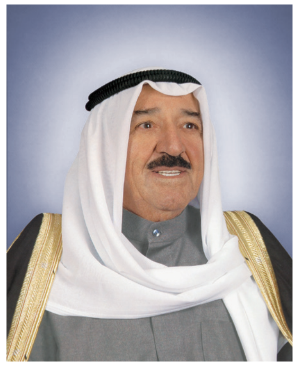
ANNUAL REPORT
2015

المركز
MARKAZ

Kuwait Financial Centre K.P.S.C. I Asset Management I Investment Banking

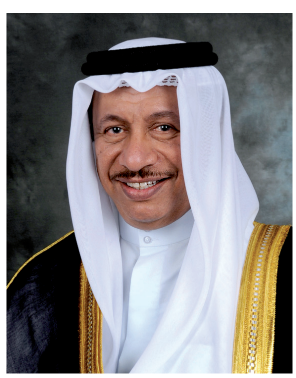


H.H. SHEIKH SABAH AL-AHMAD AL-JABER AL-SABAH

The Amir of The State of Kuwait

H.H. SHEIKH NAWAF AL-AHMAD AL-JABER AL-SABAH

The Crown Prince



H.H. SHEIKH JABER AL-MUBARAK AL-HAMAD AL-SABAH

The Prime Minister

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Board Of Directors

Mr. Diraar Yusuf Alghanim	Chairman
Sheikh Humoud Sabah Al-Sabah	Vice Chairman
Mr. Faisal AbdulAziz Al-Jallal	Director
Mr. Ayman Abdulatif Alshaya	Director
Mr. Fahad Yaqoub Al-Jouan	Director
Mr. Fouzi Ebrahim Al-Mukaimi	Director
Mr. Adel Mohammed AlGhannam	Director
Ms. Maha Imad Al-Kadi	Board Secretary

Board Steering Committee

Mr. Diraar Yusuf Alghanim	Chairman
Mr. Ayman Abdulatif Alshaya	Director
Mr. Fahad Yaqoub Al-Jouan	Director

Audit Committee

Mr. Faisal AbdulAziz Al-Jallal	Chairman
Mr. Fouzi Ebrahim Al-Mukaimi	Director
Mr. Adel Mohammed AlGhannam	Director

Management Team

Manaf A. Alhajeri	Chief Executive Officer
Ali H. Khalil	Chief Operating Officer
Bassam N. Al-Othman	Executive Vice President - MENA Real Estate
Amani I. Al-Omani	Executive Vice President - MENA Equities
Khaled A. Chowdhury	Chief Financial Officer
M.R. Raghu	Senior Vice President - Published Research
Maha I. Al-Kadi	Senior Vice President - Corporate Affairs & Fund Administration
Hussein Ali Zeineddin	Senior Vice President - Management Information Systems (MIS) & Operations in addition to Compliance & Risk Management (Acting Head)
Hana A. Al-Zeraie	Senior Vice President - Human Resources & Administration
Rasha A. Othman	Senior Vice President - Fixed Income & Capital Markets
Abdullatif W. Al-Nusif	Vice President - Private Banking
Sohail F. Ladha	Vice President - Advisory (Investment Banking)
Deena Al-Refai	Assistant Vice President - Private Banking
Alrazi Al-Budaiwi	Assistant Vice President - Media & Communications

Director's Report 2015

Directors' Report 2015

The diversity of investments and high risk management employed by Markaz acted as a buffer to global financial fluctuations.

Sharp downturn in oil prices and deficits in GCC countries budgets are affect the economic systems and their sustainability.

The biggest challenge for GCC governments is boosting investor confidence and directing them towards counter-cyclical investments.

Markaz was able to diversify its investments and asset base by following prudent policies geared towards navigating difficult investment climates.

Markaz was named "Best Mutual Fund Manager in Kuwait" by Global Investor and "Best Asset Manager in Kuwait" by EMEA Finance.

Capital Intelligence confirmed Markaz bonds at BBB with a "Stable" outlook.

Dear Stakeholders,

In 2015, global and regional financial markets faced unprecedented political and economic risks, causing sharp fluctuations across sectors and industries. The diversity of investments and high risk management employed by Kuwait Financial Centre "Markaz" acted as a buffer to these fluctuations as the firm continued its keen observation of ever-changing local, regional, and international economic changes throughout 2015.

The world, and our region in particular, continue to work towards overcoming challenges which are no longer confined to the aftershocks of the global credit crisis, but have reached far beyond it to encompass the sustainability of international relations and global economic systems. These challenges are exemplified by the sharp downturn in oil prices and its far-reaching consequences, namely the strain on government finances across the GCC. Some governments have resorted to drawing on reserve funds and borrowings to cover deficits in their budgets. There have also been unprecedented variability in the monetary policies of global central banks, resulting in variations in the cost of borrowing, the pricing of currencies, and the valuation of assets. This is not to mention the on-going struggles between political and economic powers across the world. In addition, we have seen a sharp reduction in capital flows to emerging markets between 2014 and 2015, and expected net capital flows to emerging markets became negative for the first time since 1988.

In the GCC region, the growth of budget deficits coupled with negative economic performance from China and continued geopolitical strife have continued to be high risk factors. Consequently, regional governments have begun calling for reductions in expenditure. The biggest challenge for GCC governments in the face of declining oil prices will be in boosting investor confidence and directing them towards counter-cyclical investments. Despite the fact that the Kuwait Stock Exchange has many aspects in common with neighboring markets, the sharp downturn in returns and liquidity reflect our unique economic condition.

