



شركة المزاي القابضة س.م.ك.ع. - مابضة
AL MAZAYA HOLDING CO. K.S.C.P. (HOLDING)

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التاريخ: 2016/02/04
MAZ-MCS-01-2016-0050

المحترمين

السادة/ سوق دبي المالي

تحية طيبة و بعد ،،،

الموضوع : البيانات المالية لشركة المزاي القابضة ش.م.ك.ع. للسنة المالية المنتهية في 2015/12/31

Subject: Financial Statements for the Year Ended 31/12/2015 for Al Mazaya Holding Co.

بالإشارة إلى الموضوع أعلاه، نتشرف بأن نرفق لكم طي كتابنا هذا عدد واحد بيانات مالية باللغة العربية و واحدة باللغة الإنجليزية وذلك عن السنة المالية المنتهية في 2015/12/31 لشركة المزاي القابضة ش.م.ك.ع.

With reference to the above subject, we have the honor to enclose herewith one copy of Al-Mazaya Holding (K.S.C.P) financial statements in Arabic version and one copy in English version for the year ended 31/12/2015.

و تفضلوا بقبول فائق الاحترام ،،،

أسعد نبيل ابراهيم
مدير تنفيذي - قطاع الخدمات المؤسسية

MAZAYA
شركة المزاي القابضة س.م.ك.ع.
AL MAZAYA HOLDING Co. K.S.C.C.

**AL MAZAYA HOLDING COMPANY
K.S.C.P. AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENT

31 DECEMBER 2015



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MAZAYA HOLDING COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statement of Al Mazaya Holding 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, and 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

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

Auditors' Responsibility

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

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

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



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL MAZAYA HOLDING 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 at 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 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, 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.

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

DR. SAUD HAMAD AL-HUMAI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAI
PARTNERS
(MEMBER OF BAKER TILLY
INTERNATIONAL)

28 January 2016
Kuwait

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	2015 KD	2014 KD
ASSETS			
Non-current assets			
Goodwill	7	2,266,732	2,266,732
Property and equipment		665,393	618,180
Investment properties	8	115,006,585	92,312,256
Investment in joint venture and associate	9,10	12,174,873	12,884,446
Financial assets available for sale	11	11,121,542	12,072,697
Advances for purchase of properties	12	16,157,047	16,817,022
		<u>157,392,172</u>	<u>136,971,333</u>
Current assets			
Properties held for trading	13	71,653,133	98,751,223
Accounts receivable and other debit balances	14	10,023,184	9,848,399
Cash and bank balances	15	11,973,198	16,317,680
		<u>93,649,515</u>	<u>124,917,302</u>
Total assets		<u>251,041,687</u>	<u>261,888,635</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	68,827,896	68,827,896
Share premium	16	21,655,393	21,655,393
Statutory reserve	17	12,123,874	11,136,621
Voluntary reserve	17	9,188,954	8,201,701
Fair value reserve		465,563	1,340,732
Treasury shares	18	(21,788,181)	(21,788,181)
Employee stock option plan	24	268,693	-
Other reserves		845,160	845,160
Foreign currency translation reserve		636,832	2,096,107
Retained earnings		11,922,391	8,294,866
Equity attributable to equity holders of the Parent Company		<u>104,146,575</u>	<u>100,610,295</u>
Non-controlling interests		<u>7,307,768</u>	<u>7,145,155</u>
Total equity		<u>111,454,343</u>	<u>107,755,450</u>
Liabilities			
Non-current liabilities			
Employees' end of service benefits		734,210	586,008
Term loans	19	-	8,000,000
Tawarruq and ijara payable	20	71,986,902	48,254,413
		<u>72,721,112</u>	<u>56,840,421</u>
Current liabilities			
Term loans	19	-	4,500,000
Tawarruq and ijara payable	20	8,379,544	4,004,101
Advances from customers		42,586,452	79,656,977
Accounts payable and other credit balances	21	15,900,236	9,131,686
		<u>66,866,232</u>	<u>97,292,764</u>
Total liabilities		<u>139,587,344</u>	<u>154,133,185</u>
TOTAL EQUITY AND LIABILITIES		<u>251,041,687</u>	<u>261,888,635</u>

Rasheed Y. Al Nafisi
Chairman

Ibrahim A. Al Soqabi
Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial information.

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Revenue from sale of properties held for trading		53,265,302	10,968,894
Rental income		6,174,227	5,302,786
Net management fees and commission income	22	378,830	393,216
REVENUE		59,818,359	16,664,896
Cost of sale of properties held for trading	13	(42,375,649)	(9,168,087)
Cost of rental		(1,300,616)	(1,229,322)
COST OF REVENUE		(43,676,265)	(10,397,409)
GROSS PROFIT		16,142,094	6,267,487
Net change in fair value of investment properties	8	817,386	(1,199,949)
(Loss) gain on disposal of investment properties		(12,293)	202,728
Share of results from joint venture and associate	9,10	128,125	1,628,667
Gain on disposal of joint venture and an associate	9	883,165	2,928,815
Write back of impairment loss on properties held for trading	13	1,411,010	2,003,838
General and administrative expenses		(4,274,123)	(3,997,903)
OPERATING INCOME		15,095,364	7,833,683
Net investment income	23	11,413	1,591,387
Other (expense) income	25	(1,674,457)	2,233,251
Finance income		32,890	55,302
Finance costs		(3,450,440)	(2,539,603)
Foreign exchange gain (loss)		6,540	(31,892)
Profit for the year before contribution for board of directors' remuneration, Kuwait Foundation for Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		10,021,310	9,142,128
Board of Directors' remuneration	16	(160,000)	(120,000)
KFAS		(88,583)	(76,069)
Zakat		(63,326)	(50,076)
NLST		(241,518)	(134,739)
PROFIT FOR THE YEAR		9,467,883	8,761,244
Attributable to:			
Equity holders of the Parent Company		9,319,104	8,086,345
Non-controlling interests		148,779	674,899
		9,467,883	8,761,244
BASIC AND DILUTED EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	6	15.04 fils	13.05 fils

The attached notes 1 to 31 form part of these consolidated financial information.

