SALHIA

ANNUAL REPORT

2015

H. H. SHAIKH
SABAH AL-AHMAD AL-JABER AL-SABAH
The Amir of the State of Kuwait

H. H. SHAIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the State of Kuwait

H. H. SHAIKH
JABER MUBARAK AL HAMAD AL-SABAH
Prime Minister - State of Kuwait

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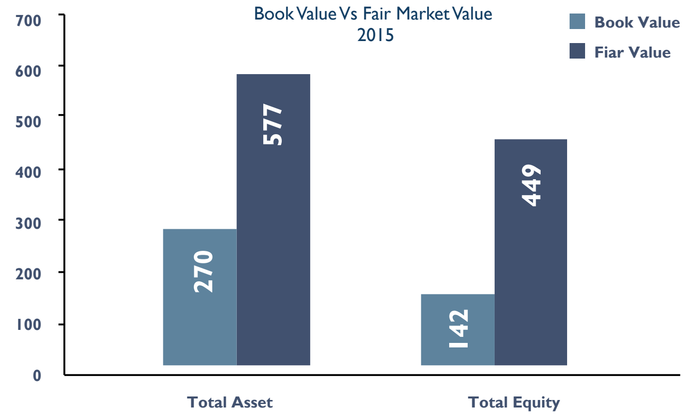
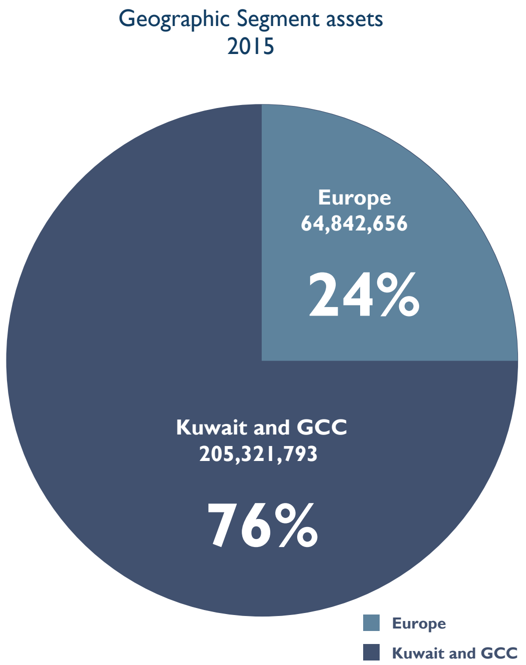
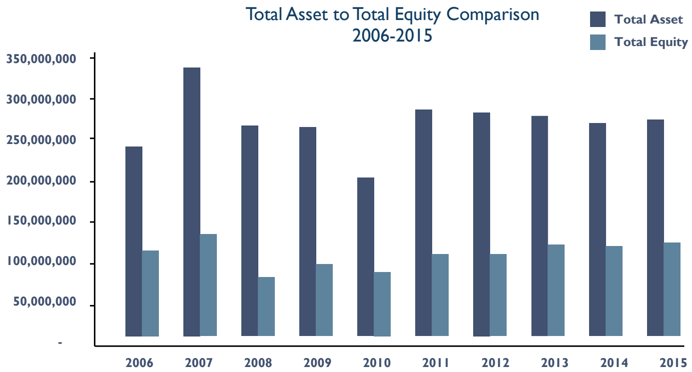
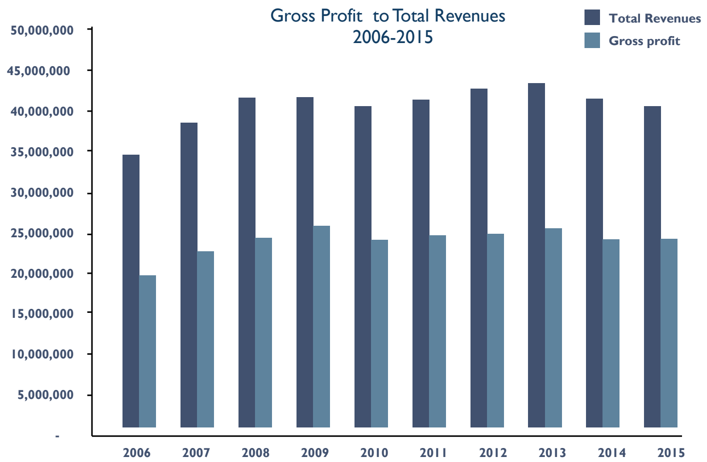
- The Company evaluates its assets by independent professional appraiser in the G.C.C and the European market, The total Asset has been estimated at market value KD 577 Million (Book Value KD270 Million).

- The Estimated fair market value for the total shareholders equity KD 449 Million (Book Value KD142 Million).









BOARD MEMBERS

GHAZI FAHAD ALNAFISI
Chairman

FAISAL ABDUL MOHSEN AL-KHATRASH
Vice Chairman

ANWAR ABDULAZIZ AL-USAIMI
Board Member & Chief Executive Officer

ABDULAZIZ GHAZI ALNAFISI
Board Member & Deputy Chief Executive Officer

YOUSSEF ESSA AL-OTHMAN
Board Member

ABDULRAHMAN ABDULAZIZ AL-BABTAIN
Board Member

MARZOUK FAJHAN AL-MUTAIRI
Board Member

SAUD AHMAD FAISAL AL-ZABIN
Board Member

MOHAMMAD KHALIL AL-MUSAIBEEH
Board Secretary

EXECUTIVE MANAGEMENT

ANWAR ABDULAZIZ AL-USAIMI
Chief Executive Officer

ABDULAZIZ GHAZI ALNAFISI

Deputy Chief Executive Officer – Investment Group Head

HANY A. ABDELNOUR
Finance ,Accounting & HR Group Head

ENG. BADER KHALIFAH AL-ADSANI

Real Estate Management & Development Group Head

MOHAMMAD KHALIL AL-MUSAIBEEH
Group Accounting Manager

NASSER BADER AL-GHANIM
Group Investment Manager

ENG. KIFAH GEORGES
Group Construction Manager

ABDULNASSER BADER ALTURKAIT
Group Information Technology Manager

ALI JASSIM ABUL
Group Human Resources & Administration
Deputy Manager

CHAIRMAN`S STATEMENT

Dear Shareholders,

It gives me great pleasure, on behalf of the Board of Directors, to extend my warmest greetings to you and to present to you the Annual Report and financial results of Salhia Real Estate Company for the financial year which ended 31st December 2015.

The year 2015 was rife with many negative economic and political indicators in view of the continuing decline of oil prices. This has created an atmosphere of doubt and concern regarding the ability of oil producing countries to maintain a stable level of development or their commitment to their future plans and projects due to the negative impact of declining oil prices on their public budgets. On the other hand, regional and international political developments have had a negative effect on the economic situations of all countries worldwide. However, such negative developments have not prevented Salhia Real Estate Company from maintaining its well-balanced performance and achievement of its strategic and financial goals while taking into consideration the interests of its honorable shareholders.

In continuation of the Company's successful approach and its ongoing development and modernization strategy, Salhia Real Estate Company secured the necessary approvals and permits to set up the Assima Project which consists of a unique blend of commercial and investment properties located in the Sharq area with total area of 21,414 sq.m., making it the largest commercial project in Kuwait city.

It is well known that the project previously faced procedural obstacles in the initial stages of design development which for some time negatively contributed to the non-completion thereof. However, thanks to God, Salhia Real Estate Company, as usual, has overcome these challenges

and rebounded with a new development concept for the project, based on investment of all project components and benefits, to secure all necessary approvals and permits easily and smoothly. The Company has laid down the foundation stone for the project and developed its design concept and assigned it to major international consulting firms each according to their area of expertise for completion of the tasks assigned to them.
The project's estimated cost is KD 120 million (Kuwaiti Dinars One Hundred Twenty Million). It is noted that the project shall be financed through the company's own portfolio in addition to bank loans.
With regards to the financial performance for the year 2015, the Company realized a profit of KD 11.6 Million with profit per share of 23.55 Fils in comparison with last year when the profit amounted to KD 11.4 Million, with profit per share of 23.07 Fils, at an increase of 2%.
The Company's total assets amount to KD 270 million in the present year against KD 266 million last year, at an increase rate of 1.3%.
The amount of liabilities has been relatively stable at KD 125 million in the present year which is the same as last year.
On the other hand, the equity increased to KD 142 million in the present year against KD 138 million last year, at an increase rate of 2.5%.
Consequently, the book value increased to 277 Fils against 271 Fils last year, an increase of 2.2%.
The Company's operational revenues have decreased to KD 43 million in the present year against KD 44 million last year, at a decrease of 2.4%.
It is noted that all the above financial information is recorded on historical cost basis in the financial statements of 2015.
The market value of all assets including assets valued by independent professional appraisers at the end of 2015 amounts to KD 577 million whereby the equity combined with the asset re-valuation excess amounts to KD 449 million approximately, increasing the book value as per the fair value of share to 877 Fils per share.

The proposed remuneration to board members for 2015 amounts to KD 120,000 (KD 120,000 in 2014), subject to the approval of the annual shareholders general assembly.

The board of directors proposed cash dividends of 20 Fils for 2015
(2014: 20 Fils) subject to the approval of the annual shareholders general assembly.

