

# AL MANAR

FINANCING & LEASING



2015

# Al Manar Financing and Leasing Company

K.S.C. (Closed)

and its Subsidiaries

State of Kuwait



## CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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AL MANAR FINANCING AND LEASING COMPANY K.S.C. (CLOSED)  
State of Kuwait

## Independent Auditors' Report to the Shareholders

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Manar Financing and Leasing Company K.S.C. (Closed) ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as of 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 notes.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use in the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of 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 whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- **Opinion**

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

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

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary 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 2014, as amended and by the Company's Memorandum 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 2014, as amended or of the Company's Memorandum and Articles of Association have occurred during the financial year ended 31 December 2015 that might have had a material effect on the business of the Group or on its consolidated financial position.

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

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**Bader A. Al-Wazzan**

Licence No. 62A  
Deloitte & Touche, Al Wazzan & Co.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTE	2015 KD	2014 KD
<b>ASSETS</b>			
Cash and cash equivalents	5	5,166,009	2,235,336
Investment in Murabaha Receivables	6	3,000,000	3,000,000
Finance receivable	7	37,703,470	31,582,672
Financial assets at fair value through profit or loss	8	3,764,004	4,001,939
Available for sale investments	9	1,715,885	1,871,876
Investment properties	10	2,146,535	2,146,535
Other receivables and prepayments	11	264,358	315,501
Other assets		32,852	47,436
<b>Total assets</b>		<b>53,793,113</b>	<b>45,201,295</b>

### LIABILITIES AND EQUITY

<b>LIABILITIES</b>			
Islamic Murabaha and Wakala payables	12	14,302,911	6,927,960
Accounts payable and other credit balances	13	2,861,162	1,994,635
Provision for staff indemnity		966,377	643,774
<b>Total liabilities</b>		<b>18,130,450</b>	<b>9,566,369</b>

<b>EQUITY</b>			
Share capital	14	30,874,759	30,874,759
Share premium		312,020	312,020
Statutory reserve	15	1,653,604	1,493,169
Voluntary reserve	16	1,356,461	1,196,026
Retained earnings		1,458,169	1,751,302
Total equity attributable to the shareholders of the Parent Company		35,655,013	35,627,276
Non-controlling interests		7,650	7,650
<b>Total equity</b>		<b>35,662,663</b>	<b>35,634,926</b>
<b>Total liabilities and equity</b>		<b>53,793,113</b>	<b>45,201,295</b>

**Bader Abdulla Al- Sumait**  
Chairman

**Salah Mohamad Al-Wazzan**  
Vice Chairman

**CONSOLIDATED STATEMENT OF INCOME**

For the year ended 31 December 2015

	NOTE	2015 KD	2014 KD
<b>REVENUES</b>			
Finance revenues		3,773,536	4,094,177
Other income	17	726,497	428,742
		<b>4,500,033</b>	<b>4,522,919</b>

<b>EXPENSES</b>			
Net investments losses / (gains)	18	275,636	(97,785)
Finance costs		574,720	509,984
Staff costs	19	1,367,243	1,131,147
Provision for doubtful debts	7	125,337	148,719
Other expenses	20	552,747	558,534
		<b>2,895,683</b>	<b>2,250,599</b>

<b>Profit before deductions</b>		1,604,350	2,272,320
Kuwait Foundation Advancement of Science		(14,439)	(20,451)
Zakat		(18,439)	(23,103)
Board of Directors' remunerations	22	-	(23,000)
<b>Net profit for the year</b>		<b>1,571,472</b>	<b>2,205,766</b>
Other comprehensive income		-	-
Total comprehensive income		1,571,472	2,205,766
<b>Basic and diluted earnings per share (Fils)</b>	21	<b>5.09</b>	<b>7.14</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Retained earnings	Total	Non-controlling interest	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance at 1 January 2014</b>	30,874,759	312,020	1,265,937	1,243,823	(275,029)	33,421,510	7,650	<b>33,429,160</b>
Amortizing of accumulated losses	-	-	-	(275,029)	275,029	-	-	-
Net profit for the year	-	-	-	-	2,205,766	2,205,766	-	<b>2,205,766</b>
Transfers to reserves	-	-	227,232	227,232	(454,464)	-	-	-
<b>Balance at 31 December 2014</b>	30,874,759	312,020	1,493,169	1,196,026	1,751,302	35,627,276	7,650	<b>35,634,926</b>
Cash dividends (note 22)	-	-	-	-	(1,543,735)	(1,543,735)	-	<b>(1,543,735)</b>
Net profit for the year	-	-	-	-	1,571,472	1,571,472	-	<b>1,571,472</b>
Transfers to reserves	-	-	160,435	160,435	(320,870)	-	-	-
<b>Balance at 31 December 2015</b>	30,874,759	312,020	1,653,604	1,356,461	1,458,169	35,655,013	7,650	<b>35,662,663</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2015