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	<i>Notes</i>	2015 KD	2014 KD
Profit for the year		9,467,883	8,761,244
Other comprehensive (loss) income:			
<i>Other comprehensive income (loss) reclassified to consolidated statement of income:</i>			
Financial assets available for sale:			
- Impairment loss	23	54,947	61,904
- Net realised gain on disposal	23	(324)	(1,675,547)
		54,623	(1,613,643)
<i>Other comprehensive (loss) income to be reclassified to consolidated statement of income in subsequent periods:</i>			
Net changes in fair value of financial assets available for sale		(915,958)	1,543,076
Foreign currency translation adjustments		(1,459,275)	1,459,561
		(2,375,233)	3,002,637
Net other comprehensive (loss) income to be reclassified to consolidated statement of income in subsequent periods		(2,320,610)	1,388,994
Total comprehensive income for the year		7,147,273	10,150,238
Attributable to:			
Equity holders of the Parent Company		6,984,660	9,478,465
Non-controlling interests		162,613	671,773
		7,147,273	10,150,238

The attached notes 1 to 31 form part of these consolidated financial information.

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	<i>Attributable to equity holders of the Parent Company</i>									
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Treasury shares KD	Employees' share option plan KD	Other reserves KD	Foreign currency translation reserve KD	Retained earnings KD
At 1 January 2015	68,827,896	21,655,393	11,136,621	8,201,701	1,340,732	(21,788,181)	-	845,160	2,096,107	8,294,866
Profit for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	-	-
Employees' share based payment (Note 24)	-	-	987,253	987,253	-	-	268,693	-	-	-
Transfer to reserves	-	-	-	-	-	-	-	-	-	-
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	68,827,896	21,655,393	12,123,874	9,188,954	465,563	(21,788,181)	268,693	845,160	636,832	11,922,391
At 1 January 2014	64,931,977	21,655,393	10,289,898	7,354,978	1,408,173	(21,788,181)	-	673,551	636,546	5,797,886
Profit for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	-	-
Issue of bonus shares	3,895,919	-	-	-	-	-	-	-	-	-
Partial disposal of subsidiary	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	846,723	846,723	-	-	-	-	-	-
At 31 December 2014	68,827,896	21,655,393	11,136,621	8,201,701	1,340,732	(21,788,181)	-	845,160	2,096,107	8,294,866
Sub-total										
Non-controlling interests										
Total										

The attached notes 1 to 31 form part of these consolidated financial information.

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit for the year before contribution for directors' remuneration, KFAS, Zakat and NLST		10,021,310	9,142,128
Adjustments to reconcile profit to net cash flows:			
Depreciation		139,083	122,112
Net change in fair value of investment properties	8	(817,386)	1,199,949
Loss (gain) on disposal of investment properties		12,293	(202,728)
Share of results from joint venture and associate	9,10	(128,125)	(1,628,667)
Gain on disposal of joint venture and associate	9	(883,165)	(2,928,815)
Write back of impairment loss on properties held for trading	13	(1,411,010)	(2,003,838)
Net investment income	23	(11,413)	(1,591,387)
Finance income		(32,890)	(55,302)
Finance costs		3,450,440	2,539,603
Foreign exchange (gain) loss		(6,540)	31,892
Provision for employees' end of service benefits		148,202	286,242
Provision for employees' stock option plan	24	268,693	-
		10,749,492	4,911,189
Working capital adjustments:			
Properties held for trading		28,509,100	(10,361,448)
Accounts receivable and other debit balances		(174,785)	(4,317,244)
Accounts payable and other credit balances		6,603,779	(4,349,027)
Advances from customers		(37,070,525)	10,994,179
Cash flows from (used in) operations		8,617,061	(3,122,351)
Employees' end of service benefits paid		-	(77,445)
Net cash flows from (used in) operating activities		8,617,061	(3,199,796)
INVESTING ACTIVITIES			
Decrease (increase) in restricted cash balances		104,481	(3,999,840)
Purchase of property and equipment		(186,296)	(381,586)
Addition to investment properties	8	(20,234,071)	(5,890,258)
Investment in joint venture	9	(912,000)	(3,702,816)
Proceeds from disposal of investment properties		217,183	3,079,179
Movement in current account with joint venture	9	-	1,244,833
Proceeds from sale of financial assets available for sale		2,779	7,469,884
Advances for purchase of properties	12	659,975	(16,817,022)
Proceeds from disposal of a joint venture		385,063	-
Proceeds from partial disposal of an associate		-	2,793,215
Proceeds from partial disposal of a subsidiary		-	437,874
Dividend received from an associate	10	-	287,019
Dividend income received	23	127,075	104,381
Finance income received		32,890	55,302
Net cash flows used in investing activities		(19,802,921)	(15,319,835)
FINANCING ACTIVITIES			
Term loans repaid		(12,500,000)	(11,000,000)
Net movement in tawarruq and ijara payable		28,107,932	29,361,214
Dividend paid		(3,717,073)	-
Finance costs paid		(3,450,440)	(2,090,278)
Net cash flows from financing activities		8,440,419	16,270,936
NET DECREASE IN CASH AND BANK BALANCES		(2,745,441)	(2,248,695)
Foreign currency translation adjustments		(1,494,560)	108,322
Cash and bank balances at the beginning of the year		6,170,984	8,311,357
CASH AND BANK BALANCES AT THE END OF THE YEAR	15	1,930,983	6,170,984

The attached notes 1 to 31 form part of these consolidated financial information.

1 CORPORATE INFORMATION

Al Mazaya Holding Company - K.S.C.P. (the "Parent Company") was incorporated on 7 November 1998 under the Companies Law No. 25 of 2012 and amended thereto. This consolidated financial statement presents the results of the Parent Company and its subsidiaries (collectively referred to as the "Group"). The registered head office of the Parent Company is at Mazaya Tower 01, Al Murqab, P.O. Box 3546, Safat 13036, State of Kuwait.

The principal activities of the Parent Company as per the article of association are as follows:

Ownership of Kuwaiti and foreign shareholding companies, ownership of shares and portions of limited liability Kuwaiti and foreign companies or participating in the formation of those companies, as well as managing and guaranteeing those companies, granting loans to the companies in which it owns shares in and guaranteeing them towards others, provided that the percentage of participation of the holding company in the capital of the borrowing company is not less than 20%, ownership of industrial property rights including intellectual rights, trade marks, industrial marks, industrial fees or any other rights relating to such assets and leasing them to other companies to utilize them whether inside or outside the state of Kuwait, ownership of the movable assets and real properties needed to operate within the applicable laws, utilization of its available financial surpluses by investing them in financial real estate portfolios managed by specialized companies.