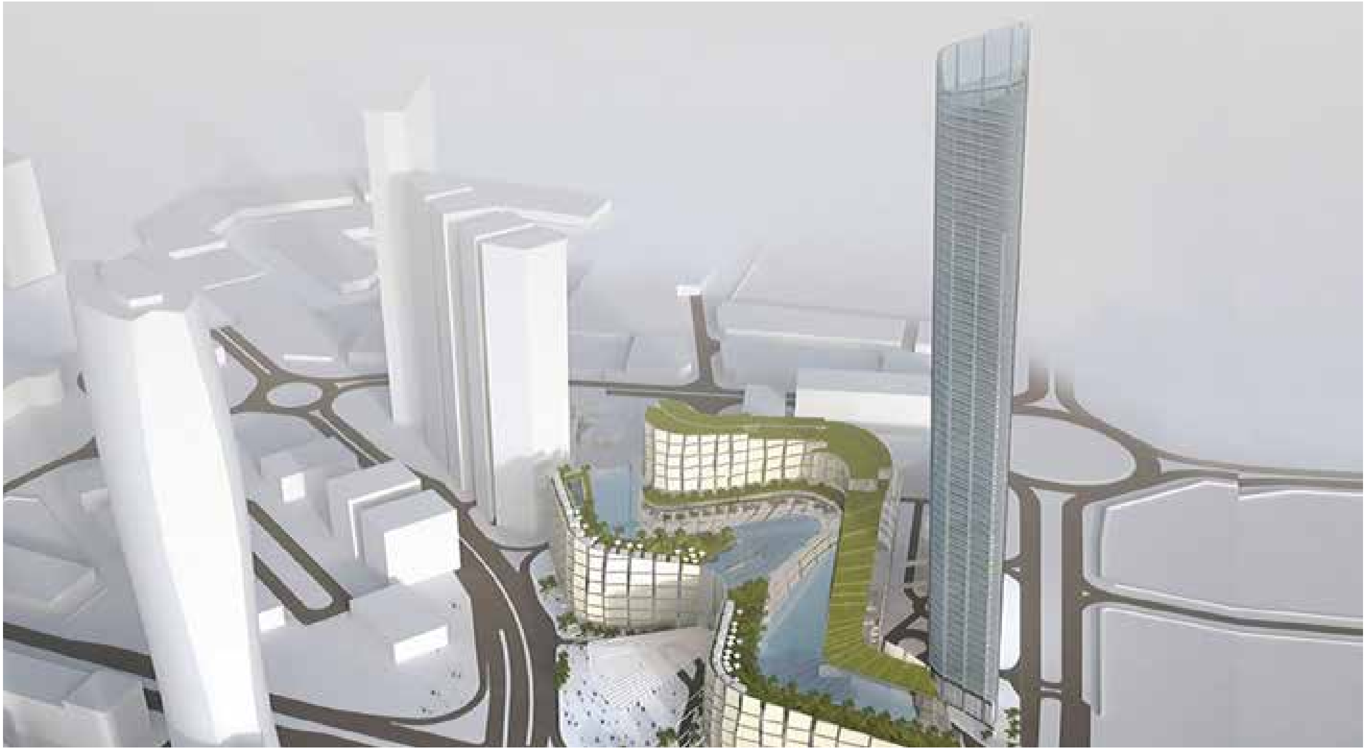
Esteemed shareholders,

In conclusion, we extend our sincere thanks and appreciation for your continuous support and in this regard we appreciate the untiring efforts and support of the Board of Directors and the executive team and all staff of the Company, its departments and foreign branches.
We pray to Almighty Allah for our and your prosperity and success under the leadership of HH The Amir of Kuwait, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, the humanitarian leader and symbol of generosity and prosperity and HH The Crown Prince Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah, the Prime Minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah and the cabinet with sincerest thanks and appreciation.
May Allah keep Kuwait and its people safe and we wish continuous health, prosperity and unity for the progress of our beloved country.
With my best wishes,

Ghazi Fahad Alnafisi
Chairman

REPORT OF THE
BOARD OF DIRECTORS

Local Investments



AL-ASIMA PROJECT

Salhia Real Estate Company secured the necessary approvals and permits for construction of the Assima project which comprises commercial and investment properties located in the Sharq area of Kuwait city, with an area of 21,414sq.m. creating a real estate island which will be unique to the capital. It is considered the largest commercial project in Kuwait city and is divided as follows: 7,358sq.m. as commercial plots, 10,611sq.m. as investment / commercial offices/ plots, 3,445sq.m. for a hotel with the whole project surrounded with state owned lands of about 18.738 sq.m. in area overlooking streets on four sides including two main streets namely Abdulaziz Al-Sagr Street and Khaled Ben Al-Waleed Street.

Project Development Concept:

It is well known that the project faced procedural obstacles in the early developmental stage that negatively contributed to non-completion of the design stage for some time. However, thanks to Allah, Salhia overcame these challenges and returned with several new development concepts based on the investment of whole components that would benefit the project and managed to secure all the necessary approvals and licenses easily and smoothly. The foundation stone for the Project has already been laid and the development concept idea was prepared and assigned to major world renowned consulting firms based on their disciplines and the design functions assigned to them.

This project includes a commercial center with a hotel which will be constructed on an area of 19,668 sq.m. and an office tower built on an area of 1,746 sq.m., in addition to two buildings constructed on state owned land to be utilized as car parks.

Project Components:

The Assima Project consists of several components and primary areas which constitute this prominent edifice, as follows:

First: Commercial Complex

• The commercial complex set up on an area of 19,668 sq.m. consists of three basements on the boundaries of the property including two basements (2nd and 3rd) in the complex to be used as a car park for visitors and tenants. The first basement will be utilized for commercial purposes, followed by five floors namely the ground floor, mezzanine and three floors which will be used for retail shops, restaurants, cafes and entertainment facilities.

The project's commercial floor space equals 72,259 sq.m. and is divided as follows:

• An area of 6,607 sq.m. at the first basement for a hyper central market in view of its accessible entrances and exits and flexible and easy connection to all other components of the project without prejudice to its service aspect (car parking) in addition to other commercial shops with an area of 2,148 sq.m.

• All commercial activities including retail shops,

restaurants and cafes on the ground floor, mezzanine and first floor (GF + 1 + 2) with a total area of 28,673 sq.m.

• The second and third floors with leasable floor space of 21,492 sq.m. will provide entertainment, cinema, restaurant and café facilities.

• The fourth and fifth floors are allocated for an integral health club including all fitness activities and equipment in addition to outdoor roof restaurants on an area of 13,339 sq.m.

Second: Hotel

There will be a hotel above the floors allocated for commercial activities, which will consist of 11 floors containing 147 suits together with related services for restaurants, multi-purpose halls and a health club.

Third: Commercial Office Space

This is an office tower with an area of 1,746 sq.m. consisting of the ground floor and 54 upper floors to be wholly utilized as commercial offices with leasable floor space of 59,700 sq.m., with an average floor space of 1,146 sq.m.– 1,328 sq.m. per floor.

Fourth: Parking Facilities

This will consist of several buildings used as car parks some of which will be built on the company's own land and others which will be built on the state owned land with a total number of 2, 295 parking spaces/ lots distributed as follows:

1. There will be a car park in the second and third basements of the the commercial complex built on the company's own land with an area of 19,668 sq.m. for each floor and a total capacity of 782 parking lots.
2. A car park building to be set up on the state owned land with an area of 6,770sq.m. consisting of three basements, ground floor and six upper floors with a shaded roof car park providing a total of 1,280 parking spaces.
3. A second car park building will also be set up on the state owned land with an area of 3,790sq.m. consisting of three basements, a surface car park with landscaping on the ground floor level housing a total of 233 parking spaces.

Keeping traffic flow as well as adequate and appropriate landscaping of the full project site in mind, the company has been keen to provide separate entrances and exits to all components of the project to ensure the maximum efficiency of traffic flow and to avoid traffic congestion near the project for its visitors and clients as well as by providing ample outdoor space with seating areas beautifully landscaped to allow visitors the opportunity to enjoy the outdoor amenities in good weather in accordance with architectural solutions compatible with the project's architectural and functional shape.

The estimated cost of the project is KD 120 millions (Kuwaiti Dinars One Hundred Twenty Million). It is noted that the project will be financed through the company's own resources in addition to bank loans.

Salhia Commercial complex

The company's original flagship property, Salhia Commercial Complex has long been regarded as Kuwait's premier shopping destination. It is known locally as home to many elite brands and, due to its continuous modernizations and enhancement program, it's reputation is as strong today as it was in 1978 when the complex was opened. It has maintained a unique record of 100 percent occupancy over the years. Located in the heart of Kuwait City's traditional shopping area, it is owned and managed by Salhia. This property was the first multi-functional retail and leisure development in the GCC region. Today it incorporates three floors of stores, focusing on high fashion and classic luxury brands, five floors of luxury offices located above the three floors of stores with a total rentable area of 25,503 sq.m occupied by major commercial corporations and government agencies.

Three neighboring Salhia properties – the JW Marriott Hotel, the Sahab Office Tower, Salhia Plaza and dedicated car parking for 804 vehicles – augment this outstanding development that offers top quality and an all-inclusive experience for shoppers, businesses and visitors alike.

Salhia Plaza

Located near Salhia Commercial Complex – on the roof of the recent car park extension – Salhia Plaza is an elegant landscaped courtyard fringed with cafés, restaurants, gardens incorporating a fountain, and recreational facilities. Opened in 2005, the plaza is already proving a popular meeting point.

Sahab Tower

Occupied by high quality local and international firms, Sahab Tower has yielded a continuous 100 percent occupancy rate since its opening. With three levels dedicated to commercial activities along with 20 storeys of luxurious corporate office space with a rentable area of 10,738 sq.m.

Launched in 1997, Sahab Tower is owned and managed by Salhia. The tower offers magnificent views of Kuwait City, with its central location and it's proximity to Salhia Complex and Salhia Plaza makes it an ideal base for doing business in Kuwait.

JW Marriott Hotel Kuwait City

Being one of the most prestigious hotels in Kuwait, The JW Marriott Hotel Kuwait City provides a wide array of products and services guaranteed to satisfy both business and leisure travelers alike. The hotel consists of 313 luxurious rooms and suites, all of which offer stunning décor with classical Arabian touches. The executive floor offers a private lounge with complimentary breakfast, coffee and snacks throughout the day. Other hotel facilities include a cutting edge health club, an indoor swimming pool and massage rooms.

With its strategic location attached to Kuwait's best Shopping Mall "Salhia", JW Marriott Kuwait city offers convenient world-class shopping, entertainment and dining.

