	±3.83	±3,610,415	±3.72	±3,595,239
Euro	±6.37	±720,724	±4.17	±490,598
South African Rand	±24.60	±4,484,093	±6.14	±1,071,032
Sterling Pound	±1.02	±6,398	±2.42	±12,973
US Dollar	±3.88	±2,031,073	±3.67	±1,664,615

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

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 foreign currency risk.

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

#### 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 Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

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

The following table illustrates the sensitivity of the profit/(loss) for the year to a reasonably possible change in interest rates of + 1% and – 1% (31 December 2014: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each date of the consolidated statement of financial position. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2015		31 Dec. 2014	
	+ 1 % KD'000	-1 % KD'000	+ 1 % KD'000	-1 % KD'000
Profit/(loss) for the year	(1,815,373)	1,815,373	(1,672,550)	1,672,550

## Notes to the consolidated financial statements (continued)

### 42. Risk management objectives and policies (continued)

#### 42.1 Market risk (continued)

##### c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, UK, USA, Portugal, Saudi Arabia and Dubai. Equity investments are classified either as "investments at fair value through profit or loss" or "available for sale investments".

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the group. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit/(loss) for the year and equity for the year ended 31 December would have been as follows:

	Profit/(loss) for the year		Equity	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	KD	KD	KD	KD
Investments at fair value through profit or loss	±46,082	±88,251	-	-
Available for sale investments	-	-	±42,262	±64,981

The group's sensitivity to price risk in regards to its unquoted investments cannot be reliably determined due to numerous uncertainties and non availability of reliable information to determine future price of such investments.

## Notes to the consolidated financial statements (continued)

### 42. Risk management objectives and policies (continued)

#### 42.2 Credit risk

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

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Cash and cash equivalents	13,923,394	6,460,734
Investments at fair value through profit or loss	532,087	1,114,621
Partners' loan	5,749,561	6,604,508
Receivables and other debit balances	7,370,241	7,151,041
Due from related parties	2,016,963	3,134,001
Available for sale investments	26,000,708	35,060,848
	<b>55,592,954</b>	<b>59,525,753</b>

Except for receivables and other debit balances referred to in note 19, and available for sale investments referred to in note 23, none of the above financial assets are past due or impaired. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balance and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 42.3.

## Notes to the consolidated financial statements (continued)

### 42. Risk management objectives and policies (continued)

#### 42.3 Concentration of assets

The group operates in different geographical areas. The distribution of financial assets by geographic region is as follows:

	GCC	Asia	Africa	Europe	USA	Total
	KD	KD	KD	KD	KD	KD
<b>At 31 December 2015</b>						
<b>Assets</b>						
Cash and cash equivalents	13,256,024	321,324	260,295	85,567	184	13,923,394
Investments at fair value through profit or loss	529,416	-	-	2,671	-	532,087
Receivables and other debit balances	3,943,938	302,293	2,206,455	557,639	359,916	7,370,241
Partners' loan	5,749,561	-	-	-	-	5,749,561
Due from related parties	1,979,034	-	15,210	22,719	-	2,016,963
Available for sale investments	8,726,196	193,426	1,425,012	1,498,774	14,157,300	26,000,708
<b>Total assets</b>	<b>34,184,169</b>	<b>817,043</b>	<b>3,906,972</b>	<b>2,167,370</b>	<b>14,517,400</b>	<b>55,592,954</b>
<b>At 31 December 2014</b>						
<b>Assets</b>						
Cash and cash equivalents	5,189,348	365,529	338,068	561,886	5,903	6,460,734
Investments at fair value through profit or loss	995,666	-	-	118,955	-	1,114,621
Partners' loan	6,604,508	-	-	-	-	6,604,508
Receivables and other debit balances	1,508,994	140,183	2,775,579	1,315,547	1,410,738	7,151,041
Due from related parties	2,858,665	233,294	15,210	26,832	-	3,134,001
Available for sale investments	9,800,385	228,642	1,394,695	11,556,306	12,080,820	35,060,848
<b>Total assets</b>	<b>26,957,566</b>	<b>967,648</b>	<b>4,523,552</b>	<b>13,579,526</b>	<b>13,497,461</b>	<b>59,525,753</b>