The Parent Company has the right to practice its aforementioned objectives inside the State of Kuwait and abroad for itself or as agent or representative to other, the Parent Company has the right as well to have interest or to participate with entities that practice similar operations or assist the Parent Company in achieving its objectives inside and outside Kuwait, and such it has the right to establish, form partnership, purchase or merge with those entities.

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 28 January 2016, and are issued subject to the approval of the Ordinary General Assembly of the shareholders of the Parent Company. The shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

2 BASIS OF PREPERATION

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for financial assets available for sale, and investment properties that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

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

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies 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

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 in IFRS 8.12 and, thus, this amendment did not impact the Group's accounting policy.

3 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

The Group has presented the reconciliation of segment assets to total assets in previous years and continues to disclose the same in Note 27 in this year's consolidated financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of its decision making.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively for annual periods beginning on or after 1 January 2015 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 management services from other entities.

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.

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.

Standard 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 issued is 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

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 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 - Construction Contracts and IAS 18 - Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition 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 on the group and do not expect any significant impact on adoption of this standard.

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from 1 January 2016 are not expected to have a material impact on the Group.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its consolidated financial position or performance.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries 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.

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

31 December 2015

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

The financial statements of the subsidiary are prepared at the same reporting year as the Parent Company using consistent accounting policies. Subsidiaries are consolidated from the date on which the Group obtains control and continues to be consolidated until the date that such control ceases.

All material intra-group balances and transactions, including material unrealised gains and losses arising on intra-group transactions are eliminated on consolidation.

Non-controlling interest represents the portion of profit and loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position separately from equity attributable to the equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

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 profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries, where the Parent Company has direct investment:

Entity	Country of incorporation	Principal activities	Ownership interest %	
			2015	2014
Al Mazaya Real Estate Development Company K.S.C. (Closed)	Kuwait	Real estate development	99.7%	99.7%
Seven Zones Real Estate Company K.S.C. (Closed)	Kuwait	Real estate development	96%	96%
First Dubai Real Estate Development Company – K.S.C.P.	Kuwait	Real estate development	90.42%	90.42%
Mezzan Combined For General Trading Company - W.L.L.	Kuwait	Real estate development	99%	99%
Gulf Turkey for General Trading Co. W.L.L.	Kuwait	Real estate development	98%	98%
First Kuwait for projects management Co. W.L.L.	Kuwait	Real estate development	98%	98%
Al Mazaya Real Estate Free Zone (FZ) LLC	U.A.E	Real estate development	100%	100%
Al Dana Real Estate Limited	U.A.E	Real estate development	80%	80%
Al Rayhan Real Estate Limited	U.A.E	Real estate development	80%	80%
Advantage General Trading Co. W.L.L.	U.A.E	Real estate development	99%	99%
Kuwaiti Saudi Real Estate Investment Co. LLC	KSA	Real estate development	99%	99%
Mazaya Lebanon Company - S.A.L. (Holding)	Lebanon	Real estate development	99.85%	99.85%
Mazaya Lamartien - S.A.L.	Lebanon	Real estate development	99.9%	99.9%

Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. 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 interests in the acquiree. Under this method, the Group recognises, separately from goodwill, identifiable assets acquired, liabilities assumed and any non-controlling interests in the acquiree at the acquisition date. For each business combination, the Group elects to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other expenses.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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 forms part of a cash-generating unit (group of cash generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial assets and liabilities

Initial recognition and measurement

Financial assets and liabilities within the scope of IAS 39 are classified as "loans and receivables", "available for sale investments" and "financial liabilities other than at fair value through profit or loss". The Group determines the appropriate classification of each instrument at initial recognition.

Regular way purchases or sales of financial assets are recognised using trade date accounting. Financial liabilities are not recognised unless the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not classified as at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent measurement

The subsequent measurement of financial assets and liabilities depends on their classification as described below:

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and bank balances consist of cash in hand and bank balances, net of restricted cash balances.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any. Amortised cost is calculated by taking into account any discount or premium arising on acquisition and fees or costs that are an integral part of the interest rate method.

The effective interest rate method amortisation is included in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income.

Bank deposit and accounts receivable are classified as "Loan and receivables".

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

Subsequent measurement (continued)

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 loans and receivables. After initial recognition at cost including transaction costs associated with the acquisition, financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Changes in fair value of available for sale investments are reported as a separate component of other comprehensive income until the investment is derecognised or the investment is determined to be impaired, at which time, the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of income.

Financial liabilities

Term loans and bank borrowings

After initial recognition, interest bearing term loans and bank overdraft are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognized as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income.

Term loans are carried on the consolidated statement of financial position at their principal amounts less any repayment. Installments due within one year from the reporting date are shown as current liabilities.

Tawarruq payables

Tawarruq payable represent amounts due to financial institutions arising from an Islamic financing arrangement where the liability is settled on a deferred settlement basis for assets purchased. Tawarruq payable are stated at the gross amount of the payables, net of deferred profit payable. Tawarruq cost is expensed on a time apportionment basis by taking account of the profit rate attributable and the balance outstanding.

Ijara payable

Ijara payable represents the amount payable on a deferred settlement basis for assets purchased under ijara and leasing arrangements. Ijara payable is stated at the aggregate of the minimum lease payment due, net of any deferred costs.

Accounts payable and other credit balances

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

Derecognition of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and net amount is reported in the consolidated statement of financial position when the Group has currently legal enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest 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 arrears or economic conditions that correlate with defaults.

Financial assets available for sale

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

Impairment losses in equity investments are not reversed through consolidated statement of income; subsequent increase in their fair value after impairment is recognized directly in other comprehensive income.

Impairment of receivable

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

Fair value measurement

The Group measures financial instruments, such as, financial asset available for sale and non-financial assets, at fair value at each consolidated statement of financial position 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 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

Fair value measurement of financial instruments

Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including financial instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

The fair value of financial instruments carried at amortised cost, other than short-term in nature is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Fair value measurement of non-financial instruments

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

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.

Interest in joint venture

The Group has investment in joint venture, which is a jointly controlled entity, whereby the venturer have a contractual arrangement that establishes joint control over the economic activities of the entities. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the equity method. Under the equity method, investment in a 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 joint venture. Any goodwill arising on the acquisition of the Group's interest in a jointly control entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of joint venture.

The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the joint venture from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from a 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 that have not been recognised in the joint venture's statement of income. The Group's share of those changes is recognised directly in equity. Unrealised gains on transactions with an joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associate (continued)

The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate 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 associate arising from changes in the associate's equity that have been recognised in the associate's statement of comprehensive income.