This year, JW Marriott Hotel Kuwait City celebrated the 30th anniversary of the global JW Marriott brand with various events and activities, including "Spirit to Serve" initiatives. In addition, the hotel has also celebrated its 10th anniversary last year with numerous activities and promotions.

JW Marriott Kuwait city is the venue of choice for conferences, meetings and social events. With spacious meeting rooms, the latest audio-visual equipment, attractive design and a professional events management team, the hotel offers multipurpose ballrooms on the 1st and 16th floors with a combined space of 1,560 square meters which enables it to host events of any type or size.

During recent years, the hotel was recognized by many international organizations and has received various international awards, including the Best Luxury Business Hotel Award in 2013 by the World Luxury Hotel Awards, The Best Business Hotel in Kuwait Award by Business Traveler Middle East, and the Certificate of Excellence from TripAdvisor in 2013.

Furthermore, the hotel has recently completed various renovation projects to provide guests with the utmost comfort and luxury, including room refurbishment, installation of new revolving door at the entrance and rebranding the fitness center.

ARRAYA COMMERCIAL CENTRE - RETAIL AND LEISURE

Arraya Commercial Centre has quickly become one of Kuwait's most stylish shopping and dining experiences. A vivid illustration of Salhia's commitment to architectural excellence and multi-purpose utility, the centre opened in 2003 in the eastern part of Kuwait City. The property was designed to address local needs and issues of civic renewal. Centred on a state-of-the-art shopping mall, are Arraya's 31-storey office tower, a major conference and events venue, a recreational plaza, and the Courtyard Marriott Hotel – all supported by a 1,400 vehicle multi-storey car park.

Arraya Commercial Centre is owned and managed by Salhia. The splendid shopping mall is highly popular with affluent local and expatriate shoppers and the blend of jewellery's, clothing, accessories and beauty outlets is complemented by a wide selection of restaurants and cafés.

ARRAYA COMMERCIAL CENTRE - OFFICES

Renowned international and local firms always seek prime locations for their operations in the country. They also will not compromise on access, quality of premises and services and the view on which their offices overlook. A clear understanding of this, and the other needs of these companies underlies the continuous 100% occupancy rate of Arraya Offices located in the top seven floors of Arraya Tower.

Three state-of-the-art elevators link these floors and have been separated from the elevators serving the floors of the hotel to ensure accessibility at all times. The offices are all equipped with the latest information and communication technologies including a digital telephone system and immediate access to the internet.

ARRAYA TOWER

At 60 storeys, Arraya Tower II is one of Kuwait's highest office buildings. Salhia was the first company to benefit from Kuwait Municipality's new regulations allowing construction up to a height of 100 levels on a 1,058 sq.m plot of land adjacent to Arraya Commercial Complex.

Arraya Tower II is owned and managed by Salhia. It consists of modern offices, and has the latest information and communications technology.

With sixteen elevators servicing tenants easy mobility between floors is secured, as well as a highly advanced security system connects all areas to ensure the safety and comfort of visitors, and tenant a like.

Courtyard by Marriott Hotel Kuwait City

Courtyard by Marriott Hotel Kuwait City is the perfect choice for travelers who look forward to a comfortable and memorable stay. Located in the heart of Kuwait's main business district, this modern property offers 264 rooms and is attached to the magnificent Arraya Shopping Mall.

The hotel marked the 30th anniversary of the global Courtyard by Marriott brand last year (with nearly 1,000 hotels in 70 countries) with a big celebration for its guests, associates and media representatives in Kuwait.

In addition, "Waves" Health Club & Spa has introduced a wide array of new offers and treatments to cater to all guests' needs and requirements. "Waves" offers a superb range of equipment, a stunning swimming pool located on the roof exercise fitness and an alluring selection of holistic massages to provide guests with an exceptional experience. The pool also underwent a complete resurfacing to guarantee a high level of comfort and enjoyment to all guests. Other refurbishment projects included the meeting rooms and the main lobby.

The Courtyard by Marriott is chic, modern and contemporary with exquisite dining options, including the "Atrium" Restaurant and Lounge, which has recently been refurbished. "Soul & Spice" Indian Restaurant which offers incredible flavors and captivating aromas of India and the recently opened Japanese Restaurant "Sushi".

Whether it is living, entertaining, dining, relaxing or shopping, The Courtyard by Marriott Kuwait City is a lifestyle destination in itself.

Arraya Ballroom

Proudly managed by Marriott International, the Arraya Ballroom is an epitome of luxury and unmatched elegance in the heart of Kuwait. Renowned for hosting some of the country's most important and historic events and celebrations, this 1,500 square meter ballroom is considered one of the best event venues in Kuwait with its unparalleled services and facilities. The Ballroom can be divided into six massive sub sections to fit any meeting type or size, alongside a grand foyer and its own exclusive driveway with parking for over 1,000 vehicles.

Arraya Ballroom underwent various refurbishments in 2013, ranging from improving the design of the ceiling to updating the paneling on the walls. To complement its strong presence as Kuwait's most prestigious events venue, Arraya Ballroom has launched a new website www.arrayaballroomkuwait.com to provide all the necessary information to events' organizers and facilitate the booking process.

"Arraya" has also introduced exquisite new lines of glassware, china ware, floral presentations, futuristic lighting and sound equipment, as well as attentive staff members who handle every detail. The luxury ballroom also provides amazing wedding cakes, ice carvings and a wide range of menus to make every event a huge success.

REPORT OF THE
BOARD OF DIRECTORS

International Investment


SALH

KEY PROPERTY INVESTMENTS

The UK economy has remained stable compared to other European markets. The May 2015 General Election has resulted in the Conservative Party being elected to govern for the next 5 years, providing a greater degree of confidence. However, caution is still being expressed by the government, the Bank of England and market followers. This uncertainty is affected by the other European and the world economies with particular concerns over China. The UK remains one of the most stable and safe havens for international investment.

During 2015, there has been a continuing surge in activity reported in all sectors of the UK property market, particularly focussed on the London market and in the prime markets outside of London. However in Quarter 3 of 2015, the market has experienced the initial stages of a slowdown. The slowdown in investment recorded across the UK marks differing performances by sector and region. The search for value has led an increasing number of investors to look beyond London for opportunities. Around 60% of investment activity during the last year took place in the regions, its highest level since 2006, with particular interest in the north and west. Manchester and Birmingham in particular remain very much in vogue.

Investors from around the world have continued to commit, particularly in some of the larger transactions, although the institutional market has also been very active. Good value opportunities are becoming harder for investors to find and there has been increasing evidence of them moving up the risk curve in 2015. Looking ahead to 2016 this trend is likely to continue, with the emphasis shifting further towards income growth as the cycle evolves.

Rents in central London and regional occupational markets have continued to rise, fueling continuing capital growth. In the prime markets, yields have continued to harden accordingly. However, there remains an element of uncertainty in the secondary and tertiary markets and buyers remain more cautious.

Residential prices across prime London rose by just over 2% up to the end of September 2015. Price falls were triggered immediately after the new stamp duty rates were announced in December 2014. The slowing price growth across the prime London market also reflects a market that had seen five and a half years of sustained growth prior to the tax changes.

The KPI portfolio continues to perform well and continued improvement in revaluation expectations are positive. The increase in development and investor interest outside of London is having a beneficial impact on overall values in all sectors of the portfolio.

The sale of the Leicester Road, Rugby retail park, which completed in November, has resulted in a good profit. Further sales are programmed and these will be reported as they occur.

The new multiscreen Vue cinema in the heart of Farnborough town centre has started trading and stimulated interest from a number of restauranteurs. Prezzo, a 200 unit restaurant chain, has now opened and is trading and another is expected to be trading by February.

Good progress is being made on a number of projects around the country, from planning to construction, ensuring maximisation of opportunity and value. Sales will follow when appropriate.

Salhia's partner in KPI, St Modwen Properties Plc, continue to actively work the wide range of development and investment opportunities within the portfolio in order to maximize income and sales values.

BEORMA QUARTER

Salhia Real Estate Company has secured the necessary approvals and permits from the council of Birmingham municipality in the UK to set up Beorma Quarter project. The new plans for the second and third stages of the project were approved through Salhia Investment Birmingham Limited (a subsidiary owned 100% by Salhia Real Estate Company).

Birmingham city is located in the West Midlands in central England with a total area of 267.77 sq.km. It is considered the second largest city in the UK with a population of about 3,707,000.

It is well known for its historical character and is one of the most prominent commercial centers and also one of the largest industrial cities in Europe. The origin of Birmingham city dates back to the 11th century. A reference to the then small village is made in the registry of lands recorded in the reign of William, the Conqueror and in 1166 the city was granted the right of establishment of markets and since then has prospered into a commercial center. Birmingham is now deemed one of the most modern British cities and a British international center for trade, industry and business. It is the domicile of several British and international commercial banks. It contains hundreds of law firms. It is the second largest insurance market in Europe. In addition, it hosts major accounting and management consultation firms. It is the largest British center of industry and engineering. One can say that Birmingham city has built an international reputation as the center of European convergence as it alone attracts more than 40% of total world conference business and receives about 20 million visitors a year.

In addition to the efforts of the Company and its representative in the UK, several positive developments contributed towards the official approval of the project as the people of Birmingham area expressed their enthusiasm for the project in view of its advantages in terms of design, available utilities and prime location since this project will contribute to the economic boom in the area.

In the beginning of 2009, the Chairman of the Birmingham Municipal Council visited Salhia Real Estate Company's Headquarters and he was taken on a tour of all of Salhia's properties and projects in Kuwait. This visit contributed greatly to the promotion of trust of the Council of Birmingham municipality in the capabilities of Salhia Real Estate Company in connection with the establishment, operation and management of large real estate projects.

The Beorma project consists of twelve plots of land purchased in 2007 in the center of Birmingham city considered from ancient times to be the homeland of the Beorma tribe of Anglo-Saxons, for which the Project has been named. In view of its long term vision and business strategy, the Company merged these plots of land providing a total area of nearly two acres (8000 sq.m.). The site is characterized with its proximity to Selfridges store and Bullring commercial complex and overlooks four main streets. It is also located near the soon to be completed train station HS2. This high speed railway station will rank second in terms of speed in Britain to link London and Birmingham.