In 2015, geopolitical concerns and a sharp decline in oil prices have put severe downward pressure on GCC markets. Brent oil was down 34% for the year due to the strategic positioning of OPEC members to protect market share, which resulted in a year loss of 14%. Kuwait Stock Exchange was not the only one to suffer, the S&P GCC index was down 13% for the year.

World markets also saw severe fluctuations in performance in 2015. The MSCI World index lost 2.1% while the MSCI Emerging Markets index was down a whopping 15.9%.

Despite these circumstances, Markaz was able to diversify its investments and asset base by following prudent policies which are geared towards navigating difficult investment climates. Not only has Markaz managed to meet its responsibilities to its investors and regulatory bodies, but it has also pushed forward with programs geared towards the betterment of the local economy and society.

Your company has also earned accolades from regional investment professionals. Markaz won the award for "Best Mutual Fund Manager in Kuwait" from Global Investor magazine as well as "Best Asset Manager in Kuwait" from EMEA Finance. In terms of financial services, Markaz picked up two awards--"Best Investment Bank in Kuwait" from both Global Finance and EMEA Finance magazines. Markaz was chosen for these awards due to its exceptional skill in executing deals which benefit its clients in Funds as well as Mergers and Acquisitions, in addition to other financial services.

Markaz achieved a net profit of KD 2.88 million, an Earnings per Share of 6 Fils.

In December 2015, rating agency Capital Intelligence confirmed Markaz bonds at BBB with a "Stable" outlook. The company earned this rating due to several factors: lowered borrowing ratio, diversity of investments, stable income growth, positive contribution from direct investments in real estate, and its overall positive outlook. This rating also reflects the company's positive brand and reputation as well as its prudent management.

Financial Results for the Year 2015

Total assets under management was KD 1.03 billion as of 31st of December 2015.

For the year ending 31st December 2015, Markaz achieved a net profit of KD 2.88 million, an Earnings per Share (EPS) of 6 Fils, as compared with a 2014 net profit of KD 4.02 million, an Earnings per Share (EPS) of 8 Fils. Income from Fees and Charges amounted to KD 7.36 million. Total equity attributable to shareholders stood at KD 94.16 million in 2015.

Markaz investments saw a positive first half of 2015 before negative performance in the global economy and regional markets caused profits to decrease 28% from 2014. This was owing to a decline in marketable securities across the region. Total assets under management (AUM) amounted to KD 1.03 billion as of 31st of December 2015[1] versus KD 1.09 billion in 2014, due to the valuation of assets and market investments.

Markaz Board of Directors recommended a cash dividend of 5 Fils per share, or 5% of nominal value of shares.

In compliance with regulatory measures by the Central Bank of Kuwait (CBK), Markaz's financial leverage ratio stood at 0.32:1, in comparison to the CBK imposed ratio of 2:1, which indicates Markaz's low leverage rate. The quick ratio was at 42.17% versus the CBK mandate of a minimum of 10%. These percentages reflect Markaz's ability to maintain a liquid and flexible balance sheet in order to achieve sustainable results.

Markaz Board of Directors recommended a cash dividend of 5 Fils per share, or 5% of nominal value of shares, for shareholders on record as of the date of the General Assembly meeting. The Board has recommended a bonus to the Board of Directors amounting to KD 80,500 in 2015.

1 This does not include the undrawn portion of the National Real Estate portfolio managed on behalf of Kuwait Investment Authority.

Outlook

The fluctuations in the MENA markets are expected to continue in 2016.

Markaz will continue to expand in the real estate market in the region with a policy of caution in keeping with market movements.

In 2016, Markaz will be developing its financial consultancy in order to enrich its record of Mergers and Acquisition deals.

Each year brings with it new challenges which require new and inventive solutions. In this unprecedented investment climate, Markaz will continue to focus on maintaining high levels of liquidity as well as increasing its flexibility and diversity of assets. We expect the fluctuations in the MENA markets to continue in 2016, which will entail revaluation of all assets especially those of stocks and fixed income instruments. We expect some opportunities to arise from variations in Central Bank policies across the world. As for real estate in the region, Markaz will continue to expand, although with a policy of caution in keeping with market movements.

At the end of 2015, we saw a rise in global income-generating real estate, and so we will continue to search for rewarding opportunities for our clients in this sector. We will also be developing our financial consultancy through the year in order to enrich Markaz's record of Mergers and Acquisition, which will include, valuation, negotiations, and due diligence. This is in addition to financial restructuring and private equity.

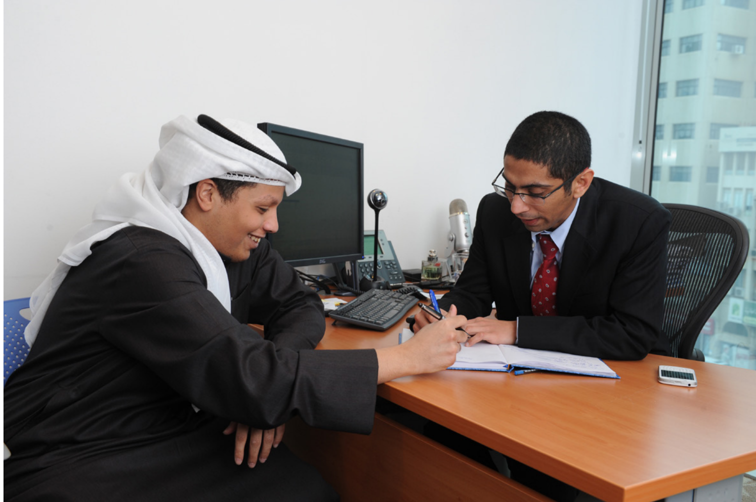
Based on its track record of successful bond and stock placement, the fixed income division remains a key component of Markaz's activities. We expect the decrease in oil prices and liquidity, not to mention Basel III accords, to push governments, companies and banks towards public offerings, which will afford Markaz many opportunities for investment. We expect "Markaz Fixed Income Fund" and fund department activities to be an attractive feature for clients in the face of rising interest rates.