<b>OPERATING ACTIVITIES</b>			
Net profit for the year		1,571,472	2,205,766
Adjustments for:			
Provision for doubtful debts		125,337	148,719
Depreciation and amortisation		30,026	34,405
Net investments losses / (gains)		275,636	(97,785)
Income from Murabaha receivable		(40,628)	(32,990)
Finance costs		574,720	509,984
Provision for staff indemnity		339,371	100,550
<b>Profit from operations before working capital changes</b>		<b>2,875,934</b>	<b>2,868,649</b>
Finance receivable		(6,246,135)	8,245,322
Other receivables and prepayments		51,143	41,473
Financial assets at FVTPL		35,203	-
Accounts payable and other credit balances		709,977	(3,611,000)
Payments of staff indemnity		(16,768)	(4,633)
<b>Net cash (used in) / generated from operating activities</b>		<b>(2,590,646)</b>	<b>7,539,811</b>
<b>INVESTING ACTIVITIES</b>			
Liquidation of investment in Murabaha receivable		-	173,022
Income from Murabaha received		40,628	-
Dividend income received		83,087	40,120
Purchase of other assets		(15,442)	(19,342)
<b>Net cash generated from investing activities</b>		<b>108,273</b>	<b>193,800</b>
<b>FINANCING ACTIVITIES</b>			
Net movement in Islamic Murabaha and Wakala payables		7,374,951	(5,508,473)
Dividend payment		(1,387,185)	-
Finance costs paid		(574,720)	(509,984)
<b>Net cash generated from / (used in) from financing activities</b>		<b>5,413,046</b>	<b>(6,018,457)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,930,673</b>	<b>1,715,154</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,235,336</b>	<b>520,182</b>
<b>Cash and cash equivalents at end of the year</b>	5	<b>5,166,009</b>	<b>2,235,336</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 1. FORMATION AND PRINCIPAL ACTIVITIES

Al Manar Financing and Leasing Company K.S.C. (Closed) (“the Company”) was incorporated in the State of Kuwait in 2003 by the authorized letter of incorporation no. 4857 file 1 dated 6 December 2003.

The main activities of the Company and its subsidiaries (together referred to as “the Group”) are all financing and investing activities according to the Islamic Share’a principles.

The main objectives of the company are as follows:

- a) Provide all credit facilities operations for consumers.
- b) Provide all leasing services, such as operating or financing lease.
- c) Mobilization of resources for finance under leasing and also arrange collective finance operations for leasing.
- d) Financing consumer goods through Murabaha, Bargain or any other contracts.
- e) Real estate investment operations, including development of residential land and construction of housing and commercial units and complexes & warehouses intent to sell and lease.
- f) Carry out all securities related transactions.
- g) Establish investment funds for the company’s or third parties’ account, underwrite its units, act as custodian and investment manager for investment and leasing funds at home or abroad as per the applicable laws and resolutions in the state.
- h) Investing in real estate, industrial, agricultural and other economic sectors by contributing to the establishment of specialized companies or purchase of shares of these companies.
- i) Conducting technical and economic studies and researches concerning employment of funds or other studies necessary to the company’s activity or its clients or other parties.
- j) Managing all kinds of portfolios, investing and increasing funds of its clients through employing such funds in all investment aspects locally and abroad.
- k) Representing or acquiring of national and foreign companies carrying on similar objectives, for the purpose of trading its financial products and services locally and abroad with no violation to Islamic Sharia and the related Kuwaiti laws and regulations.

The Company is subject to instructions and monitoring by the Central Bank of Kuwait & Capital Markets Authority.

On 1 February 2016, the new Companies Law no. 1/2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the companies law no. 25 of 2012 and its amendments have been cancelled however, its Executive Regulations will continue until a new set of Executive Regulations are issued.