The design of Beorma project is compatible with Brigade Lotus specifications and design. The project has multiple uses. It includes a modern tower consisting of business offices and retail shops and taking into consideration the historical character of the site with its Cold Store building which was constructed in 1899 and is historically graded, Salhia is keen to maintain these historical landmarks and make them an integral part of the Beorma project to retain the heritage of these old buildings as well as to add to the historical character of the project while as the same time maximizing the use of leasable office space.

The project contains business offices, retail shops, residential flats and a hotel as well as cafes and restaurants. The project is characterized by the provision of common spaces in its core and some cafes, restaurants and shops.

The total project floor space is 57,710 sq.m. divided into three stages. The first stage of construction was completed in June 2015 on an area of 6,443 sq.m. It includes hotel apartments containing 108 rooms managed by Accor, a leading French company in the field of hotel operation. The hotel was opened in September this year. The last phase of the first stage was also completed, namely the renovation of the private building historically graded to create leasable office floor space of 3,183 sq.m. in addition to the hotel apartments.

Regarding the second and third stages which were recently approved by Birmingham municipality, the second stage includes the construction of a 30 storey multi-purpose building consisting of 125 residential flats (60 one bedroom, 31 two bedroom and 34 three bedroom flats) and especially allocated areas for retail shops and business offices. The floor space of this tower is 36,731 sq.m which overlooks the Selfridges and Bullring project.

The third stage will includes the construction of two buildings, one building consisting of 7 floors for offices and the other building consisting of 13 floors containing 69 residential flats (1 studio flat, 50 one bedroom flats, 18 two bedrooms flats) with floor space of 11,353 sq.m.

The full project is planned for completion by the end of 2018. It is noted that the total cost of the project including its three stages will be about Sterling Pounds 160 million (Sterling Pounds One Hundred Sixty Million) and will be financed by the Company's own funds as well as by borrowing from British banks.

GERMANY HADDIA HOLDING GMbH

Our German subsidiary, Haddia Holding GmbH, is 91% owned by Salhia, and through its operating subsidiary Dana, manages and operates a total of 1,614 beds in 13 nursing homes and 4 properties for assisted living as well as 2 "Dana Lifestyle" properties, all located in the north western region of Germany. Dana's Head office is situated in Hannover and the group employs 950 highly qualified and trained employees specialized in geriatric care.

The nursing homes and the assisted living properties are wholly owned by SAREC, another subsidiary of Haddia.

A new concept "Dana Lifestyle" was developed in 2013 to meet the current requirements of the changing market for the care of the elderly. This concept of "Dana Lifestyle" was developed on two new properties, each consisting of 17 apartments which were especially outfitted to meet the specialized needs of elderly clients and residents and to provide maximum comfort and ease of living. The apartments have the option of being rented or purchased outright. In 2014, Dana completed the construction of the two "Dana Lifestyle" properties with a total of 34 apartments and is currently managing the lease or sale of the apartments.

In 2015, Dana started with refurbishment works in one of its senior residences in the town of Bad Pyrmont, in order to meet the changing market demand for spacious apartments. Several small studio apartments have been merged into attractive larger apartments with the latest amenities and facilities for senior residents.

Haddia has continued to maintain its market position of being one of Germany's best health care and assisted living providers in the field of geriatric care, and is prominent in Germany as a provider of top class properties which maintain a very high standard of health care and service to its elderly clients and residents.

HUMAN RESOURCES

The Human Resources Group is amongst the most important support services groups in the organization. Salhia Real Estate Company continuously invests in its human resources by providing both international and local training programs to develop their skills to acquire the knowledge necessary for their employees' high standard achievement. The Human Resources Group in coordination with other groups strives to recruit the best talent available in the market to meet the growing need for competent staff, which ensures the achievement of the high goals set by the Board.

INFORMATION TECHNOLOGY

Salhia utilizes sophisticated IT systems by exploring some of the latest technologies in order to make use of the best tools available to accommodate all aspects of its business and development needs as well as to benefit the company's projects, by incorporating and implementing the latest technology along with highly skilled and trained IT personnel.

Salhia's new Alasima Project, is one of the biggest projects in Kuwait and Salhia is planning to utilize state-of-the-art architecture and technology for this project. In order to achieve this, the IT Department is working side by side with the project teams to assess the requirements, facilities and services needed for this project in order to achieve the best possible design solution that can be implemented.

The IT Department is also in the process of reviewing the existing approved Oracle Application and Database systems in order to accommodate and integrate the Alasima Project into its current applications.

We are also in the process of setting up a plan to review the existing active and passive infrastructure of our network components in order to accommodate any future expansion of our IT systems.

SALHIA REAL ESTATE COMPANY K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 the 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.

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

Opinion

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

Report on other legal and regulatory requirements

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

We further report that, during the course of our audit, we have not become aware of any violations 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.

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

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

15 February 2016
Kuwait

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Revenues		42,973,431	44,022,766
Operating costs		(17,713,587)	(18,838,097)
Gross profit		25,259,844	25,184,669
Share in joint venture's results, net of tax	9	1,733,924	1,597,828
General and administrative expenses		(4,247,601)	(3,667,355)
Depreciation	10,11	(5,774,325)	(5,964,606)
Sales and marketing expenses		(785,007)	(798,889)
Investment income	4	203,438	788,222
Foreign exchange gain (loss)		115,156	(392,826)
Interest income		28,337	275,288
Other income, net		51,768	159,183
Impairment loss on financial assets available for sale	8	(3,117,912)	(274,298)
Reversal of impairment of investment properties	10	1,255,236	-
Finance costs		(2,451,937)	(4,541,918)
Profit before tax		12,270,921	12,365,298
Taxation on overseas subsidiaries		(27,706)	(209,593)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' FEES		12,243,215	12,155,705
KFAS		(109,879)	(110,359)
NLST		(305,375)	(306,065)
Zakat		(109,879)	(110,357)
Directors' fees	18	(120,000)	(120,000)
PROFIT FOR THE YEAR		11,598,082	11,508,924
Attributable to:			
Equity holders of the Parent Company		11,626,302	11,422,038
Non-controlling interests		(28,220)	86,886
		11,598,082	11,508,924
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	23.55 fils	23.07 fils

The attached notes 1 to 25 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Note	2015 KD	2014 KD
Profit for the year		**11,598,082**	11,508,924
Other comprehensive income (loss):			
Items of other comprehensive income (loss) that are or may be reclassified to consolidated statement of income in subsequent periods:			
Net movement in cumulative changes in fair value of financial assets available for sale		**(285,372)**	1,718,093
Exchange differences arising on translation of foreign operations		**1,438,691**	(4,403,690)
Realised gain on sale of financial assets available for sale transferred to consolidated statement of income	4	**(70,885)**	(629,984)
Impairment loss of financial assets available for sale transferred to consolidated statement of income		**788,672**	252,026
Total comprehensive income (loss) for the year		**1,871,106**	(3,063,555)
Total comprehensive income for the year		**13,469,188**	8,445,369
Attributable to:			
Equity holders of the Parent Company		**13,753,455**	8,667,117
Non-controlling interests		**(284,267)**	(221,748)
		13,469,188	8,445,369

The attached notes 1 to 25 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	2015 KD	2014 KD
ASSETS			
Cash and bank balances	6	**7,688,185**	7,975,666
Fixed deposits		**1,396,951**	529,895
Inventories		**334,748**	349,110
Accounts receivable and other assets	7	**6,092,211**	6,489,549
Financial assets available for sale	8	**8,702,681**	10,100,742
Interest in joint venture	9	**14,494,630**	15,194,875
Investment properties	10	**157,085,671**	146,454,079
Property and equipment	11	**74,369,372**	79,692,334
TOTAL ASSETS		**270,164,449**	266,786,250
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and other liabilities	12	**16,246,053**	19,261,898
Commercial financing	13	**33,167,987**	24,544,119
Islamic financing	14	**76,192,005**	81,583,334
TOTAL LIABILITIES		**125,606,045**	125,389,351
EQUITY			
Share capital	15	**51,272,341**	51,272,341
Share premium		**35,055,163**	35,055,163
Treasury shares	16	**(4,713,364)**	(4,289,737)
Treasury shares reserve		**1,817,810**	1,817,810
Statutory reserve	17	**25,488,723**	24,261,580
Voluntary reserve	17	**20,489,290**	20,489,290
Retained earnings		**15,316,232**	14,801,129
Fair value reserve		**28,011**	(404,404)
Foreign currency translation reserve		**(2,680,465)**	(4,375,203)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**142,073,741**	138,627,969
Non-controlling interests		**2,484,663**	2,768,930
TOTAL EQUITY		**144,558,404**	141,396,899
TOTAL LIABILITIES AND EQUITY		**270,164,449**	266,786,250