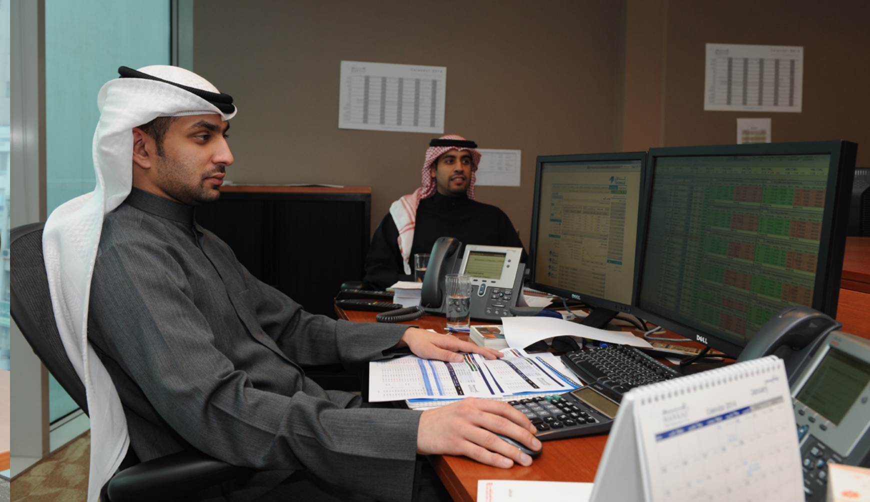
In closing, all that remains is to thank the Markaz family for your continued efforts to preserve the company's position as a stable and credit-worthy institution. We express our gratitude as well to the regulatory bodies of the Central Bank of Kuwait, Capital Market Authority, Kuwait Stock Exchange, and Ministry of Commerce and Industry, in addition to various private, public, and civil institutions for their trust and partnership with Markaz.

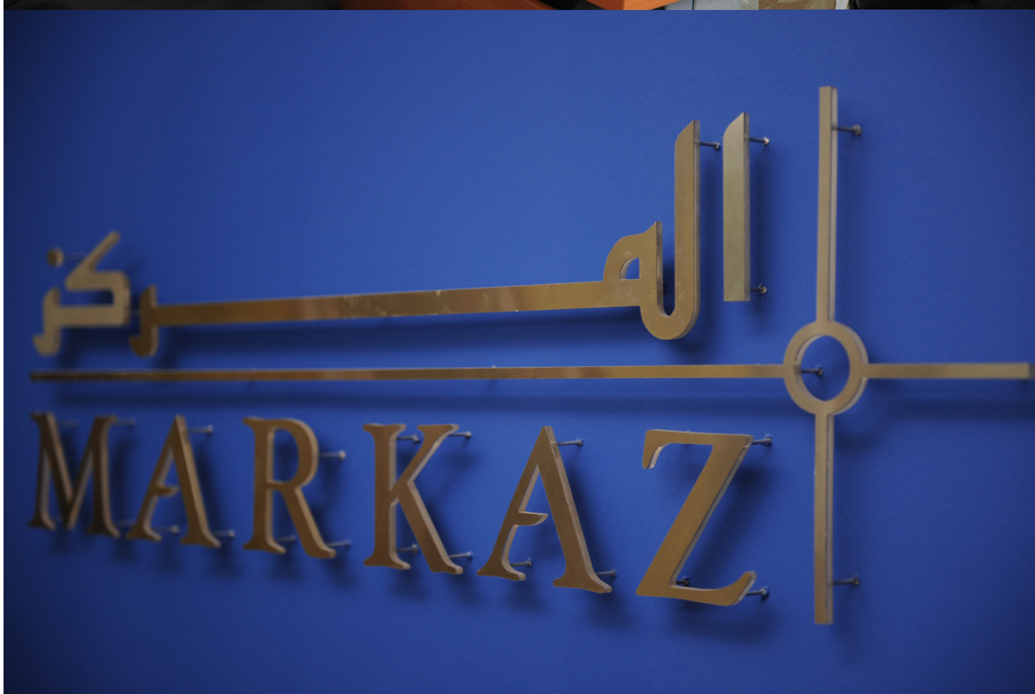
The Board of Directors

07 March 2016

Our Activities



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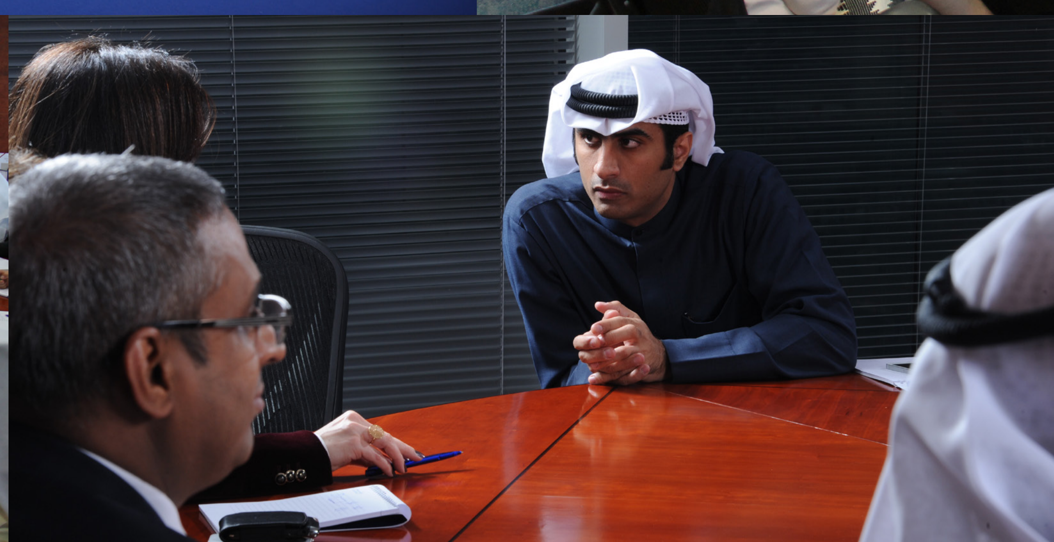