These consolidated financial statements were authorized for issue by the Board of Directors on 3 March 2016 and are subject to the approval of the Annual General Assembly of the shareholders.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the State of Kuwait for financial institution regulated by the Central Bank of Kuwait and Capital Markets Authority. The consolidated financial statements have been prepared based on the historical cost basis except for assets at fair value through profit or loss and available for sale investments that are measured at fair values, as explained in the accounting policies below.

### 2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

#### Amendments to IFRSs that are mandatory effective for the current year

- ***Amendments to IAS 19 Defined Benefit Plans: Employee Contributions***

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments should be applied retrospectively.

This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

#### ***Annual improvements 2010-2012 Cycle***

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

#### ***Annual improvements 2011-2013 Cycle***

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity Method in Separate Financial Statements

The Group has applied the amendments to IFRSs included in the annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle for the first time in the current year. The application of these amendments has had no impact on the disclosures or amounts recognized in the group's consolidated financial statements.

### **New and revised IFRSs in issue but not yet effective**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

- ***IFRS 9 Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The group is in the process of assessment the impact of IFRS 9 on its consolidated financial statements.

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

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The group is in the process of assessment the impact of IFRS 15 on its consolidated financial statements.

- ***Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations***

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations occurring from the beginning of annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Group.

- ***Amendments to IAS 1 Disclosure Initiative***

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Group.

- ***Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisations***

The Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

The Amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group use the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets. These amendments are not expected to have any impact on the Group.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. These amendments are not expected to have any impact on the Group

***Annual Improvements 2012-2014 Cycle***

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits

## **2.3 Significant accounting policies**

### **2.3.1 Basis of consolidation**

#### **Subsidiaries**

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the parent company obtains control over the subsidiary and ceases when the parent Company loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the parent Company gains control until the date when parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **Business combinations**

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

- **Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 3.3.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including finance receivables, Murabaha and Wakala receivable and other receivable) are measured at amortised cost using the effective interest method, less any impairment.

- **Available for sale (AFS)**

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note 3.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

- ***Impairment in value***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

A provision for impairment in value is made to address the threat of credit related to receivables when there is an objective for the Group that it cannot collect all amounts owed to them. The amount of the provision is the difference between the book value and recoverable amount of the asset which is determined based on the current value for the cash flows, taking into consideration the exclusion of the recoverable amounts of the guarantees and securities discounted based on the rate of return. The provision is recognized in the income statement.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% of all receivables net of certain restricted categories of collateral and not subject to specific provision.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

- ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

## Financial liabilities

Financial liabilities (including borrowings) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

- **Derecognition**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 2.3.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost less accumulated impairment losses. The carrying amounts are reviewed at each reporting date on an individual basis to assess whether they are recorded in excess of their recoverable amount. Provisions for impairment losses, if any, are made where carrying values exceed the recoverable amount.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### 2.3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

### 2.3.5 Intangible assets

Intangible assets, which consist of software and key money, are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of 3 years. The estimated useful life and amortisation method are reviewed at each reporting date, with the effect of any changes in estimates being accounted for on a prospective basis.



### 2.3.6 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 2.3.7 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### 2.3.8 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

### 2.3.9 Dividends

The dividends attributable to shareholders of the Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.3.10 Foreign currencies

- ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Company's, functional and the Group's presentation currency.

- ***Transactions and balances***

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

### 2.3.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Murabaha and Wakala income are recognized on a weighted time appointment basis.
- Income from operating lease is recognized on a straight line basis over the term of contract.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on time basis.
- Fees and commission income are recognised at the time the related services are provided

### 2.3.12 Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

- ***The Group as lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

- ***The Group as lessee***

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

### 2.3.13 Zakat

Zakat is calculated according to the recommendation of the Fatwa and Shari'a Supervisory board.

The Company calculates and announces Zakat payable on each share. The shareholders are responsible for the payment.

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk

The Group's activities expose it to a variety of financial risks: market risks (including currency risks, fair value profit rates risk, cash flows profit rates risk, and prices risk) in addition to credit risk and liquidity risks.

The Group management for these financial risks is concentrated in continuous evaluation of market conditions and trends and assessment of long and short-term market factors.