Ghazi Fahad Alnafisi
Chairman

 The attached notes 1 to 25 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Attributable to equity holders of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Subtotal KD	Non-controlling interests KD	Total equity KD
Balance as at 1 January 2015	**51,272,341**	**35,055,163**	**(4,289,737)**	**1,817,810**	**24,261,580**	**20,489,290**	**14,801,129**	**(404,404)**	**(4,375,203)**	**138,627,969**	**2,768,930**	**141,396,899**
Profit for the year	-	-	-	-	-	-	11,626,302	-	-	11,626,302	(28,220)	11,598,082
Other comprehensive income (loss)	-	-	-	-	-	-	-	432,415	1,694,738	2,127,153	(256,047)	1,871,106
Total comprehensive income (loss)	-	-	-	-	-	-	11,626,302	432,415	1,694,738	13,753,455	(284,267)	13,469,188
Purchased of treasury shares	-	-	(423,627)	-	-	-	-	-	-	(423,627)	-	(423,627)
Dividends (Note 15)	-	-	-	-	-	-	(9,884,056)	-	-	(9,884,056)	-	(9,884,056)
Transfer to reserves	-	-	-	-	1,227,143	-	(1,227,143)	-	-	-	-	-
Balance as at 31 December 2015	**51,272,341**	**35,055,163**	**(4,713,364)**	**1,817,810**	**25,488,723**	**20,489,290**	**15,316,232**	**28,011**	**(2,680,465)**	**142,073,741**	**2,484,663**	**144,558,404**
Balance as at 1 January 2014	51,272,341	35,055,163	(3,941,495)	1,817,810	23,054,698	20,489,290	14,492,441	(1,744,539)	(280,147)	140,215,562	2,990,678	143,206,240
Profit for the year	-	-	-	-	-	-	11,422,038	-	-	11,422,038	86,886	11,508,924
Other comprehensive income (loss)	-	-	-	-	-	-	-	1,340,135	(4,095,056)	(2,754,921)	(308,634)	(3,063,555)
Total comprehensive income	-	-	-	-	-	-	11,422,038	1,340,135	(4,095,056)	8,667,117	(221,748)	8,445,369
Purchased of treasury shares	-	-	(348,242)	-	-	-	-	-	-	(348,242)	-	(348,242)
Dividends (Note 15)	-	-	-	-	-	-	(9,906,468)	-	-	(9,906,468)	-	(9,906,468)
Transfer to reserve	-	-	-	-	1,206,882	-	(1,206,882)	-	-	-	-	-
Balance as at 31 December 2014	51,272,341	35,055,163	(4,289,737)	1,817,810	24,261,580	20,489,290	14,801,129	(404,404)	(4,375,203)	138,627,969	2,768,930	141,396,899

The attached notes 1 to 25 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' fees		**12,243,215**	12,155,705
Adjustments for:			
Share in joint venture's results, net of tax	9	**(1,733,924)**	(1,597,828)
Depreciation	10,11	**5,774,325**	5,964,606
Provision for employees' terminal benefits		**481,360**	500,910
Investment income	4	**(203,438)**	(788,222)
Foreign exchange gain (loss)		**(115,156)**	392,826
Interest income		**(28,337)**	(275,288)
Reversal of impairment of investment properties	10	**(1,255,236)**	-
Finance costs		**2,451,937**	4,541,918
Impairment loss on financial assets available for sale	8	**3,117,912**	274,298
Gain on sale of property and equipment		**(12,330)**	(15,062)
		20,720,328	21,153,863
Changes in operating assets and liabilities			
Inventories		**14,362**	(20,871)
Accounts receivable and other assets		**397,338**	415,003
Accounts payable and other liabilities		**(1,276,181)**	2,046,249
Cash from operations		**19,855,847**	23,594,244
Employees' terminal benefits paid		**(195,205)**	(132,487)
KFAS paid		**(110,359)**	(152,526)
NLST paid		**(306,065)**	(373,740)
Zakat paid		**(110,357)**	(149,496)
Directors' fees paid		**(120,000)**	(120,000)
Net cash flows from operating activities		**19,013,861**	22,665,995
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(1,818,167)**	-
Proceeds from sale of financial assets available for sale		**169,201**	704,567
Additions to investment properties	10	**(11,382,901)**	(5,605,880)
Additions to property and equipment	11	**(1,029,606)**	(1,178,737)
Net movement in due on purchase of investment property		**(1,193,996)**	-
Proceeds from sale of property and equipment		**18,734**	22,806
Investment income received	4	**132,553**	158,238
Dividends received from joint venture	9	**4,590,000**	2,350,002
Interest income received		**28,337**	275,288
Fixed deposits		**(867,056)**	2,128,069
Net cash flows used in investing activities		**(11,352,901)**	(1,145,647)
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings obtained		**19,011,185**	10,000,000
Repayment of commercial and Islamic financings		**(14,200,006)**	(16,033,927)
Finance costs paid		**(2,451,937)**	(4,541,918)
Dividends paid	15	**(9,884,056)**	(9,906,468)
Purchase of treasury shares		**(423,627)**	(348,242)
Net cash flows used in financing activities		**(7,948,441)**	(20,830,555)
NET (DECREASE) INCREASE IN CASH AND BANK BALANCES		**(287,481)**	689,793
Cash and bank balances as at 1 January		**7,975,666**	7,285,873
CASH AND BANK BALANCES AS AT 31 DECEMBER	6	**7,688,185**	7,975,666

 The attached notes 1 to 25 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

1 CORPORATE INFORMATION

The consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors 15 February 2016. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Group comprises Salhia Real Estate Company K.S.C.P. and its Subsidiaries listed in Note 19.

The Parent Company is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. It's registered office is located at Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and care home operation in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

2 SIGNIFICANT ACCOUNTING POLICES
2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).
Basis of preparation
The consolidated financial statements are prepared under the historical cost basis except for financial assets available for sale that have been measured at fair value.
The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries including special purpose entities as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.2 BASIS OF CONSOLIDATION (continued)

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

Consolidated statement of income and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.3 CHANGES IN ACCOUNTING POLICIES

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

IFRS 3 Business Combinations (Amendment)
The amendment is applied prospectively for annual periods beginning on or after 1 January 2015 and clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.
IFRS 8 Operating Segments (Amendment)
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2015 and clarify that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.3 CHANGES IN ACCOUNTING POLICIES (continued)

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

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

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9: Financial Instruments: Classification and Measurement
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.
IFRS 15 – Revenue from Contracts with customers ("IFRS 15")

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Business combinations and goodwill (continued)

non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statement of income within "administrative expenses".

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.
If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

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

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

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and also exposed to credit risk. The specific recognition criteria described below must also be met before revenue is recognised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Revenue recognition (continued)

Interest income
Interest income is recognized as it accrues using the effective interest rate method ("EIR").

Hotel and care home income
Hotel and care home income represents the invoiced value of services provided during the year.

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

Gain or loss on sale of investment properties and investment securities
Gain or loss on sale of investment properties and investment securities is recognised when the sale transaction is consummated.

Finance costs
Finance costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Foreign currency translation
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to the consolidated statement of income reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are included within foreign currency gain or loss in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Foreign currency translation (continued)

currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates and joint venture investments, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to the consolidated statement of other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

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

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Company (net of accumulated losses brought forward) after accounting for the transfer to statutory reserve and after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and Subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

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.

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.

Financial assets and liabilities

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

Accounts receivable and other assets

Accounts receivable and other assets are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. When accounts receivable and other assets are uncollectible, it is written off.

Cash and bank balances

Cash and bank balances are short-term, highly liquid investments including short-term fixed deposits that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value, net of due to banks contractually due within three months.

Fixed deposits

Fixed deposits in the statement of financial position comprise term deposit with original maturity of one year or less.

Financial assets available for sale

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial assets and liabilities (continued)

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

Commercial financing
After initial recognition, interest bearing commercial financing is subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Islamic financing
Islamic financing represents murabaha and wakala financing taken under murabaha and wakala arrangements. Islamic financing is stated at the gross amount of the payable, net of deferred cost payable. Deferred cost payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Fair values
The Group measures financial instruments, such as financial assets at fair value through profit or loss and financial assets available for sale, and non-financial assets such as investment properties at each reporting date.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Fair values (continued)

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

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

An analysis of fair values of financial instruments and further are provided in Note 8.

The management assessed that fair values of financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

De-recognition of financial assets and liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognized when:

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

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

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

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

Impairment and uncollectibility of financial assets
An assessment is made at each reporting date to determine, in case of financial asset, whether there is objective evidence that a specific financial asset may be impaired and, in case of other assets, whether there is an indication that

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)

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

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

Impairment is determined as follows:

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

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

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

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

Offsetting of financial instruments

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

Inventories

Inventories of food and beverages are valued at the lower of cost and net realizable value after making due allowance for any expired or slow-moving items. Cost is determined by the first-in, first-out basis.
Net realizable value is based on estimated selling price less any further costs expected to be incurred on sale.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in joint venture
The interest in the joint venture is accounted for using the equity method. Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method, the interest in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of income its share of the results of the joint venture from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of interest in joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The joint venture's financial statements are prepared to the Parent Company's reporting date or to a date not earlier or later than three months of the Parent Company's reporting date. Where practicable, appropriate adjustments are made to the joint venture's financial statements to bring them in line with the Group's accounting policies.

Upon loss of joint control over the venture, the group measures and recognize any retained investment at its fair value.

Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less provision for impairment. Buildings are depreciated using the straight line method over their estimated useful lives which vary between 10 to 50 years.

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, properties are written down to their recoverable amount.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment

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At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Investment properties (continued)
property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Properties under construction
Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and impairment in value (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is provided on a straight line basis at rates calculated to write-off the cost of each asset over its expected useful life as follows:

- Buildings and related immovable equipment 10 to 50 years
- Furniture and equipment 10 years
- Motor vehicles 5 years

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

The useful economic lives of property and equipment are reviewed at each financial year and revised for significant change where necessary.

An item of property and equipment initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or dispoals.

Any gain or loss arising on derecognition of the assets is included in the consolidated statement of income when the asset is derecognised.

Capital work in progress
Capital work in progress is carried at cost less impairment in value (if any). Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed, the asset is transferred to the respective assets class.
The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-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 reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Share-based payments

The Group operates equity-settled transactions in the form of, share-based employees share option plan (ESOP). Under the terms of the plan, share options are granted to eligible employees and are exercisable at the end of the vesting period. The fair value of the options is recognised as an expense over the vesting period with a corresponding effect in equity. The fair value of the options is determined using the Black-Scholes option pricing model.

The proceeds received from the exercise of the share options are credited to share capital (nominal value) and share premium when the options are exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICES (continued)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Business combinations
The Group acquires Subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of Subsidiaries does not represent a business, it is accounted for as an acquisition of a group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements (continued)

of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Classification of real estate

Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment.

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

The Group classifies property as property and equipment when it is acquired for owner occupation.

Classification of equity investments

All investments are classified as available for sale.