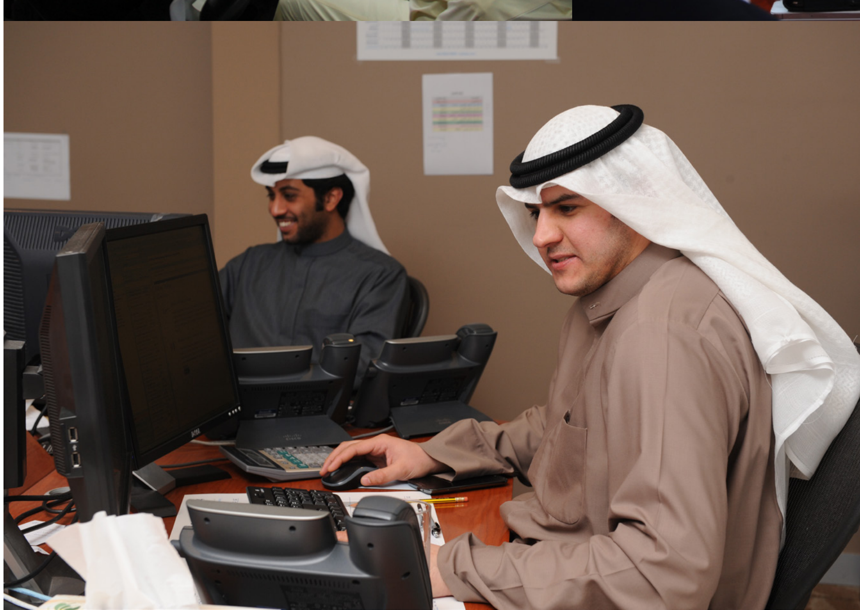

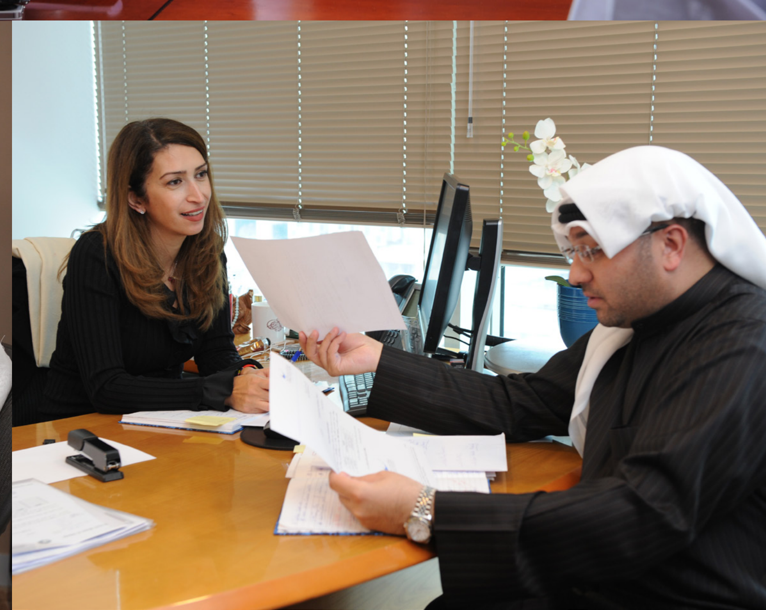

Our Activities

Asset Management

MENA Equities

The GCC markets started on a positive note, but declined due to the falling oil prices.

In the first 4 months of 2015, the GCC markets started on a positive note, with the S&P GCC Index rising by 10.79% driven by strong gains in the oil market. With oil prices falling below breakeven prices for the GCC governments, the risk of twin deficit in the accounts led to expectation of major reforms in subsidies and cut in spending levels to curb deficits. All of the above factors brought the index down to a net loss of 14.38% by the end of the year.

Kuwait market ended 2015 on a decline of 13%. A continued loss in investor appetite along with concerns of a decrease in capital spending from lower oil prices and less visibility on profits outlook of Kuwaiti company's earnings all resulted in the negative performance of 2015.

Saudi market was the worst performing market in GCC losing 17.1% during 2015 despite a stellar performance earlier in the year. Qatar market ended 2015 on a decline of 15.1%. While the DFM index declined by 16.5% making it the second worst performer market, the ADX index was the best in the region declining only by 4.9%. The negative performance was driven by the sharp declines in in oil prices, corrections in real estate prices, weak economic growth in China and Russia.

Markaz MUMTAZ Fund was awarded "Best Equities Fund in Kuwait" by MENA FM magazine.

Most Markaz MENA equities funds have outperformed its benchmarks. Markaz MUMTAZ Fund was awarded "Best Equities Fund in Kuwait" by MENA FM magazine. For more details on our MENA funds' performance, please visit Markaz website: www.markaz.com

In 2015, Markaz was named "Best Equities Manager in Kuwait" by Global Investor magazine, as well as "Best Asset Manager in Kuwait" by EMEA finance magazine.