#### Market risk

- **Foreign exchange risk**

The foreign exchange risk arises from future transactions on financial instruments in foreign currency classified in the financial statements of the Group in foreign currencies.

The Company develops policies to manage the risks of foreign currency represented in monitoring changes of the currency rate as well as the impact on the Company's financial situation throughout the year.

- **Foreign currency exchange risk management**

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and through continuously monitoring exchange rate fluctuations. As of the financial statements date there are no material financial instruments in foreign currency.

- **Interest rate risk**

The Group is not exposed to interest rate risk as the Group operate in accordance with Islamic Shariaa principles.

- **Price risk**

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. The Group manages the risk through diversification of investments in terms of geographic and monitor the fair value of the Group investments on regular basis in order to take the necessary action on timely basis.

#### Credit risk

The credit risk is the risk that the Group will incur a loss due to the group inability to collect the debt because of counter parties fails to discharge their contractual obligations against the Group.

The credit risk is managed on the Group basis. The credit risk is highly concentrated in cash and cash equivalents, finance receivables and Wakala and Murabaha receivables.

The Group manages the credit risk related to cash, Murabaha deposits, through dealing with local financial institutions with a good reputation in the market. Also the Group manages the credit risk by setting credit policies in order to avoid the concentration of credit limit via diversifying the finance portfolio over a large number of customers in addition to the identification of the necessary guarantees received from the customers as well as setting a credit approval limit.

The Group uses the collateral to reduce the exposure of credit risk to an acceptable level. The credit policy identifies the type of collateral required for each kind of transaction as well as the valuation basis for the collateral and the frequency of this valuation. The Group monitors on a regular basis the credit risk policies, the Board of Directors approves any change on the credit policies.

The below schedule sets out the assets exposed to credit risk in the statement of financial position, without taking into consideration the guaranties:

	2015	2014
	KD	KD
Cash and cash equivalents	5,148,692	2,220,573
Investments in Murabaha receivables	3,000,000	3,000,000
Finance receivables	37,703,470	31,582,672
Other receivables	102,325	77,416

Provision for doubtful debts is made in accordance with the Central Bank of Kuwait's instructions. Note (7) shows aging analysis of finance receivables and the provision's movement.

### Liquidity risk

Liquidity risk require from the Group to keep enough balance from cash and high liquid securities, as well as by availability of funding from adequate of committed credit facility in order to make available liquidity of the Group because of dynamic of the business the Group arrange a different finance resources and manage it assets to make available the liquidity and monitor the cash flow and make available the necessary guarantee to get a finance in timely manner when required.

The table below analysis the Group's financial liabilities during the expected periods from the financial statements date. The disclosed balances are the undiscounted cash flows according to the contracting dates.

	31 December 2015		
	Within 3 months	From 3 months to 1 year	From 1 to 3 years
	KD	KD	KD
Payables and other credit balances	2,861,162	-	-
Islamic Murabaha and Wakala payables	810,445	6,165,613	8,137,298

	31 December 2014		
	Within 3 months	From 3 months to 1 year	From 1 to 3 years
	KD	KD	KD
Payables and other credit balances	1,994,635	-	-
Islamic Murabaha and Wakala payables	1,948,742	2,170,315	3,258,546

### 3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves, retained earnings and non-controlling interests).

- **Gearing ratio**

The gearing ratio at year end was as follows:

	2015	2014
	KD	KD
Islamic Murabaha and Wakala payables	14,302,911	6,927,960
Cash and cash equivalents	(5,166,009)	(2,235,336)
Net debt	9,136,902	4,692,624
Equity	35,655,013	35,627,276
Net debt to equity ratio	<b>26%</b>	<b>13%</b>

### 3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- **Level one:** Quoted prices in active markets for identical assets or liabilities.
- **Level two:** Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- **Level three:** Inputs for the asset or liabilities that are not based on observable market data.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Relationship of unobservable inputs to fair value
	2015	2014			
	KD	KD			
<b>Fair value through profit or loss:</b>					
Local unquoted shares	2,031,853	3,901,491	Level 2	Market comparatives	N/A
Foreign unquoted shares	761,426	-	Level 2	Market comparatives	N/A
Local unquoted shares	968,174	-	Level 3	Dividend Discount Model	The higher the discount rate the lower the price
Local unquoted shares	2,551	100,448	Level 2	NAV	N/A

**Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required):**

	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	KD	KD	KD	KD
<b>Financial assets</b>				
Finance receivables	37,703,470	37,995,116	31,582,672	31,734,141
<b>Financial liabilities</b>				
Islamic Murabaha & Wakala payables	14,302,911	14,302,911	6,927,960	6,927,960
Payables & other credit balances	2,861,162	2,861,162	1,994,635	1,994,635
	<b>17,164,073</b>	<b>17,164,073</b>	<b>8,922,595</b>	<b>8,922,595</b>

	Fair value hierarchy 31 December 2015			
	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<b>Financial assets</b>				
Finance receivables	-	-	37,995,116	37,995,116
<b>Total</b>	-	-	<b>37,995,116</b>	<b>37,995,116</b>
<i>Financial liabilities</i>				
Islamic Murabaha & Wakala payables	-	-	14,302,911	14,302,911
Payables & other credit balances	-	-	2,861,162	2,861,162
<b>Total</b>	-	-	<b>17,164,073</b>	<b>17,164,073</b>

	Fair value hierarchy 31 December 2014			
	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<b>Financial assets</b>				
Finance receivables	-	-	31,734,141	31,734,141
<b>Total</b>	-	-	<b>31,734,141</b>	<b>31,734,141</b>
<i>Financial liabilities</i>				
Islamic Murabaha & Wakala payables	-	-	6,927,960	6,927,960
Payables & other credit balances	-	-	1,994,635	1,994,635
<b>Total</b>	-	-	<b>8,922,595</b>	<b>8,922,595</b>

The fair values of the financial assets and financial liabilities included in the level 3 categories above have been determined in accordance with generally accepted pricing models such as discounted cash flow.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in (note 2), the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

- ***Valuation of financial instruments***

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability the Group uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in note (3.3).

- ***Evidence of impairment of investments***

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows (note 18).

- ***Impairment of Finance Receivables***

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period, and change in global and local economies which led the customers to default in payment. in accordance with Central Bank of Kuwait (CBK) instructions, a minimum general provision of 1% is made on all credit facilities for which no specific provisions are provided (note 7).

- ***Contingent liabilities/ liabilities***

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

## 5. CASH AND CASH EQUIVALENTS

	2015	2014
	KD	KD
Cash on hand	17,317	14,763
Cash at banks	5,148,692	2,220,573
	<b>5,166,009</b>	<b>2,235,336</b>

## 6. INVESTMENT IN MURABAHA RECEIVABLE

Investment in Murabaha receivables are the deposited amounts at a local financial institution according to Murabaha contracts. The average yield on those contracts is 1.08% per annum (0.95% - 2014).

## 7. FINANCE RECEIVABLE

	2015	2014
	KD	KD
Finance receivables	48,144,206	40,093,196
Less: deferred revenues	(6,735,582)	(5,161,497)
Less: provision for doubtful debts	(3,705,154)	(3,349,027)
<b>Finance receivable – net</b>	<b>37,703,470</b>	<b>31,582,672</b>

7.1 Finance receivables amounted to KD 32,534,310 as at 31 December 2015 (KD 25,072,128 – 2014) not matured yet.

7.2 Finance receivable amounted to KD 11,498,159 as at 31 December 2015 (KD 11,149,777 – 2014) is due from 1 to 90 and not impaired, and for which no specific provision are provided.

7.3 Finance receivable amounted to KD 4,111,737 as at 31 December 2015 (KD 3,871,291 – 2014) due and not collected and impaired are as follows:

	2015	2014
	KD	KD
91 – 180 days	655,230	957,521
181 – 360 days	583,447	677,707
More than 360 days	2,873,060	2,236,063
<b>Total</b>	<b>4,111,737</b>	<b>3,871,291</b>



#### 7.4 Movement of the provision for doubtful debts

	Specific provision	General provision	Total
	KD	KD	KD
<b>Balance at 1 January 2014</b>	<b>1,462,677</b>	<b>1,395,850</b>	<b>2,858,527</b>
Charged during the year	184,839	483,186	668,025
Written off	(177,525)	-	(177,525)
<b>Balance at 31 December 2014</b>	<b>1,469,991</b>	<b>1,879,036</b>	<b>3,349,027</b>
Charged during the year	599,216	(243,089)	356,127
<b>Balance at 31 December 2015</b>	<b>2,069,207</b>	<b>1,635,947</b>	<b>3,705,154</b>

In determining the recoverability of finance receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Group holds KD 10,019,433 at 31 December 2015 (KD 12,413,400 – 2014) as collateral over its finance receivable. Management believes that there is no further provision required in excess of the provision for doubtful debts.