Impairment of financial assets available for sale

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

Impairment of receivables

An estimate of the collectible amount of receivables 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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity instruments

Valuation of unquoted equity instruments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- An earnings multiple or industry specific earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment (see Note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

4 INVESTMENT INCOME

	2015 KD	2014 KD
Gain on sale of financial assets available for sale	70,885	629,984
Dividend income	132,553	158,238
	203,438	788,222

5 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic:
Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).
Diluted:
Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the year attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employees share option plan as at 31 December 2015.

	2015	2014
Profit for the year attributable to equity holders of the Parent Company (KD)	11,626,302	11,422,038
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	493,661,421	495,194,135
Basic and diluted earnings per share attributable to equity holders of the Parent Company	23.55 fils	23.07 fils

6 CASH AND BANK BALANCES

Cash and bank balances comprises of the following:

	2015 KD	2014 KD
Cash on hand	21,936	218,968
Bank balances	7,666,249	7,756,698
	7,688,185	7,975,666

Bank balances represent non-interest bearing current bank accounts held with commercial banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2015 KD	2014 KD
Hotel guests and care home residents receivables	**1,189,676**	1,233,800
Rent receivable	**343,243**	518,483
Staff receivables (Note 20)	**43,004**	80,542
Deposits and prepaid expenses	**963,251**	396,439
Advance payments to contractors	**938,892**	314,234
Due from related parties (Note 20)	**789,243**	1,365,571
Other receivables	**1,824,902**	2,580,480
	6,092,211	6,489,549

Hotel guests, care home residents receivables and rent receivable are non-interest yielding and are generally on 30-90 days terms.

Movement in the impairment of hotel guests, care home and residents and rent receivable is as follows:

	2015 KD	2014 KD
At 1 January	**285,965**	397,411
Charge of impairment for the year	**29,639**	13,554
Reversed during the year	**-**	(125,000)
At 31 December	**315,604**	285,965

As at 31 December, the analysis of hotel guests, care home residents receivables and rent receivable that were past due but not impaired is as follows:

	Neither past due nor impaired KD	Past due but not impaired < 30 days KD	30 to 60 days KD	60 to 90 days KD	90 to 120 days KD	> 120 days KD	Total KD
2015	**120,965**	**545,229**	**188,716**	**49,072**	**200,334**	**428,603**	**1,532,919**
2014	142,399	923,716	156,086	246,020	161,284	122,778	1,752,283

Hotel guests, care home residents receivables and rent receivable include amounts denominated in the following major currencies:

	2015 KD	2014 KD
Kuwaiti Dinar	**1,119,086**	1,543,665
Euro	**207,041**	208,618
GBP	**206,792**	-
	1,532,919	1,752,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 KD	2014 KD
Managed quoted portfolios	1,309,912	2,071,617
Managed unquoted portfolio	94,812	94,812
Managed funds	-	98,316
Unquoted equity securities	7,297,957	7,835,997
	8,702,681	10,100,742

Managed quoted portfolios represent equity investments carried at market bid prices and fair values as reported by the portfolio managers. During the year, the Parent Company recorded an impairment loss of KD 2,455,433 (2014: KD 57,332) against the equity investments.

Managed unquoted portfolio represents unquoted equity securities amounting to KD 94,812 (2014: KD 94,812) are carried at cost less imparment.

Managed funds represent investments in mutual funds which are carried at the latest net asset value provided by the respective fund managers. During the year, the Parent Company recorded an impairment loss of KD 4,498 (2014 KD: 194,694) against investments for prolonged decline in value.

Unquoted equity securities amounting to KD 7,297,957 (2014: KD 7,835,997) and are carried at cost less impairment since fair values cannot be reliably estimated and the investment managers have been unable to indicate any estimates of the range within which fair values might lay. The management recorded an impairment loss of KD 657,981 (2014: KD 22,272) against these investments based on the most recently available information to them.

The following table provides the fair value measurement hierarchy of the Group's financial assets available for sale:

2015	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	1,309,912	-	-	1,309,912
	1,309,912	-	-	1,309,912

2014	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	2,071,617	-	-	2,071,617
Managed funds	-	98,316	-	98,316
	2,071,617	98,316	-	2,169,933

During the year ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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9 INTEREST IN JOINT VENTURE

This represents the Group's 50% (2014: 50%) interest in a United Kingdom based joint venture entity, Key Property Investments limited, engaged in real estate leasing and development.

	2015 KD	2014 KD
Carrying amount of the investment in the joint venture:		
As at 1 January	15,194,875	16,907,027
Share in the joint venture's results, net of tax	1,733,924	1,597,828
Dividends received	(4,590,000)	(2,350,002)
Foreign currency translation adjustment	2,155,831	(959,978)
As at 31 December	14,494,630	15,194,875
Share of joint venture entity's statement of financial position:		
Current assets	80,980	-
Long-term assets	34,580,742	34,796,370
Current liabilities	(3,110,056)	(2,272,343)
Long-term liabilities	(17,057,036)	(17,329,152)
Net assets	14,494,630	15,194,875
Share of joint venture entity's revenue and results:		
Revenues	7,749,717	4,441,621
Results	1,733,924	1,597,828

10 INVESTMENT PROPERTIES

	Freehold land KD	Buildings KD	Properties under construction KD	Total KD
Balance as at 1 January 2015	92,894,659	37,407,051	16,152,369	146,454,079
Additions	1,220,610	-	10,162,291	11,382,901
Depreciation charged for the year	-	(1,835,045)	-	(1,835,045)
Foreign currency translation adjustment	(28,035)	-	(143,465)	(171,500)
Reversal of impairment	1,255,236	-	-	1,255,236
Balance as at 31 December 2015	**95,342,470**	**35,572,006**	**26,171,195**	**157,085,671**
Cost	100,817,848	58,783,826	26,314,660	185,916,334
Accumulated depreciation	-	(23,211,820)	-	(23,211,820)
Foreign currency	(117,999)	-	(143,465)	(261,464)
Impairment provision	(5,357,379)	-	-	(5,357,379)
Balance as at 31 December 2015	**95,342,470**	**35,572,006**	**26,171,195**	**157,085,671**

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10 INVESTMENT PROPERTIES (continued)

	Freehold land KD	Buildings KD	Properties under construction KD	Total KD
Balance as at 1 January 2014	92,963,823	39,164,761	10,702,560	142,831,144
Additions	20,800	-	5,585,080	5,605,880
Depreciation charged for the year	-	(1,757,710)	-	(1,757,710)
Foreign currency translation adjustment	(89,964)	-	(135,271)	(225,235)
Balance as at 31 December 2014	92,894,659	37,407,051	16,152,369	146,454,079
Cost	99,597,238	58,783,826	16,287,640	174,668,704
Accumulated depreciation	-	(21,376,775)	-	(21,376,775)
Foreign currency translation adjustment	(89,964)	-	(135,271)	(225,235)
Impairment provision	(6,612,615)	-	-	(6,612,615)
Balance as at 31 December 2014	92,894,659	37,407,051	16,152,369	146,454,079

Investment properties with a carrying value of KD 155,792 (2014: KD 4,898,246) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of the properties.

The fair value of investment properties amounted to KD 354,030,019 (2014: KD 338,586,909) at the reporting date based on valuations obtained from two independent appraiser, who are industry specialists in valuing these types of investment properties. One of these appraiser is a local bank and the other is a local reputable accredited appraiser using mixed acceptable methods of valuation such as sales comparison, income capitalization and market comparable method. These are classified under level 2 fair value hierarchy.

For properties under construction amounting to KD 8,571,844 (2014: KD 16,152,369), no fair valuation was available as there is no reliable measurement of fair value since the project is under construction.

Investment properties amounting to KD 71,794,141 (2014: 71,794,141) are secured against Islamic financing obtained by a local subsidiary amounting to KD 44,166,667 (2014: 48,583,333). Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default (Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 PROPERTY AND EQUIPMENT

	Freehold land KD	Buildings KD	Furniture and equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Balance as at 1 January 2015	12,444,425	60,702,789	5,843,522	86,181	615,417	79,692,334
Additions	-	-	920,181	75,890	33,535	1,029,606
Disposals	-	(762)	(77,770)	(179)	(2,051)	(80,762)
Transfers from capital work in progress	-	-	26,829	-	(26,829)	-
Depreciation charge for the year	-	(2,439,753)	(1,457,489)	(42,038)	-	(3,939,280)
Depreciation related to disposals	-	177	74,181	-	-	74,358
Foreign currency translation adjustment	(334,569)	(1,997,630)	(70,010)	-	(4,675)	(2,406,884)
Balance as at 31 December 2015	**12,109,856**	**56,264,821**	**5,259,444**	**119,854**	**615,397**	**74,369,372**
Cost	12,109,856	99,594,275	37,406,716	404,537	615,397	150,130,781
Accumulated depreciation	-	(43,329,454)	(32,147,272)	(284,683)	-	(75,761,409)
Net carrying amount as at 31 December 2015	**12,109,856**	**56,264,821**	**5,259,444**	**119,854**	**615,397**	**74,369,372**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

11 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	Buildings KD	Furniture and equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Balance as at 1 January 2014	12,900,406	65,877,029	6,591,790	96,902	575,915	86,042,042
Additions	-	-	1,093,788	19,884	65,065	1,178,737
Disposals	-	-	(160,244)	(70,928)	-	(231,172)
Transfers from capital work in progress	-	-	19,416	-	(19,416)	-
Depreciation charge for the year	-	(2,419,456)	(1,757,419)	(30,021)	-	(4,206,896)
Depreciation related to disposals	-	-	153,084	70,344	-	223,428
Foreign currency translation adjustment	(455,981)	(2,754,784)	(96,893)	-	(6,147)	(3,313,805)
Balance as at 31 December 2014	12,444,425	60,702,789	5,843,522	86,181	615,417	79,692,334
Cost	12,444,425	99,595,037	36,537,476	328,826	615,417	149,521,181
Accumulated depreciation	-	(38,892,248)	(30,693,954)	(242,645)	-	(69,828,847)
Net carrying amount as at 31 December 2014	12,444,425	60,702,789	5,843,522	86,181	615,417	79,692,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015 KD	2014 KD
Accounts payable	4,772,107	7,408,408
Retentions payable	264,119	123,168
Due on purchase of investment property	-	1,193,996
Accrued expenses	3,828,262	3,759,361
Deposits from tenants, hotel and care home guests	564,770	637,316
Rents received in advance	1,214,162	1,085,960
Employees' terminal benefits	3,498,463	3,212,308
Other payables	2,104,170	1,841,381
	16,246,053	19,261,898

13 COMMERCIAL FINANCING

Commercial financing are contractually due for repayment as follows:

	2015 KD	2014 KD
Instalments payable within one year	7,016,701	1,716,377
Instalments payable within one year to two years	6,729,541	1,012,366
Instalments payable within two years to three years	980,911	1,022,309
Instalments payable within three years to four years	1,007,396	1,050,915
Instalments payable after four years	17,433,438	19,742,152
	33,167,987	24,544,119

Commercial financing are denominated in the following currencies:

	2015 KD	2014 KD
Kuwaiti Dinars	6,070,000	-
Euro	21,323,587	23,813,095
GBP	5,774,400	731,024
	33,167,987	24,544,119

Commercial financing are repayable in periodic installments over variable periods of time with maturities extending to December 2040.