International Investments

The MSCI AC World Index and the MSCI Emerging Market Index both had a disappointing year down 4.26% and 16.96% respectively. The MSCI Europe Index and Japan's Nikkei Index were among the winners rallying 5.47% and 9.33% respectively.

Markaz International Investments portfolio outperformed its strategic benchmark by 2% in 2015.

Despite the volatility in the international markets, Markaz International Investments portfolio declined by 0.89% only outperforming our strategic benchmark by 2%. The outperformance was driven by largely by our mutual fund managers who delivered consistent returns as well as our tactical calls on the European and Emerging Markets. For more details about the funds' performance, please visit Markaz website: www.markaz.com

In 2016, Markaz will remain overweight in developed markets vs. emerging markets and will continue to favor European and Japanese equities relative to US considering the effects of policy divergence. Markaz will continue to increase its allocation to alternative investment strategies that focus on absolute returns and are uncorrelated to general equity markets.

Private Equity

Private equity holdings at Markaz delivered a total return of 10.34%.

For the year, private equity holdings at Markaz delivered a total return of 10.34%. Private equity fundraising slowed in 2015 as investors reduced allocation to the asset class. A total of 687 funds closed in the year with USD 287 billion of fund commitments, down from USD 339 billion in 2014.

Data from Preqin shows that a total of USD 752 billion of dry powder was available to Private Equity managers at the end of the year, up from USD 659 billion in 2014, and the third consecutive annual increase since 2012. In 2016, Markaz will continue monitoring and maximizing value from current private equity holdings.

Treasury

In 2015, Markaz's Treasury Department has maintained sufficient liquidity levels.

Markaz's Treasury Department has maintained sufficient liquidity levels, yielding the proper balance of assets and liabilities, which enabled Markaz to timely honor its financial obligations. During 2015, Markaz's Treasury Department has achieved several milestones by obtaining funding for Markaz and its subsidiaries through several regional and local banks to finance its investments and real estate projects in Kuwait and the GCC.

In 2015, the department established a new relationship with local banks and has secured general funding credit line along with a long-term specific funding credit line to finance on of Markaz's proprietary investments. On the subsidiary level, the department has obtained long-term funding from GCC banks at competitive rates for real estate projects being performed in Saudi Arabia and Abu Dhabi, UAE. The department has established a new corporate relationship with a regional bank and has obtained a long-term loan to finance one of Markaz's subsidiaries in developing a real estate project in Dubai Business Bay.

In 2016, the department will utilize the latest technologies to enhance its operational efficiency in order to execute its financial services offered to Markaz different departments, including financial transfers and cash and foreign currencies transactions.

Investment Banking

Advisory

Capital markets continued to be active in 2015 with the execution and announcement of several large merger and acquisition (M&A) transactions, including a handful of cross-border transactions (e.g. VIVA, Abyat, Kuwait Reinsurance, etc). However, the recent decline in oil prices and resultant macro-economic uncertainty pose key challenges to growth in transaction activity going forward.

In 2015, once again, Markaz has been named "The Best Investment Bank in Kuwait" by Global Finance and EMEA Finance.

In 2015, once again, Markaz has been recognized by the industry as "The Best Investment Bank in Kuwait" by Global Finance and EMEA Finance for its active participation in a large number of cutting-edge transactions. Markaz has successfully executed 12 mandates in 2015 on behalf of its clients. The flagship project for the year involved assisting Al Ahleia Insurance in completing the acquisition of Kuwait Reinsurance Company through a mandatory tender offer.

In 2016, Markaz is in the process of executing ten on-going assignments, spanning a variety of corporate finance activities: transaction (M&A) advisory, restructuring, valuation, IPO and offset.

Capital Markets and Fixed Income

During 2015, a total of USD30.284bn was raised in the GCC primary bond and sukuk market, a reduction of 11.77% as compared to USD34.322bn raised in 2014. S&P MENA Bond and Sukuk Index gained 1.554% over the year, reaching 110.43 by the end of December 2015. The 5 Year CDS spreads for all GCC sovereigns widened during 2015 (Saudi's 133.54%, Bahrain's 51.25%, Abu Dhabi's 45.71%, Dubai's 15.86%, Qatar's 12.67%).

Markaz Fixed Income Fund (MFIF) recorded an increase in NAV of 0.02% over the year to USD11.114 on 31st December 2015.

Markaz Fixed Income Fund (MFIF) recorded an increase in NAV of 0.02% over the year to USD11.114 on 31st December 2015, bringing inception to date return to 11.14%. Markaz Fixed Income Portfolio managing discretionary and non-discretionary portfolios continued to offer clients a window to invest in MENA fixed income instruments. For more details on MFIF performance and Markaz Fixed Income Program, please visit Markaz website: www.markaz.com

In 2016, Markaz Capital Markets and Fixed Income team continues to provide its corporate clients with Capital market advisory services and help provide innovative financing solutions. The team also is working with clients on debt restructuring and security agency services.

Real Estate MENA

The GCC markets started on a positive note, but declined due to the falling oil prices.

GCC's real estate market witnessed negative momentum in 2015 due to oil prices decline and political environment. In Kuwait, the market was marked by low liquidity and minor correction in valuations. KSA residential real estate market remains relatively attractive while the villas sector is mostly stagnant and the office market stable. Residential properties in Abu Dhabi and Dubai corrected slightly in the last two quarters.

The real estate market in North Africa is mostly stagnant especially in politically troubled countries, whereas we have seen positive trends in the Egyptian real estate market. Jordan is experiencing a stagnant market. Residential real estate market in Lebanon remains stagnant to slightly negative with little transactions due to oversupply and political uncertainties.