7.5 During the current year the company recovered an amount of KD 230,790 (KD 519,306 - 2014) from the written off finance receivables and reversed the same to the provision for doubtful debts in the consolidated statement of income.

7.6 The carrying amounts of the Group's finance receivable are denominated in KD and are located in the State of Kuwait.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	KD	KD
Investments in unquoted local shares	3,000,027	3,901,491
Investments in unquoted foreign shares	761,426	-
Investments in unquoted local funds	2,551	100,448
	<b>3,764,004</b>	<b>4,001,939</b>

Fair value is determined in the manner described in note (3.3).

## 9. AVAILABLE FOR SALE INVESTMENTS

Available for sale are foreign unquoted investments carried at cost less impairment as they do not have a quoted market price and whose fair value cannot be reliably measured.

## 10. INVESTMENT PROPERTIES

Investment properties are real estates located in the State of Kuwait with cost of KD 2,146,535 (KD 2,146,535 – 2014). The fair value is amounted to KD 3,620,000 as of 31 December 2015 (KD 3,350,000 – 2014).

The fair value of the Group's investment property as at 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. The independent valuers are registered at the related governmental bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Find below is the fair value hierarchy as of 31 December.

	Level 2	Fair value 31/12/2015	Fair value 31/12/2014
	KD	KD	KD
Properties at Kuwait	3,620,000	3,620,000	3,350,000

## 11. OTHER RECEIVABLES AND PREPAYMENTS

	2015	2014
	KD	KD
Prepaid expenses	22,439	20,784
Staff receivables	18,926	26,061
Refundable deposits	28,244	48,190
Due from related party (note 24)	68,576	77,416
Others	126,173	143,050
	<b>264,358</b>	<b>315,501</b>

## 12. ISLAMIC MURABAHA AND WAKALA PAYABLES

Islamic Murabaha and Wakala payables are obtained from financial institutions and are dominated in KD. The average cost as at 31 December 2015 is 5.56% (5.92% - 2014) per annum.

Islamic Murabaha and Wakala payables are guaranteed against the following:

	2015	2014
	KD	KD
Investment in Murbaha receivables	3,000,000	3,000,000
Assigning receivables (net)	28,300,385	7,723,452
Available for sale investments	1,372,708	1,497,501
Investment properties	2,146,535	2,146,535

### 13. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2015	2014
	KD	KD
Trade payables	2,009,507	1,347,584
Accrued salaries and other staff accruals	305,413	344,303
Dividends payable	286,807	130,257
KFAS	35,709	41,721
Zakat	61,177	42,738
Board of Directors' remuneration	-	23,000
Others	162,549	65,032
	<b>2,861,162</b>	<b>1,994,635</b>

### 14. SHARE CAPITAL

The authorized, issued and paid up share capital is KD 30,874,759 distributed over 308,747,591 shares with 100 fils per share. All shares are in cash.

### 15. STATUTORY RESERVE

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS and Zakat is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends

### 16. VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, a percentage of the profit for the year as determined by an ordinary general assembly is to be transferred to the voluntary reserve. This transfer may be stopped by a resolution adopted by an ordinary general assembly as recommended by the Board of Directors of the Parent Company. There are no restrictions on distributions from the voluntary reserve.

### 17. OTHER INCOME

	2015	2014
	KD	KD
Financing fee income	358,705	157,726
Rental income	165,062	152,980
Others	202,730	118,036
	<b>726,497</b>	<b>428,742</b>

## 18. NET INVESTMENTS (GAINS)/ LOSSES

	2015	2014
	KD	KD
Change in fair value of financial assets at FVTPL	202,732	(57,665)
Dividend income	(83,087)	(40,120)
Loss from impairment on available for sale investments	155,991	-
	<b>275,636</b>	<b>(97,785)</b>