Commercial financing denominated in euro carries variable interest rates which range from 1.5% to 2% per annum (2014: 1.5% to 2% per annum) over EURIBOR.

Commercial financing amounting to KD 27,097,987 (2014: KD 24,544,119) has been obtained by a foreign subsidiaries under the terms of which lenders have no recourse to the Parent Company in the event of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

14 ISLAMIC FINANCING

	2015 KD	2014 KD
Murabaha financing	**71,742,005**	77,083,334
Wakala financing	**4,450,000**	4,500,000
	76,192,005	81,583,334

Islamic financing are contractually due for repayment as follows:

	2015 KD	2014 KD
Instalments payable within one year	**9,833,335**	14,333,330
Instalments payable within one year to two years	**19,333,333**	8,833,331
Instalments payable within two years to three years	**6,666,667**	18,833,339
Instalments payable within three years to four years	**5,416,667**	6,166,667
Instalments payable after four years	**34,942,003**	33,416,667
	76,192,005	81,583,334

The average profit rate attributable to Islamic financing during the years is 1.5% per annum (2014: 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 44,166,667 (2014: 48,583,333) has been obtained by a local subsidiary acquired during the year 2011, and is secured by land as an investment property with a carrying value of KD 71,794,141 (2014: 71,794,141) owned by the Group. Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default (Note 10).

15 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the annual general assembly of the shareholders of the Parent Company held on 6 April 2015, the shareholders approved the distribution of cash dividends of 20 fils (2013: 20 fils) per share amounting to KD 9,884,056 for the year ended 31 December 2014 (2013: KD 9,906,468) for shareholders registered on that date paid subsequent.

As at 31 December 2015, the authorized, issued and paid up capital comprises of 512,723,413 shares (31 December 2014: 512,723,413 shares) of 100 fils (31 December 2014: 100 fils) each.

For the year ended 31 December 2015, the Board of Directors of the Parent Company has proposed cash dividends of 20 fils (2014: 20 fils) per share. This proposal is subject to the approval of the annual general assembly of the shareholders of the Parent Company.

16 TREASURY SHARES

As at 31 December 2015, the Parent Company' held 19,571,449 (2014: 18,344,547) of its own shares, equivalent to 3.82% (2014: 3.58%) of the total issued share capital at that date. The market value of these shares at the reporting date was KD 7,241,436 (2014: KD 6,787,482). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

17 STATUTORY RESERVE AND VOLUNTARY RESERVE

As required by the Companies Law and the Parent Company's Articles of Association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and directors' fees and after offsetting accumulated losses brought forward, is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of paid-up share capital. Distribution of this 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

As required by the Parent Company's Articles of Association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and directors' fees and after offsetting accumulated losses brought forward is required to be transferred to voluntary reserve. In 2012, the shareholders of the Parent Company agreed on the proposal of the Board of Directors to discontinue annual transfer to voluntary reserve.

18 DIRECTORS' FEES

Directors' fees of KD 120,000 are subject to approval by the annual general assembly of the shareholders of the Parent Company. Directors' fees of KD 120,000 for the year ended 31 December 2014 were approved by the annual general assembly of the shareholders of the Parent Company held on 6 April 2015 (Note 20).

19 SUBSIDIARIES

Details of Subsidiaries are set out below:

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	31 December 2015	31 December 2014		
Directly held:				
Haddia Holding GMBH	**90.89%**	90.89%	Germany	Holding company
Drawbridge Securities Limited *	**50%**	50%	United Kingdom	Property development
Salhia International Investment Limited	**100%**	100%	United Kingdom	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	**99%**	99%	Kuwait	Project management
Al Asima Real Estate Company K.S.C	**99.74%**	99.74%	Kuwait	Real estate
Held through Haddia Holding GMBH:				
SAREC GMBH	**100%**	100%	Germany	Leasing of properties
DANA Lebensstil GmbH *	**50%**	50%	Germany	Dormant company
Dana Senioreneinrichtungen GMBH *	**40%**	40%	Germany	Care home operator
Dana Ambulante Pfegedienste GMBH *	**40%**	40%	Germany	Care home service provider
Dana Services GMBH (Gredo GMBH) *	**40%**	40%	Germany	Care home catering service provider
Held through Salhia International Investments Limited:				
Salhia Jersey Limited	**100%**	100%	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	**100%**	100%	United Kingdom	Real estate
Ingelby Limited	**100%**	100%	United Kingdom	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19 SUBSIDIARIES (continued)

During the current year, the Group established the following foreign subsidiaries:

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	31 December 2015	31 December 2014		
Directly held:				
Salhia Real Estate Bahrain S.P.C.	**100%**	-	Kingdom of Bahrain	Real estate
Held through Bunyan Al-Salhia Project Management Company W.L.L.:				
Al Suwaihra Real Estate L.L.C.	**99.00%**	-	Sultanate of Oman	Real estate
Al Suwaihra Development L.L.C.	**99.00%**	-	Sultanate of Oman	Real estate
Al Suwaihra Global L.L.C.	**99.00%**	-	Sultanate of Oman	Real estate
Al Waqaiba Real Estate L.L.C.	**99.00%**	-	Sultanate of Oman	Real estate
Al Waqaiba Development L.L.C.	**99.00%**	-	Sultanate of Oman	Real estate
Al Had Development L.L.C.	**99.00%**	-	Sultanate of Oman	Real estate
Al Oumq Real Estate L.L.C.	**99.00%**	-	Sultanate of Oman	Real estate

The financial year end of all the above subsidiaries is 31 December except for Drawbridge Securities Limited, Ingelby, Limited and Salhia International Investment Limited which have a financial year end of 30 November.

* During the year ended 31 December 2015, the Group continued to consolidate Drawbridge Securities Limited, DANA Lebensstil GmbH, Dana Senioreneinrichtungen GMBH, Dana Ambulante Pfegedienste GMBH and Dana Services GMBH (Gredo GMBH) as the Group exercise control and has in substance the majority of ownership risks in order to obtain benefits from their activities.

20 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, joint venture entities, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence and dealing with the Group. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2015 KD	2014 KD
Directors fees (Note 18)	**120,000**	120,000

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

	Major shareholders KD	Other related parties KD	**Total 2015 KD**	Total 2014 KD
Staff receivables (Note 7)	-	43,004	**43,004**	80,542
Due from related parties (Note 7)	-	789,243	**789,243**	1,365,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

20 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

	2015 KD	2014 KD
Short-term benefits	621,127	409,118
Employees' end of service benefits	117,642	122,373
	738,769	531,491

21 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating consolidated statement of income as explained in the table below.

Segment results include revenue and expenses directly attributable to a segment.

- Real estate operations: Consist of development and leasing of properties.
- Hotel operations: Consist of the hotel hospitality services provided through JW Marriott Hotel – Kuwait, Courtyard Marriott Hotel-Kuwait and Arraya Ball Room - Kuwait.
- Care home operations: Consist of care home activities provided by subsidiary companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 December 2015				31 December 2014			
	Real estate operations	**Hotel operations**	**Care home operations**	**Total**	Real estate operations	Hotel operations	Care home operations	Total
	KD	**KD**	**KD**	**KD**	KD	KD	KD	KD
Segment revenue	**16,637,067**	**12,426,412**	**13,909,952**	**42,973,431**	16,602,024	11,832,371	15,588,371	44,022,766
Segment operating costs	**(2,568,624)**	**(4,760,192)**	**(10,384,771)**	**(17,713,587)**	(2,683,513)	(4,851,952)	(11,302,632)	(18,838,097)
Segment gross profit	**14,068,443**	**7,666,220**	**3,525,181**	**25,259,844**	13,918,511	6,980,419	4,285,739	25,184,669
Share in joint venture's results, net of tax	**1,733,924**	**-**	**-**	**1,733,924**	1,597,828	-	-	1,597,828
Depreciation	**(3,248,344)**	**(1,542,589)**	**(983,392)**	**(5,774,325)**	(3,154,636)	(1,648,421)	(1,161,549)	(5,964,606)
Administrative and marketing expenses	**(2,750,268)**	**(1,052,536)**	**(1,229,804)**	**(5,032,608)**	(2,247,304)	(906,134)	(1,312,806)	(4,466,244)
Finance costs	**(1,706,753)**	**(79,801)**	**(665,383)**	**(2,451,937)**	(3,413,233)	(74,237)	(1,054,448)	(4,541,918)
Taxation on overseas subsidiaries	**-**	**-**	**(27,706)**	**(27,706)**	-	-	(209,593)	(209,593)
Segment results	**8,097,002**	**4,991,294**	**618,896**	**13,707,192**	6,701,166	4,351,627	547,343	11,600,136
Interest income				**28,337**				275,288
Investment income				**203,438**				788,222
Impairment loss on financial assets available for sale				**(3,117,912)**				(274,298)
Reversal of impairment of investment properties				**1,255,236**				-
Other non-operating (expense) income				**166,924**				(233,643)
KFAS, NLST, Zakat and Directors' fees				**(645,133)**				(646,781)
Profit for the year				**11,598,082**				11,508,924
Segment assets	**208,461,897**	**11,133,804**	**36,074,118**	**255,669,819**	207,240,359	6,076,754	38,274,262	251,591,375
Investment in joint venture	**14,494,630**	**-**	**-**	**14,494,630**	15,194,875	-	-	15,194,875
Total assets	**222,956,527**	**11,133,804**	**36,074,118**	**270,164,449**	222,435,234	6,076,754	38,274,262	266,786,250
Segment liabilities	**100,420,765**	**2,681,836**	**22,503,444**	**125,606,045**	97,545,281	2,715,410	25,128,660	125,389,351
Capital expenditure	**11,725,857**	**497,439**	**189,211**	**12,412,507**	6,555,571	-	229,046	6,784,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 SEGMENTAL INFORMATION (continued)

Geographic information

The Group operates in two geographical markets: Kuwait and GCC and Europe. The following table shows the distribution of the Group's segment revenues, assets and capital expenditure.