In 2015, Markaz has completed real estate development projects in Kuwait, UAE and KSA.

As for residential real estate development in Saudi Arabia, Markaz has completed Rawabi complex targeting expatriates living in KSA looking to rent apartments. Markaz started the rental phase in 2015, and it is expected to have the complex ready for tenants to move in 2016. Markaz has also acquired a land plot in Riyadh to be developed into a residential compound. Markaz has carried out the market study, design, permit and started the excavation works.

In the UAE, Markaz acquired the development permit for Shams Abu Dhabi Development, a residential compound in Reem Island, and the shoring excavation works started.

In addition, Markaz acquired a land plot in Dubai Business Bay to be developed into a residential building. Markaz has carried out the market study, and is now in the design and permitting phase.

Markaz continued managing part of the National real estate portfolio, which is owned by Kuwait Investment Authority, with a maximum value of KD 250 million.

Markaz Real Estate Fund (MREF) reached a net asset size of KD 99 million and owns a portfolio of 38 properties. MREF is progressing with developing its land plots in Dasman and Bneid El Gar. Financially, the fund managed to close the year with a total return of 1.12%. Markaz also continues managing part of the National real estate portfolio, which is owned by Kuwait Investment Authority, with a maximum value of KD 250 million intended to invest in Kuwait's real estate market. For more information on Markaz real estate funds performance, please visit Markaz website: www.markaz.com

In 2016, Markaz plans to continue with the real estate development projects in Kuwait and the GCC. In addition, Markaz plans to establish presence in Egypt and prepare for the launch of a North Africa Income Generating Fund as part of its policy of assets diversification.

International Real Estate

Real estate fundamentals across all core property types continued to strengthen during the year with rising net operating incomes and generally stable cap rates. Key metros have witnessed decreasing vacancy rates and increasing rents driven by stronger economic fundamentals including GDP and job growth. Long-term interest rates have remained low during the year with the 10 year treasury yield not materially different relative to the beginning of the year. The Federal US Federal Reserve has initiated its rate hike program during 2015, but volatility in international stock markets, combined with low inflation expectations, has kept long-term rates low. The NCREIF property index has increased by 10.1% during the first 9 months.

Markaz continued selling core properties under its management at prevalent low yields and is redeploying capital in development projects in high growth markets.

Consistent with the above, Markaz continues to sell core properties under its management at prevalent low yields and is redeploying capital in development projects in high growth markets. During the year, Markaz exited three assets from its distressed acquisitions program, generating attractive returns for us and our co-investors. Markaz existing development projects are witnessing healthy leasing activity and we also exited our first development transaction, generating a return on investment multiple of 1.42 times (and an IRR of 15.6% over a 2.5 year holding period). Markaz has also committed to three new development transactions in the year.

In 2016, Markaz will continue evaluating a number of transactions for further due diligence. Markaz is also evaluating the launch of a new investment program designed to capitalize on value-add opportunities.

Support Departments

Published Research

Published Research Department cooperated with many unions and civil organizations to present its latest research results through a series of lectures.

The year 2015 proved to be significant for the Published Research Department at Markaz. The department cooperated with many unions and civil organizations to hold a number of successful lectures presenting its latest research results, in order to create a rich knowledge environment that enable Markaz's partners to take the right investment decisions. Marmore MENA Intelligence (Marmore), a subsidiary of Markaz offering full-fledged research services, published a total of 91 research outputs during the year, spanning the six verticals (Industry, Infrastructure, Economic, Capital Market, Policy & Regulatory, & Company).

Marmore MENA Intelligence, a subsidiary of Markaz, published a total of 91 research outputs covering different fields.

During the course of the year, Marmore deepened its digital presence significantly. The research disseminated through the Company's social media platforms and through its blog postings have been well received by various stakeholders. The theme-based research specialization has enabled Marmore to offer related client-specific research assignments and presentations. The Company's focus on objective facts-based research resulted in the creation of a new product stream in the form of the MENA database, too.

Keeping with the principle of continuously expanding our interaction with stakeholders, Marmore launched its Webinar series that conducted live analyst streams on topical subjects. A majority of the webinar topics drew their content and context from various published researches.

In 2016, Marmore resolves to produce evermore quality work that will cater to the needs of the market and the research challenges of all stakeholders. Marmore will also continue its coverage on topics related to ease of doing business in Kuwait, which is likely to accelerate as the pace quickens on the economic diversification aspect in the backdrop of oil price volatility. for more details about Markaz research offerings, please visit www.e-marmore.com

Private Banking

The Private Banking Department's notable milestones include the successful launch and closing of products in the region and internationally such as Mawazeen International Fund, Markaz MENA Islamic Fund.

The Private Banking Department PBD manages the relationship between Markaz and its clients, ensuring that excellent service and standards are maintained. The department is also responsible for marketing and building long term relationships with existing and prospective clients, including sovereign wealth funds, pension funds, banks, family offices, HNW individuals, and retail investors.

During 2015, the department continued fostering clients' needs and interests given the economic trends prevailing in the economy. Through its network of clients, the department ensured raising funds for projects within a specified timeline by developing product launches aligned with the products' strategy. Notable milestones include the successful launch and closing of products in the region and internationally such as Mawazeen International Fund, Markaz MENA Islamic Fund, in addition to many real estate projects in the GCC and US.

The Private Banking department continued, in 2015, to work actively to enhance Markaz collaboration with reputable local and regional institutions through its dedicated team of Relationship Managers. The department also concentrated on initiating new collaborations with the aim of further developing its distribution channels and commitment to providing innovative products and solutions.