The Group's share of those changes is recognised directly in equity. Unrealised gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 36, indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value.

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

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

Investment properties

Investment properties comprises developed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment properties when the definition of an investment property is met.

Investment properties is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of income in the year in which they arise.

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. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

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

Computer hardware and software	3 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The carrying values of property and equipment 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.

4 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 indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which goodwill allocated. These budgets and forecast cash flow calculations generally cover a period of two to five years.

Properties held for trading

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital operation, is held as properties held for trading and is measured at lower of cost and net realisable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money of material, less costs of completion and estimated cost of sale.

The cost of properties held for trading recognised in consolidated statement of income on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Employees' end of service benefits

The Group provides end of service benefits to its employees. Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. The expected costs of these benefits are accrued over the period of employment.

Also, with respect to its national employees, the Parent Company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries, which are expensed when due.

Share based payment transactions

The Group operates an equity-based payment plan to its employees. Under the terms of the plan, shares are granted to permanent employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the shares is measured based on market prices available taking into account the terms and conditions upon which those shares were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. 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 paid 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.

Other reserves

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable 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 Group expects some or all of a provision to be reimbursed, for example, under an issuance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

Revenue recognition

Revenue is recognized 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 fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of property held for trading

A property is regarded as sold when the significant risks and rewards of ownership of real estate property have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Sales of property under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the Group consider whether the contract comprises:

- i) A contract to construct a property or,
- ii) A contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses. Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer; and
- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Gain on sale of investments financial assets available for sale

Gain on sale of investment is measured by the difference between the sale proceeds and the carrying amount of investment at the date of disposal, and is recognised at the time of the sale.

Rental income

Rental income receivable from operating leases except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Dividends income

Dividend income is recognized when the right to receive payment is established, which is generally when shareholders approve the dividend.

Management fees

Management fees earned for the provision of services over a period of time are accrued over that period.

Finance income

Finance income is recognised as accrued using the effective yield method.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the 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.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating 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.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

A property interest that is held by the Group under an operating lease may be classified and accounted for as an investment property when the property otherwise meets the definition of an investment property, evaluated property by property, and based on management's intention. The initial cost of a property interest held under a lease and classified as an investment property is determined at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to a project, as part of projects under construction, over the period of the construction until the project concerned is completed and becomes ready for its intended use on the basis of actual borrowings and actual expenditure incurred on the project. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the project for its intended use are complete. Borrowing costs capitalised is calculated using the Group's weighted average cost of borrowings.

Contingencies

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance and the reporting is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Foreign currency translation

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

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in 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 dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Group companies

The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their statement of incomes are translated at average exchange rates during the period where such averages are reasonable approximation of actual rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

5 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 accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments

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

Classification of property

The Group determines whether a property is classified as investment properties or properties held for trading:

- Investment properties comprise land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation.
- Properties held for trading comprise properties that are held for sale in the ordinary course of business.

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 described below:

The group had based its assumptions and estimation on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however may change due to market changes or circumstances arising beyond the content of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of net realisable value for property held for trading

Property held for trading is stated at the lower of cost and net realisable value (NRV). NRV for completed property held for trading is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

NRV in respect of property held for trading under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Valuation of investment properties

Fair value of investment properties have been assessed by an independent real estate appraiser. Three main methods were used to determine the fair value of property interests in investment properties; (a) formula based discounted cash flow analysis (b) Income approach and (c) comparative analysis as follows:

- (a) Formula based discounted cash flow, is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- (b) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
- (c) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

The significant methods and assumptions used by valuers in estimating fair value of investment properties are stated in Note 8 and 29.

Valuation of unquoted equity investments

Valuation of unquoted equity investments 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;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

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5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. Where this estimation cannot be reliably determined these investments are carried at cost less impairment.

Impairment of trade receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the actual amounts collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of goodwill

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

6 BASIC AND DILUTED EARNING PER SHARE

Basic and diluted earnings per share is computed by dividing the profit for the year attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares during the year less weighted average numbers of treasury shares as follows:

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Profit for the year attributable to equity holders of the Parent Company	9,319,104	8,086,345
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares	688,278,956	688,278,956
Less: weighted average number of treasury shares	(68,690,479)	(68,690,479)
Weighted average number of shares outstanding	619,588,477	619,588,477
Basic and diluted earnings per share attributable to the equity holders of the Parent Company (file)	15.04	13.05

7 GOODWILL

Goodwill represents excess of consideration paid for acquisition of First Dubai Real Estate Development Company K.S.C.P. (FD) shares over and above the fair value of the identifiable assets and liabilities. During the year, the management has tested the carrying value of goodwill for impairment and has noted no impairment.

8 INVESTMENT PROPERTIES

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Balance at the beginning of the year	92,312,256	89,094,871
Additions	20,234,071	5,890,258
Disposals	(229,476)	(2,876,451)
Net gain (loss) from fair value adjustment (refer note below)	817,386	(1,199,949)
Foreign currency translation adjustments	1,872,348	1,403,527
Balance at the end of the year	115,006,585	92,312,256

8 • INVESTMENT PROPERTIES (continued)

Investment properties mainly comprise the following:

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Land	12,140,291	7,703,249
Properties under development	6,746,295	5,929,028
Developed properties held for earning rental income	96,119,999	78,679,979
	<u>115,006,585</u>	<u>92,312,256</u>

Certain investment properties with a carrying value of KD 42,408,670 (31 December 2014: KD 24,821,578) are collateralised against term loans and tawarruq payable amounting to KD 45,097,173 (31 December 2014: KD 37,986,841) (Notes 19 and 20). Certain investment properties with a carrying value of KD 32,443,880 (2014: KD 31,193,139) are collateralised against ijara payable amounting to KD 19,594,655 (2014: KD 19,970,000) (Note 20).

Valuations of investment properties were conducted by two independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of investment properties being valued.

The change in fair value was calculated based on the lower of the two values. Fair value of the investment properties is calculated by reference to industry acknowledged methods of valuations that depend on market data including recent sales value of comparable properties, annual rental income, capitalization rate and discounted cash flow. Further details are provided in Note 29. Operating expenses incurred on non-rental income generating investment property are not material.