	31 December 2015			31 December 2014		
	Kuwait and GCC	**Europe**	**Total**	Kuwait and GCC	Europe	Total
	KD	**KD**	**KD**	KD	KD	KD
Revenue	**28,889,854**	**14,083,577**	**42,973,431**	28,434,395	15,588,371	44,022,766
Assets	**205,398,893**	**64,765,556**	**270,164,449**	216,584,284	50,201,966	266,786,250
Capital expenditure	**8,389,978**	**4,022,529**	**12,412,507**	2,366,024	4,418,593	6,784,617

22 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise non-derivatives financial instruments such as commercial financing, Islamic financing, due to banks and a financial institutions and account payables. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as accounts receivable, cash and bank balances and short-term fixed deposits, which arise directly from its operations. The Group also holds financial assets available for sale.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors and Executive Committee are ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and equity price risk.
Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its bank balances, fixed deposits, due to banks and financial institution, and commercial financing which are both at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between floating rate and fixed rate borrowings.
Positions are monitored on a regular basis to ensure positions are maintained within established limits.
The following table illustrates the sensitivity of the profit for the year to a reasonable possible change of interest rate in terms of basis points with effect from the beginning of the year. The calculation is based on the Group's floating rate financial instruments held at each reporting date. All other variables are held constant.

	Increase/decrease in basis points	**Effect on profit before KFAS, NLST, Zakat and Directors' fees KD**
2015		
Kuwaiti Dinar	**25**	**(205,655)**
Euro	**25**	**(53,309)**
GBP	**25**	**(14,436)**
2014		
Kuwaiti Dinar	25	(203,958)
Euro	25	(59,533)
GBP	25	(3,655)

Sensitivity to interest rates movement will be on symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

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22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's exposure to foreign currency monetary assets and liabilities is not significant.

The following table demonstrates the sensitivity to changes in currency rates, with all other variables held constant:

	2015		2014	
Currency	**Change in currency rate in %**	**Effect on consolidated statement of income KD**	Change in currency rate in %	Effect on consolidated statement of income KD
US Dollar	**1%**	**5,118**	1%	11,553
SAR	**1%**	**43,646**	1%	45,745
OMR	**1%**	**14,913**	1%	15,342
Euro	**1%**	**(200,431)**	1%	(227,880)
GBP	**1%**	**(47,109)**	1%	(4,810)

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments include securities listed on the Kuwait Stock Exchange and a portfolio of foreign investments (managed by foreign financial institutions) sensitive to recognised international indices.

The effect on other comprehensive income in equity (as a result of a change in the fair value of financial assets available for sale at 31 December 2015) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2015		2014	
Market indices	**Change in equity price %**	**Effect on other comprehensive income KD**	Change in equity price %	Effect on other comprehensive income KD
Kuwait	+/-5	**-**	+/-5	90,334
International	+/-5	**98,644**	+/-5	18,187

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 manages credit risk by setting limits for individual counter-parties, and groups of counter-parties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

The Group's maximum exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarised below:

	2015 KD	2014 KD
Bank balances	7,666,249	7,756,698
Fixed deposits	1,396,951	529,895
Accounts receivable (Note 7)	1,532,919	1,752,283
Due from related parties (Note 7)	789,243	1,365,571
Total exposure of credit risk	11,385,362	11,404,447

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22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The credit risk exposure for bank balances and fixed deposits is not considered to be significant because the counterparties are reputable, financially sound financial institutions.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to a single counter party is KD 789,243 (2014: KD 778,600). There are no significant concentrations of credit risk within the Group.
None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, commercial and Islamic financing.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015 and 31 December 2014 based on contractual undiscounted payments:

2015	**Within 3 months KD**	**3 to 6 months KD**	**6 to 12 months KD**	**Over one year KD**	**Total KD**
Accounts payable and other liabilities	**4,796,522**	**1,900,821**	**394,077**	**9,154,633**	**16,246,053**
Commercial financing	**6,493,650**	**376,083**	**752,013**	**32,144,662**	**39,766,408**
Islamic financing	**1,941,510**	**1,680,018**	**9,011,978**	**75,718,494**	**88,352,000**
TOTAL LIABILITIES	**13,231,682**	**3,956,922**	**10,158,068**	**117,017,789**	**144,364,461**
Contingent liabilities	**-**	**-**	**1,812,446**	**-**	**1,812,446**
Capital commitments	**-**	**-**	**-**	**17,210,005**	**17,210,005**
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	**-**	**-**	**1,812,446**	**17,210,005**	**19,022,451**

2014	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Accounts payable and other liabilities	4,076,438	3,044,459	1,555,351	10,585,650	19,261,898
Commercial financing	452,112	452,112	904,224	32,642,362	34,450,810
Islamic financing	6,950,502	1,400,473	8,707,555	76,623,361	93,681,891
TOTAL LIABILITIES	11,479,052	4,897,044	11,167,130	119,851,373	147,394,599
Contingent liabilities	-	-	16,855,346	1,096,800	17,952,146
Capital commitments	-	-	18,626,861	-	18,626,861
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	-	-	35,482,207	1,096,800	36,579,007

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23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of cash and cash equivalents, fixed deposits, accounts receivable and other assets, accounts payable and other liabilities, interest bearing loans and borrowings at the year end is based on contractual repayment arrangements. The maturity profile for the remaining assets is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities was as follows:

2015 ASSETS	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Cash and bank balances	7,688,185	-	-	-	7,688,185
Fixed deposits	-	1,396,951	-	-	1,396,951
Inventories	334,748	-	-	-	334,748
Accounts receivables and other assets	3,776,850	1,296,982	576,966	441,413	6,092,211
Financial assets available for sale	-	-	1,343,903	7,358,778	8,702,681
Interest in joint venture	-	-	-	14,494,630	14,494,630
Investment properties	-	-	-	157,085,671	157,085,671
Property and equipment	-	-	-	74,369,372	74,369,372
TOTAL ASSETS	**11,799,783**	**2,693,933**	**1,920,869**	**253,749,864**	**270,164,449**
LIABILITIES					
Accounts payable and other liabilities	4,796,522	1,900,821	394,077	9,154,633	16,246,053
Commercial financing	6,304,362	235,897	476,442	26,151,286	33,167,987
Islamic financing	1,229,167	979,167	7,625,001	66,358,670	76,192,005
TOTAL LIABILITIES	**12,330,051**	**3,115,885**	**8,495,520**	**101,664,589**	**125,606,045**
NET ASSETS (LIABILITIES)	**(530,268)**	**(421,952)**	**(6,574,651)**	**152,085,275**	**144,558,404**

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23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2014 ASSETS	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Cash and bank balances	7,975,666	-	-	-	7,975,666
Fixed deposits	-	529,895	-	-	529,895
Inventories	349,110	-	-	-	349,110
Accounts receivables and other assets	3,569,326	1,680,984	832,704	406,535	6,489,549
Financial assets available for sale	-	-	1,564,455	8,536,287	10,100,742
Interest in joint venture	-	-	-	15,194,875	15,194,875
Investment properties	-	-	-	146,454,079	146,454,079
Property and equipment	-	-	-	79,692,334	79,692,334
TOTAL ASSETS	11,894,102	2,210,879	2,397,159	250,284,110	266,786,250
LIABILITIES					
Accounts payable and other liabilities	4,076,438	3,044,459	1,555,351	10,585,650	19,261,898
Commercial financing	246,338	246,338	492,676	23,558,767	24,544,119
Islamic financing	6,229,166	729,166	7,374,999	67,250,003	81,583,334
TOTAL LIABILITIES	10,551,942	4,019,963	9,423,026	101,394,420	125,389,351
NET ASSETS (LIABILITIES)	1,342,160	(1,809,084)	(7,025,867)	148,889,690	141,396,899

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the reporting date, the Group had the following contingencies and capital commitments:

	2015 KD	2014 KD
Letters of guarantee	1,812,446	17,952,146
Construction projects	17,210,005	18,626,861
	19,022,451	36,579,007

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25 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, accounts payable and other liabilities, and commercial and Islamic financing, less cash and bank balances. Capital includes equity attributable to the equity holders of the Parent Company less fair value reserve.

	2015 KD	2014 KD
Accounts payable and other liabilities	**16,246,053**	19,261,898
Term financing	**109,359,992**	106,127,453
Less: Cash and bank balances	**(7,688,185)**	(7,975,666)
Net debt	**117,917,860**	117,413,685
Equity attributable to the equity holders of the Parent Company	**142,073,741**	138,627,969
Less: Fair value reserve	**(28,011)**	404,404
Total capital	**142,045,730**	139,032,373
Capital and net debt	**259,963,590**	256,446,058
Gearing ratio	**45%**	46%