In 2016, the department will expand its reach in the GCC and abroad. Along with penetrating new markets, the department will endure and enhance relationships with existing clients. Currently, Markaz has two selling agreements with local institutions, Gulf Bank and Burgan Bank, who promote and sell Markaz funds to their network of clients and/or prospective clients. The department aims to establish more ties with new banks and institutions to act as a value add partner.

Media & Communications

In 2015, Media and Communications Department continued to promote brand awareness at local and regional levels to appropriately reflect an image befitting Markaz's performance and regional status, in line with a comprehensive communications plan covering both traditional and social media.

The Media and Communications Department organized eight events to exchange views on developments in global and regional markets, as well as address economic issues.

The department, in collaboration with Private Banking and Research Departments, organized eight events for direct communication with stakeholders, including institutions and individuals. The events involved organizing seminars and conferences in collaboration with associations concerned with the financial sector, such as the Kuwait Economic Society and Kuwait Banking Association, to maximize the reach of Markaz's communications plan to the target segment and exchange views on developments in global and regional markets, as well as address economic issues.

The department launched the first issue of "engage", the quarterly newsletter.

The department also formed a team representing various departments at Markaz. The team proceeded to coordinate internal communications within Markaz and drive information flow between various departments to promote awareness among employees of the overall performance of the Company, and thus assist them focus their efforts towards achieving Markaz's unified vision. The team launched the first issue of "engage", the quarterly newsletter which aims at shedding light on the multiple activities of Markaz departments. "engage" also serves as a platform for exchanging knowledge and experience between Markaz employees by publishing articles they write. The first issue of the magazine was published in Q1, 2016.

The Media and Communications team launched "Markaz Pivotal Exchange Forum", a new initiative by Executive Management to enhance innovation within Markaz.

The team also organized the launch of "Markaz Pivotal Exchange Forum", a new initiative originated by Senior Management in 2015 with the aim of enhancing innovation within Markaz by holding periodic seminars, during which young human resources present innovative ideas to Senior Management and other departments for discussion. During the year, the department organized two sessions of the Forum, and is currently following up with relevant departments the implementation of certain ideas which were presented during the Forum.

In 2015, the department had completed updating Markaz's website to improve user browsing experience in compliance with international practices.

In 2015, the department also completed updating Markaz's website to improve user browsing experience in both Arabic and English. The exercise included the adoption of state of the art web design technologies in compliance with international practices. The new website reflects the high transparency standards by interactively presenting detailed information on the performance of Markaz products.

The department continues to implement Markaz's strategy in the domains of corporate social and economic responsibility, which is centered on three pillars, namely building human capabilities, aligning our business environment with the principles of sustainable development, and promoting good governance in the business environment.

To achieve these pillars, Markaz collaborates with various civil organizations in many fields, including, health, education, youth welfare and economic sustainability. In 2015, the department has published a detailed report on Markaz's activities in the fields of Corporate Economic and Social Responsibility (CSER).

In 2016, the department will continue to bolster Markaz's internal and external communications, with particular emphasis on availing opportunities for Markaz teams to communicate with existing and potential clients, strengthen Markaz network and reflect brand value into business opportunities. For further details on Markaz campaigns and activities, please visit www.markaz.com

Compliance and Risk Management

Markaz has a comprehensive risk management, compliance and control framework in place to ensure that the company and its related entities are appropriately governed.

Markaz has a comprehensive risk management, compliance and control framework in place to ensure that the company and its related entities are appropriately governed. The Board directs the policy and process framework and is responsible for risk management and for all risk control systems that are implemented in Markaz, as well as related entities.

The Board's governance mandate, along with the corporate governance rules and principles mandated by the Capital Markets Authority, are being implemented through an independent Compliance and Risk Management Department. The department identifies measures, evaluates and reports on all critical risks to which Markaz is exposed, through defined key risk Indicators under relevant risk buckets. It carries out periodic risk control and monitoring activities and also prepares and implements new policies for review and control. The department aims towards enhancing its risk monitoring abilities through appropriate automation.

The department also follows up and documents governance activities in the Company including the Board's Steering Committee, which reviews and approves investment performance and investment decisions; and the Board Audit Committee which checks the effectiveness of internal controls. As part of its mandate, the department coordinates with regulatory auditors, internal auditors, and rating agencies.

The department also manages the AML Unit and the Complaints Unit which are independent units established as per the directives of the CBK. The AML unit is responsible for ensuring AML related compliance, in line with regulations of AML Law, CMA and CBK instructions. The unit establishes AML related controls for the Company and ensures its compliance. The Complaints Unit is responsible for receiving and resolving all complaints received from clients, investors, and counterparties.

Management Information Systems and Operations

In 2015, The Systems & Operational Controls Team has launched VESTIO, the strategic full-fledged Wealth Management Solution.

The Systems & Operational Controls Team has launched VESTIO, the strategic full-fledged Wealth Management Solution developed with the objective of consolidating portfolio management, fund management and accounting systems into one platform. VESTIO was structured and designed by Markaz Systems & Operational Controls Team following the international best practices with GCC specifications, and is tailored to Markaz fast changing regulatory environment. After completing two years of user testing, the system went live with its first product in May 2015. Currently, all managed funds and portfolios are being prepared for release into the new platform.

The Information Technology Department has been continuously updating Markaz's IT framework with the best practices and industry standards. The department endeavors to continuously enhance Markaz's IT system security mechanism to protect the company's data and information assets, and to cover new hardware, storage and redundancy/ back-up solutions with an inclusion of de-duplication Technology. In addition, Markaz's corporate network has been extended to cover Markaz's Riyadh Office.

In 2016, Markaz will continue to enhance its technology and implement a new robust and efficient ERP System for its Financial Reporting. Markaz will also complete its preparations to offer all its funds and portfolios' services through VESTIO system.