9 INVESTMENT IN JOINT VENTURE

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership percentage %</i>		<i>Carrying value</i>	
			<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
					<i>KD</i>	<i>KD</i>
Ritim Istanbul Insaat Anonim Sirketi (Ritim) (formerly known as Mazaya Turkey Gayimlenkul Yatirimlarianonim Sirketi)	Turkey	Real estate development	40	40	<u>2,881,861</u>	<u>3,702,816</u>

The movement in investment in joint venture during the year was as follows:

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Balance at the beginning of the year	3,702,816	899,573
Additions	912,000	3,702,816
Share of results for the year	(23,033)	345,260
Proceeds received on distribution of assets from joint venture	-	(1,244,833)
Foreign currency translation adjustments	(1,709,922)	-
Balance at the end of the year	<u>2,881,861</u>	<u>3,702,816</u>

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9 INVESTMENT IN JOINT VENTURE (continued)

Statement of financial position and statement of income of joint venture:

	2015	2014
	KD	KD
Assets	48,250,203	49,392,569
Liabilities	(41,045,551)	(40,135,529)
Net assets	7,204,652	9,257,040
Group's share of net assets	2,881,861	3,702,816
Revenues	302,301	3,160,078
(Loss) profit for the year	(57,583)	863,150
Group's share of results	(23,033)	345,260

The following amounts are included in the consolidated financial statements as a result of the proportionate consolidation of Villa-492 Project:

	2015	2014
	KD	KD
Current assets	-	923,136
Current liabilities	-	429,842
Income	-	13,438
Expenses	-	(12,752)

During the year ended 31 December 2015, the Group has disposed its investment in joint ventures Villa-492 Project which was accounted using proportionate consolidation method and Al-Wahda Real Estate Investment Limited which was accounted for using equity accounting method resulting in a gain with total amount of KD 883,165 recognised in the consolidated statement of income.

10 INVESTMENT IN ASSOCIATES

	Country of	Ownership		Principal	2015	2014
	Incorporation	2015	2014	activities	KD	KD
First Qatar Real Estate Development K.S.C.(Closed)	Kuwait	17.54	17.54	Real estate services	9,293,012	9,181,630

Movement in the balance of investment in associate is as follows:

	2015	2014
	KD	KD
Balance at the beginning of the year	9,181,630	13,350,562
Disposal	-	(1,899,268)
Dividend received	-	(287,019)
Transfer to financial assets available for sale	-	(3,213,764)
Share of results	151,158	1,283,407
Foreign currency translation adjustments	(39,776)	(52,288)
Balance at the end of the year	9,293,012	9,181,630

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10 INVESTMENT IN ASSOCIATES (continued)

Investment in associate with carrying value of Nil (2014: KD 9,181,630) is collateralised against certain term loans (Note 19). Investment in associate with carrying value of 9,293,012 (2014: Nil) is collateralised against certain tawarruq payable (Note 20).

The summarized financial information of the associate is as follows:

	2015 KD	2014 KD
Assets	54,719,143	60,953,158
Liabilities	(1,741,826)	(8,606,351)
Net assets	52,977,317	52,346,807
Group's share of net assets	9,292,221	9,181,630
Revenues	1,475,604	7,906,340
Profit for the year	861,790	7,317,030
Group's share of results	151,158	1,283,407

11 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 KD	2014 KD
Quoted:		
Equity securities	2,022,930	2,727,631
Unquoted:		
Equity securities	1,952,600	1,931,434
Funds and managed portfolios	7,146,012	7,413,632
	11,121,542	12,072,697

Financial assets available for sale with a fair value of Nil (2014: KD 6,781,345) are pledged against certain term loans disclosed in Note 19. Financial assets available for sale investments with a fair value of KD 6,377,658 (2014: Nil) are collateralised against certain tawarruq payable (Note 20).

Unquoted equity shares are carried at cost, less impairment, if any, due to the non-availability of reliable measures of their fair values. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD 38,349 (2014: KD 61,904) in the consolidated statement of income. Based on the latest available financial information, management is of the view that no further impairment loss is required as at 31 December 2015 in respect of these investments. Impairment loss of KD 16,598 (2014: Nil) is recorded in consolidated statement of income on funds and managed portfolios.

12 ADVANCES FOR PURCHASE OF PROPERTIES

Advances for purchase of properties includes an amount of TRY 115,000,000 equivalent to KD 11,933,090 (2014: KD 14,656,980) paid by one of the Group's subsidiaries as an advance to a joint venture of the Parent Company (Note 24) to purchase properties in Turkey.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 December 2015

10 INVESTMENT IN ASSOCIATES (continued)

Investment in associate with carrying value of Nil (2014: KD 9,181,630) is collateralised against certain term loans (Note 19). Investment in associate with carrying value of 9,293,012 (2014: Nil) is collateralised against certain tawarruq payable (Note 20).

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13 PROPERTIES HELD FOR TRADING

	2015 KD	2014 KD
Balance at the beginning of the year	98,751,223	86,385,937
Additions	11,347,712	16,373,446
Disposals	(42,375,649)	(9,168,087)
Write back of impairment during the year	1,411,010	2,003,838
Foreign currency translation adjustments	2,518,837	3,156,089
Balance at the end of the year	71,653,133	98,751,223

Valuation of properties held for trading were conducted by two independent appraisers with recognised and relevant professional qualifications and experience of the location and category of properties being valued. The reversal of impairment provision was calculated based on the lower of the two valuations. Net realisable value of the properties held for trading is arrived at by reference to industry acknowledged methods of valuations that depend on market data including recent sales value of comparable properties, annual rental income and capitalization rate.

Properties held for trading mainly comprise the following:

	2015		
	Unsold KD	Sold KD	Total KD
Land	9,202,901	-	9,202,901
Properties under development	22,170,278	38,345,875	60,516,153
Developed properties	1,264,816	669,263	1,934,079
	32,637,995	39,015,138	71,653,133

	2014		
	Unsold KD	Sold KD	Total KD
Land	9,608,895	-	9,608,895
Properties under development	20,964,398	66,124,196	87,088,594
Developed properties	1,195,875	857,859	2,053,734
	31,769,168	66,982,055	98,751,223

14 ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2015 KD	2014 KD
Trade receivables	4,926,471	3,425,019
Advance payments	4,193,573	2,548,894
Due from related parties (Note 24)	1,539,780	1,761,850
Other receivables	1,164,030	3,085,130
	11,823,854	10,820,893
Provision for doubtful debts (Note 30.1.3)	(1,800,670)	(972,494)
	10,023,184	9,848,399

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries
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15 CASH AND BANK BALANCES

	2015	2014
	KD	KD
Cash in hand and at banks	11,964,716	16,239,794
Cash in portfolios	8,482	77,886
	11,973,198	16,317,680
Restricted bank balances	(10,042,215)	(10,146,696)
	1,930,983	6,170,984

Restricted bank balances represent escrow accounts restricted for receiving and making payments for specific construction activity and these may not be available for use within 90 days.