## 19. STAFF COSTS

	2015	2014
	KD	KD
Salaries and allowances	788,531	756,646
Provision for staff indemnity	339,371	100,550
Leave accrual	53,903	41,473
Staff bonus	110,000	137,000
Others	75,438	95,478
	<b>1,367,243</b>	<b>1,131,147</b>

## 20. OTHER EXPENSES

	2015	2014
	KD	KD
Rent	117,911	115,908
Commission	36,798	40,503
Advertising	7,397	16,609
Bank charges	5,630	6,877
Telephone and internet charges	25,837	19,211
Cleaning and messenger costs	29,997	30,855
Professional legal expenses	71,732	88,050
Board of Directors Committees' remunerations	50,000	25,000
Depreciation and amortisation	30,026	34,405
Others	177,419	181,116
	<b>552,747</b>	<b>558,534</b>

## 21. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated based on the profit for the year divided by the weighted average number of shares outstanding during the year, as follows:

	2015	2014
	KD	KD
Profit for the year	1,571,472	2,205,766
Weighted average number of the Parent Company's outstanding shares	308,747,591	308,747,591
<b>Basic and diluted earnings per share (fils)</b>	<b>5.09</b>	<b>7.14</b>

## 22. GENERAL ASSEMBLY

On 5 June 2015, the shareholders approved the consolidated financial statements for the year ended 31 December 2014, and decided to distribute 5% cash dividends for 2014.

On 3 March 2016, the Board of Directors suggested:

- 5% dividend for the year ended 31 December 2015 the contribution will be deducted from retained earnings by KD 1,458,169 and from statutory reserves by KD 85,569.
- Board of Directors' remuneration amounting to Nil for year 2015.
- Board of Directors Committees' remunerations of KD 50,000 for year 2015.

These suggestions are subject to the shareholders' approval in the General Assembly of the Parent Company.

## 23. SUBSIDIARIES

Composition of the Group

Company name	Direct Ownership percentage		Country of incorporation	Principal activities
	2015	2014		
Manarat Tasaheel Real Estate Company W.L.L	99%	99%	Kuwait	Project Management
Al-Manar Express for Marketing Consulting Company W.L.L	50%	50%	Kuwait	Consulting activities
Al- Manar Watania for Administrative Consulting Company W.L.L	50%	50%	Kuwait	Consulting activities

Total assets of the subsidiaries are KD 2,226,110 (KD 2,266,877 for the year ended 31 December 2014), and their net profits during the year ended 31 December 2015 are KD 123,619 (profits of KD 292,409 for the year ended 31 December 2014).

## 24. RELATED PARTY TRANSACTIONS

Related parties consist of major shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners. All related party transactions approximate arms length terms and are approved by the Group's management.

The related party balances and transactions included in these consolidated financial statements are as follows:

	2015	2014
	KD	KD
A) Finance receivable	70,529	47,452
B) Investments managed by major shareholder	68,576	77,416
C) Due from related party (Qatar Finance House Company QPSC)	544,732	352,308
D) Key management's benefits payable		
E) Compensation of key management personnel	556,741	524,910
Salaries and other short term benefits	-	23,000
F) Board of Directors' remunerations	50,000	25,000

## 25. SEGMENTAL INFORMATION

Operating segments are to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The operating segments are divided into two major business segments. Business segments are distinguishable components of the Group that provide products or services subject to risks and returns different from those of other business segments.

	2015			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	4,250,591	165,062	84,380	<b>4,500,033</b>
Segment expenses	(574,720)	(275,636)	(2,078,205)	<b>(2,928,561)</b>
Segment results	3,675,871	(110,574)	(1,993,825)	<b>1,571,472</b>
Segment assets	45,869,479	7,626,424	297,210	<b>53,793,113</b>
Segment liabilities	16,312,418	-	1,818,032	<b>18,130,450</b>

	2014			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	4,312,616	152,980	57,323	<b>4,522,919</b>
Segment expenses	(658,703)	97,785	(1,756,235)	<b>(2,317,153)</b>
Segment results	3,653,913	250,765	(1,698,912)	<b>2,205,766</b>
Segment assets	36,818,008	8,020,350	362,937	<b>45,201,295</b>
Segment liabilities	8,275,544	-	1,290,825	<b>9,566,369</b>

## 26. CONTINGENT LIABILITIES

	2015	2014
	KD	KD
Letters of guarantee	5,840	5,420

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