## Notes to the consolidated financial statements (continued)

### 42. Risk management objectives and policies (continued)

#### 42.4 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to 1 year	From 1 to 5 years	Total
	KD	KD	KD
<b>31 December 2015</b>			
<b>Financial liabilities</b>			
Due to bank	1,292,668	-	1,292,668
Payables and other credit balances	48,719,462	19,953,918	68,673,380
Due to related parties	27,638,183	-	27,638,183
Borrowings	44,518,139	159,379,703	203,897,842
Advances received from customers	-	22,224,779	22,224,779
	<b>122,168,452</b>	<b>201,558,400</b>	<b>323,726,852</b>

	Up to 1 year	From 1 to 5 years	Total
	KD	KD	KD
<b>31 December 2014</b>			
<b>Financial liabilities</b>			
Due to bank	1,019,974	-	1,019,974
Payables and other credit balances	48,726,861	14,479,053	63,205,914
Due to related parties	26,052,377	-	26,052,377
Borrowings	23,905,525	195,358,198	219,263,723
Advances received from customers	13,888,148	118,367,979	132,256,127
	<b>113,592,885</b>	<b>328,205,230</b>	<b>441,798,115</b>

## Notes to the consolidated financial statements (continued)

### 42. Risk management objectives and policies (continued)

#### 42.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2015:

	Within 1 year	Over 1 year	Total
	KD	KD	KD
<b>31 December 2015</b>			
<b>Assets</b>			
Cash and cash equivalents	13,923,394	-	13,923,394
Investments at fair value through profit or loss	532,087	-	532,087
Receivables and other debit balances	20,006,220	-	20,006,220
Due from related parties	2,016,963	-	2,016,963
Trading properties	7,486,446	-	7,486,446
Available for sale investments	-	26,000,708	26,000,708
Investment properties	-	10,341,992	10,341,992
Investment in associates	-	42,645,744	42,645,744
Goodwill	-	40,224,898	40,224,898
Properties under development	-	80,506,538	80,506,538
Capital work in progress	-	46,700,561	46,700,561
Property, plant and equipment	-	109,452,749	109,452,749
	<b>43,965,110</b>	<b>355,873,190</b>	<b>399,838,300</b>
<b>Liabilities</b>			
Due to bank	1,292,668	-	1,292,668
Payables and other credit balances	48,719,462	19,953,918	68,673,380
Due to related parties	27,638,183	-	27,638,183
Borrowings	41,619,702	148,863,762	190,483,464
Advances received from customers	-	22,224,779	22,224,779
	<b>119,270,015</b>	<b>191,042,459</b>	<b>310,312,474</b>



## Notes to the consolidated financial statements (continued)

### 42. Risk management objectives and policies (continued)

#### 42.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2014:

	Within 1 year	Over 1 year	Total
	KD	KD	KD
<b>31 December 2014</b>			
<b>Assets</b>			
Cash and cash equivalents	6,460,734	-	6,460,734
Investments at fair value through profit or loss	1,114,621	-	1,114,621
Receivables and other debit balances	19,304,942	-	19,304,942
Due from related parties	3,134,001	-	3,134,001
Trading properties	4,023,921	-	4,023,921
Assets classified as held for sale	5,487,720	-	5,487,720
Available for sale investments	-	35,060,848	35,060,848
Investment properties	-	10,828,524	10,828,524
Investment in associates	-	29,183,734	29,183,734
Goodwill	-	40,761,426	40,761,426
Properties under development	-	158,251,603	158,251,603
Capital work in progress	-	45,662,545	45,662,545
Property, plant and equipment	-	119,404,731	119,404,731
	<b>39,525,939</b>	<b>439,153,411</b>	<b>478,679,350</b>
<b>Liabilities</b>			
Due to bank	980,744	-	980,744
Payables and other credit balances	48,726,861	14,479,053	63,205,914
Due to related parties	26,052,377	-	26,052,377
Borrowings	14,932,615	159,466,555	174,399,170
Advances received from customers	13,888,148	118,367,979	132,256,127
	<b>104,580,745</b>	<b>292,313,587</b>	<b>396,894,332</b>

## Notes to the consolidated financial statements (continued)

### 43. Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management.

### 44. 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 dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

#### Gearing ratio

The group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Debt (a)	190,483,464	174,399,170
Cash and cash equivalents	(12,630,726)	(5,479,990)
Net debt	177,852,738	168,919,180
Equity (b)	89,525,826	81,785,018
<b>Net debt to equity ratio</b>	<b>199%</b>	<b>207%</b>

- a. Debt is defined as long and short term borrowings.
- b. Equity includes all capital and reserves of the group.



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