16 SHARE CAPITAL, SHARE PREMIUM, ANNUAL GENERAL ASSEMBLY AND CASH DIVIDEND

a) Share capital:

	<i>Authorised, issued and fully paid</i>	
	2015	2014
	KD	KD
688,278,956 Shares of KD 0.100 each	68,827,896	68,827,896

b) Share premium:

Share premium represents the cash received in excess of the par value of the share issued. This is not available for distribution (Note 18).

c) Dividend and annual general meeting:

The board of directors have proposed a cash dividend of 7% (2014: 6%) for the year ended 31 December 2015 which is subject to approval at the annual general meeting.

The annual general meeting of the shareholders held on 8 March 2015, has approved the cash dividend of 6% for the fiscal year ended 31 December 2014.

d) Board of directors remuneration:

The board of directors have proposed directors' remuneration for the year ended 31 December 2015 amounting to KD 160,000 which is subject to approval by annual general assembly.

The proposed board of director's remuneration amounting to KD 120,000 for the year ended 31 December 2014 was approved by the annual general assembly held on 8 March 2015.

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries
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17 RESERVES

i) Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit for the year attributable to shareholders of the Parent Company (before contributions to KFAS, NLST, board of directors' remuneration and Zakat) has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the 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 such dividend payment.

ii) Voluntary reserve

The Parent Company's Articles of Association require that 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, board of directors' remuneration and Zakat) has to be transferred to a voluntary reserve. There are no restrictions on distribution of voluntary reserve. An amount equivalent to the cost of purchase of treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of treasury shares.

18 TREASURY SHARES

	2015	2014
Number of shares	68,690,479	68,690,479
Percentage of issued shares (%)	9.98	9.98
Market value (KD)	7,006,429	8,380,238

One of the group's subsidiaries had pledged shares of the Parent Company, included in treasury shares above against tawarruq payable amounting to KD 1,914,408 (2014: KD 2,614,821) (Note 20) as detailed below:

	2015	2014
Number of shares (numbers)	34,185,000	32,250,000
Cost (KD)	11,493,899	10,843,301
Market value (KD)	3,486,870	3,934,500

Reserves (share premium and a part of voluntary reserve) of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

19 TERM LOANS

	2015 KD	2014 KD
Current portion	-	4,500,000
Non-current portion	-	8,000,000
	-	12,500,000

Certain assets with carrying value of Nil (31 December 2014: KD 11,977,922) were collateralized against the term loans (Note 8 and 11).

Shares of a listed subsidiary company with a fair value of Nil (31 December 2014: KD 7,750,000) and investment in associate with a carrying value of Nil (31 December 2014: KD 9,181,630) were collateralized against the term loans.

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20 TAWARRUQ AND IJARA PAYABLE

	2015 KD	2014 KD
Tawarruq payable	60,771,791	32,288,514
Ijara payable	19,594,655	19,970,000
	80,366,446	52,258,514
	2015 KD	2014 KD
Tawarruq payable		
Gross amount	70,999,066	37,345,053
Less: deferred profit payable	(10,227,275)	(5,056,539)
	60,771,791	32,288,514
Non-current	53,426,809	28,883,513
Current	7,344,982	3,405,001
	60,771,791	32,288,514
Ijara payable		
Gross amount	24,159,762	25,365,350
Less: deferred profit payable	(4,565,107)	(5,395,350)
	19,594,655	19,970,000
Non-current	18,560,093	19,370,900
Current	1,034,562	599,100
	19,594,655	19,970,000

The average cost rate attributable to tawarruq payable is 4.83% (2014: 4.5%). The cost rate attributable to ijara payable is 3.75% (2014: 3.8%).

Certain assets with carrying value of KD 58,079,340 (2014: KD 19,625,000) are collateralised against Tawarruq payable (Note 8,10 and 11).

Certain shares in a subsidiary with a fair value of KD 32,564,728 (2014: KD 42,510,191) are pledged against tawarruq payable maturing on 31 December 2018. Also, certain treasury shares are pledged as collateral against tawarruq payable (Note 18).

Certain investment properties with carrying value of KD 32,443,880 (2014: KD 31,193,139) are collateralised against ijara payable (Note 8).

21 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015 KD	2014 KD
Trade payables	8,837,008	4,013,789
Retentions payable	1,267,692	1,606,979
Accrued development costs	59,974	59,974
Dividends payable	211,192	166,450
Due to related parties (Note 24)	1,645,413	-
Other payables and accrued expenses	3,878,957	3,284,494
	15,900,236	9,131,686

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22 NET MANAGEMENT FEES AND COMMISSION INCOME

	2015	2014
	KD	KD
Management fees and commission income	477,064	658,863
Cost of management fees and commission income	(98,234)	(265,647)
	<u>378,830</u>	<u>393,216</u>

23 NET INVESTMENT INCOME

	2015	2014
	KD	KD
Realized gain on disposal of financial assets available for sale	324	1,675,547
Dividend income	127,075	104,381
Portfolio management fees	(61,039)	(126,637)
Impairment loss on financial assets available for sale (Note 11)	(54,947)	(61,904)
	<u>11,413</u>	<u>1,591,387</u>

24 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. subsidiaries, shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

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

	Major shareholders KD	Joint venture and associate KD	2015 KD	2014 KD
<i>Consolidated statement of financial position:</i>				
Accounts receivable and other debit balances (Note 14) (Note i)	495,936	1,043,844	1,539,780	1,761,850
Accounts payable and other credit balances (Note 21) (Note i)	1,579,374	66,039	1,645,413	-
Advances for purchase of properties (Note 12)	-	11,933,090	11,933,090	14,656,980

i) Amounts due from/to related parties are interest free and are receivable or payable on demand.

Amounts due to related parties comprise an amount of KD 1,575,937 (2014: Nil) which represents an advance received for partial disposal of a subsidiary.

Compensation for board members and other key management members for the year are as follows:

	2015	2014
	KD	KD
Salaries and other short term benefits	1,181,362	997,773
Terminal benefits	71,274	46,661
	<u>1,252,636</u>	<u>1,044,434</u>

During the year ended 31 December 2015, the Parent Company granted equity-settled stock options to its eligible employees. These shares vest over a period of three years from the date of grant. The vesting of the stock options is dependent on eligible employees remaining in service till the end of the vesting period. The fair value of stock options granted is amortised over the vesting period.

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24 RELATED PARTY TRANSACTIONS (continued)

During the year ended 31 December 2015, the Parent Company recognised an expense of KD 268,693 (2014: Nil) relating to equity-settled share-based payment transactions during the year.

25 OTHER (EXPENSE) INCOME

During the year ended 31 December 2015, management has assessed legal cases against the Group from one of its projects and estimated a provision for possible outflow of economic benefits amounting to KD 1,276,035 (2014: KD 346,976).

26 SIGNIFICANT NON-CONTROLLING INTEREST

The summarised consolidated financial statement of First Dubai Real Estate Development Company K.S.C.P is provided below. This information is based on amounts before inter-company eliminations.

Summarised consolidated statement of income:

	2015 KD	2014 KD
Revenue	8,785,553	5,364,583
Profit for the year	1,997,804	3,884,135
Total comprehensive income	3,435,988	6,291,332

Summarised consolidated statement of financial position as at 31 December:

	2015 KD	2014 KD
Current assets	50,931,607	53,581,671
Non-current assets	48,340,518	45,696,394
Current liabilities	11,161,415	12,958,505
Non-current liabilities	19,640,883	21,285,721
Total equity	68,469,827	65,033,839

Attributable to:

Equity holders of Parent Company	64,626,109	61,158,504
Non-controlling interests	3,843,718	3,875,335

Summarised consolidated cash flow statement for the year ended 31 December:

	2015 KD	2014 KD
Operating	2,708,449	(19,378,368)
Investing	(1,321,388)	(675,049)
Financing	(1,885,127)	19,431,285
Net decrease in cash and cash balances	(498,066)	(622,132)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

27 SEGMENT INFORMATION

For management purposes, the Group is divided into four main geographical segments that are: State of Kuwait, United Arab Emirates (UAE), Kingdom of Saudi Arabia (KSA), Turkey and others, where the Group performs its main activities in the real estate segment. There is no income generating transactions between the Group's segments.

*Segment results are computed after allocating common cost to the geographical segments based on asset base of the segment.

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Al Mazaya Holding Company K.S.C.P. and its Subsidiaries

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27 SEGMENT INFORMATION (continued)

ii) Primary segment information:

	2015					2014				
	Kuwait KD	UAE KD	KSA KD	Others KD	Total KD	Kuwait KD	UAE KD	KSA KD	Others KD	Total KD
Other segmental information:										
Net Change in fair value of investment properties	393,850	(11,035)	91,530	343,041	817,386	(807,657)	(592,294)	(69,597)	269,599	(1,199,949)
Write back of impairment loss on properties held for trading	-	1,411,010	-	-	1,411,010	-	2,003,838	-	-	2,003,838
Realized gain on disposal of financial assets available for sale	324	-	-	-	324	61,129	-	-	1,614,418	1,675,547
Impairment loss on financial assets available for sale	(54,947)	-	-	-	(54,947)	(61,904)	-	-	-	(61,904)

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27 SEGMENT INFORMATION (continued)

iii) Secondary segment information:

	2015			
	<i>Residential KD</i>	<i>Commercial KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total segment revenue	55,308,046	4,510,313	-	59,818,359
Total segment assets	121,397,261	62,262,456	67,381,970	251,041,687

	2014			
	<i>Residential KD</i>	<i>Commercial KD</i>	<i>Other KD</i>	<i>Total KD</i>
Total segment revenue	7,911,665	8,753,231	-	16,664,896
Total segment assets	133,270,940	74,609,560	54,008,135	261,888,635

28 CAPITAL COMMITMENTS

The Group has concluded construction contracts with third parties and is consequently committed to future capital expenditure in respect of properties under construction amounting to KD 13,234,883 (2014: KD 17,418,130).

The Group has commitments amounting to KD 7,250,671 (2014: KD 8,998,633) to purchase land from a third party.

29 FAIR VALUES MEASUREMENT

Financial instruments comprise financial assets and financial liabilities

The fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Note 4: Significant Accounting Policies.

Financial instruments

The Group held the following financial instruments available for sale that are fair valued at the reporting date in the consolidated statement of financial position:

	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
2015			
Financial assets available for sale	2,022,930	7,146,012	9,168,942

Al Mazaya Holding Company K.S.C.P. and its Subsidiaries
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29 FAIR VALUES MEASUREMENT (continued)

	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
2014			
Financial assets available for sale	2,727,631	7,413,632	10,141,263

Certain unquoted investments with carrying value of KD 1,952,600 (31 December 2014: KD 1,931,434) are carried at cost less impairment losses.

The following table shows a reconciliation of the opening and closing amount of level 3 assets which are recorded at fair value:

	<i>At 1 January 2015 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Loss recorded in other comprehensive income KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>At 31 December 2015 KD</i>
<i>Financial assets available for sale:</i>					
Funds and managed portfolio	7,413,632	(16,708)	(250,912)	-	7,146,012

	<i>At 1 January 2014 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Loss recorded in other comprehensive income KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>At 31 December 2014 KD</i>
<i>Financial assets available for sale:</i>					
Funds and managed portfolio	7,478,115	-	(64,483)	-	7,413,632

Description of significant unobservable inputs to valuation of financial assets:

Managed portfolio and funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund. The information relating to valuation techniques and significant unobservable inputs to valuation to compute the sensitivity of the fair value measurement to changes in unobservable inputs is not available.

Non-financial assets

Investment properties were classified under level 2 and level 3 fair value hierarchy as follows:

	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
2015			
Investment properties	50,553,670	64,452,915	115,006,585
2014			
Investment properties	41,814,250	50,498,006	92,312,256

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29 FAIR VALUES MEASUREMENT (continued)

Non-financial assets (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 non-financial assets which are recorded at fair value.

	<i>At 1 January 2015 KD</i>	<i>Gain recorded in the consolidated statement of income KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>At 31 December 2015 KD</i>
Investment properties	50,498,006	423,536	1,872,348	11,659,025	64,452,915
	<i>At 1 January 2014 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>At 31 December 2014 KD</i>
Investment properties	50,634,871	(392,292)	1,403,527	(1,148,100)	50,498,006

Fair value of investment properties were determined using Mark to Market method and capitalisation of rental income method. The fair valuation was conducted by valuers considering transaction prices of similar properties in case of Mark to Market method. The significant unobservable valuation input used is the market price per square foot and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

Capitalisation of rental income method assumes capitalisation of annual rental income and the significant unobservable valuation input used is the capitalisation rate in the range of 5.8% to 7% (2014: 5.8% to 9.5%). A 5% increase in this input would result in an equivalent decrease in fair value.

Certain investment properties owned by the Group on Build Operate and Transfer (BOT) basis are valued using discounted cash flow method.

30 RISK MANAGEMENT

Introduction

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.

Risk management structure

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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30 RISK MANAGEMENT (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

30.1 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, monitors credit exposures, and continually assesses the creditworthiness of counterparties, with the result that the Group's exposure to bad debts is not significant.

The Group trades only with recognised creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Group management.

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances, short term deposits and account receivables the Group manages that risk by dealing only with reputable banks. The Group's exposure to credit risk arising from default of the counterparty has a maximum exposure equal to the carrying amount these instruments.

Due to the nature of the Group's business, the Group does not take collaterals against receivables.

30.1.1 Gross maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk across the Group's financial assets.

Financial assets of the Group subject to credit risk are distributed over the following geographical regions:

	2015 KD	2014 KD
Kuwait	7,511,877	9,070,010
UAE	13,025,378	13,734,809
Other	7,645	7,404
	<u>20,544,900</u>	<u>22,812,223</u>

The Group's exposure relates predominately to real estate and construction sectors.

There is no concentration of credit risk with respect to real estate receivables, as the Group has a large number of tenants.

30.1.2 Credit quality of financial assets that are neither past due nor impaired

The Group neither uses internal credit grading system nor external credit grades. The Group manages credit quality by ensuring that credit is granted only to known creditworthy parties.

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30 RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

30.1.3 Past due and impaired

The Group does not have any past due but not impaired financial assets as at 31 December 2015 and 2014.

Gross amount due amounting to KD 4,926,471 (2014: KD 3,425,019) were impaired with a provision of KD 1,800,670 (2014: KD 972,494). The movement in provision allowance during the year is as follows:

Allowance for doubtful debts for receivables

	2015 KD	2014 KD
Balance at the beginning of the year	972,494	972,494
Charge for the year	828,176	-
Balance at the end of the year	<u>1,800,670</u>	<u>972,494</u>

30.2 Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and facilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future finance cost payments over the life of these financial liabilities.

	Within 1 year KD	1-2 years KD	Over 2 years KD	Total KD
31 December 2015				
Tawarruq and ijara payable	11,172,259	12,346,328	70,738,144	94,256,731
Accounts payable and other credit balances	11,467,525	3,035,569	1,397,142	15,900,236
Total undiscounted liabilities	<u>22,639,784</u>	<u>15,381,897</u>	<u>72,135,286</u>	<u>110,156,967</u>
Capital commitments	<u>2,646,977</u>	<u>3,308,721</u>	<u>14,529,856</u>	<u>20,485,554</u>
	Within 1 year KD	1-2 years KD	Over 2 years KD	Total KD
31 December 2014				
Tawarruq and ijara payable	5,675,501	14,493,956	56,453,978	76,623,435
Term loans	4,564,688	8,115,000	-	12,679,688
Accounts payable and other credit balances	4,920,620	2,604,087	1,606,979	9,131,686
Total undiscounted liabilities	<u>15,160,809</u>	<u>25,213,043</u>	<u>58,060,957</u>	<u>98,434,809</u>
Commitments				
Capital commitments	<u>4,619,672</u>	<u>6,361,485</u>	<u>15,435,606</u>	<u>26,416,763</u>

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30 RISK MANAGEMENT (continued)

30.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

30.3.1 Interest/profit rate risk

Interest/profit rate risk arises from the possibility that changes in interest/profit rates will affect future profitability or the fair values of financial instruments. Interest rate risk is managed by the finance department of the Parent Company. The Group is exposed to interest/profit rate risk on its interest bearing assets and liabilities (bank deposits and facilities) as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest/profit cost using a mix of fixed and variable rate debts. The Group's policy is to keep a substantial portion of its borrowings at variable rates of interest.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest/profit rates on the Group's profit before directors' remuneration and taxation, based on floating rate financial assets and financial liabilities held at 31 December 2015. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated statement of income to a reasonable charge in interest /profit rates of 50 basis points, with all other variables held constant.

	<i>50 basis points increase</i>	
	<i>Effect in profit</i>	
	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>
Kuwaiti Dinars	401,832	323,793

30.3.2 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. All of the Group's quoted investments are quoted on the regional Stock Exchanges.

The effect on other comprehensive income (OCI) as a result of a change in the fair value of equity instruments held as available for sale financial assets at 31 December 2015 due to 5% increase in the following market indices with all other variables held constant is as follows:

Market indices

	<i>Effect on OCI</i>	
	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>
KSE (±5%)	1,962	1,468
Others	5,298	4,903

The effect on the profit before directors' remuneration and taxation represents increase in fair value of impaired available for sale investments which will be recorded in the consolidated statement of income.

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30 RISK MANAGEMENT (continued)

30.3.3 Foreign currency risk

Currency risk is the risk that the value of the financial instrument on monetary items will fluctuate due to changes in the foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the Kuwaiti Dinar. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

If the Kuwaiti Dinar had strengthened or weakened against the foreign currencies assuming a change of 5%, this would have the following impact on the consolidated statement of income:

	<i>Effect on profit (loss) for the year</i>	
	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>
UAE Dirhams ($\pm 5\%$)	218,684	275,749

31 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 to maximise shareholder value and remain within the quantitative covenants of bank facilities.

The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares and obtain or settle bank facilities. No changes were made in the objectives, policies or processes during the year ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio as per the debt covenant for their bank facilities, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio below 60%. The Group includes within net debt, ijara payable, tawarruq payable less cash and bank balances. The Group considers equity as shown in the consolidated statement of financial position.

	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>
Debts	80,366,446	52,258,514
Less: cash and bank balances	(1,930,983)	(6,170,984)
Net debt	78,435,463	46,087,530
Equity	111,454,343	107,755,450
Equity and net debt	189,889,806	153,842,980
Gearing Ratio	41.31%	29.96%