In addition, Markaz will resume its efforts to enhance the IT security systems to protect the company's data and its assets from external threats.

The Transaction Processing and Reporting Department has implemented comprehensive operational controls to ensure that the company provides safe and sound support for the administration of client accounts.

The Transaction Processing & Reporting Department serves as back office for Markaz's Asset Management Activities and plays vital role in achieving Markaz's strategic goals. The depatment's core functions include servicing securities, processing cash and securities transactions, maintaining internal controls, record keeping, custody, and reporting. The department's processes and systems are capable of providing timely and detailed account information to management, customers, regulatory agencies, and others.

In 2016, the department will continue monitoring and revising of well-defined policies and procedures to ensure proficient flow of work and clearly defined responsibilities of the personnel involved in handling transactions, reconciliation and reporting. Limiting employee access to specific functions within the systems is pivotal to Markaz's internal control system. As part of effective risk management, the department has implemented comprehensive operational controls to ensure that the Company provides safe and sound support for the administration of client accounts.

Financial Management

Financial Management Department is finalizing its new financial ERP Oracle system to improve accounting and reporting at Markaz.

With the frequent changes and adoption of new regulatory measures by Capital Market Authority and other regulatory bodies, needs for proper implementation of International Financial Reporting Standards "IFRS" become more significant than ever before to achieve the consistency and meaningful comparison in financial information emanating from the financial reports of different entities.

In conformity with this challenging regulatory and corporate environment, the Financial Management Department embarked continuous involvement in the process of applying the international standards and their use in numerous financial transactions to meet the demands for comparable and transparent information requirements of investors as well as good corporate governance.

In 2015, the department was in the final process to go live with its new financial ERP Oracle system. The new system is expected to improve accounting and reporting, strengthen budgetary controls, increase staff efficiency, automate various internal and external reports and provide single platform for several pertinent entities for accounting and financial consolidations.

In 2016, the full-fledged Oracle system will enable Markaz to meet the upcoming challenges of evolving accounting, reporting and regulatory needs. The department will continue to apply conservative approaches in avoiding high risk in the business, and strive to take the right course of action on the Company's financial management and control, whenever the need arises.

Human Resources & Administration Department

HRAD focus has been on talent management concentrating on selecting the right people for the right job and developing their potential.

The Human Resources & Administration Department has been exerting a constant effort to enhance and improvise on all human resources related practices in Markaz, and making necessary adjustments to meet operational and cultural needs. The department aims to enhance Markaz's workforce capability, productivity, and efficiency to meet strategic goals.

In 2015, the department's focus has been on talent management concentrating on selecting the right people for the right job, developing their potential by identifying essential skills required for the job, and building a superior workforce. The department worked on a structured employee development system throughout the organization, covering the following:

- Setting a competency framework
- Setting personal development plans (PDPs) based on competency gap analysis.
- Mapping career progression plans
- Formulating succession and leadership development plans
- Augmenting Talent sourcing

In 2016, there will be an ongoing process of analyzing, developing, and capitalizing effectively on Markaz's talent to meet its business needs, while enhancing employee morale; job satisfaction and stability.

Financial Statements

Cash dividend	Net Profit*	EPS
5%	2.9 Million KD	6 Fils

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MARKAZ

2015

Management Fee & Comission	Equity*	AUM
7.4 Million KD	94 Million KD	1 Billion KD

* Attributable to owners of the Parent Company

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Kuwait Financial Centre – K.P.S.C.
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Financial Centre – K.P.S.C ("Parent Company") and its subsidiaries, ("the Group") which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and the Executive Regulations, 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. 1 of 2016 and the Executive Regulations, 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 or financial position of the Parent Company.

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

Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche Al-Wazzan & Co.

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

Kuwait

07 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS - YEAR ENDED 31 DECEMBER 2015

		KD 000's	
	Notes	31 December 2015	31 December 2014
Revenue			
Interest income	4	**774**	972
Dividend income		**1,149**	726
Management fees and commission	5	**7,359**	7,580
(Loss)/ gain on investments at fair value through profit or loss	6	**(5,211)**	246
Gain on sale/ redemption of available for sale investments		**4,215**	2,243
Share of results from associate/ joint venture	16	**66**	(3)
Gain on sale of investment properties	17	**1,850**	1,945
Net rental income		**167**	547
Foreign exchange gain		**876**	435
Other income		**12**	8
		11,257	14,699
Expenses and other charges			
General and administrative expenses	7	**(7,446)**	(7,507)
Impairment of available for sale investments	15	**(294)**	(374)
Charge of provisions		**(347)**	(96)
Other expenses		**(305)**	(327)
Finance costs	8	**(1,150)**	(1,096)
		(9,542)	(9,400)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and directors' remuneration		**1,715**	5,299
Provision for contribution to KFAS	9	**(27)**	(39)
Provision for NLST	9	**(88)**	(116)
Provision for Zakat	9	**(35)**	(46)
Provision for Directors' remuneration	28	**-**	(81)
Profit for the year		**1,565**	5,017
Attributable to:			
Owners of the Parent Company		**2,878**	4,021
Non-controlling interests	27	**(1,313)**	996
		1,565	5,017
Basic and diluted earnings per share attributable to the owners of the Parent Company	10	**6 Fils**	8 Fils

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED 31 DECEMBER 2015

	KD 000's	
	31 December 2015	31 December 2014
Profit for the year	**1,565**	5,017
Other comprehensive income:		
Items that will be reclassified subsequently to consolidated statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	**1,461**	2,960
- Transferred to consolidated statement of profit or loss on sale	**(4,215)**	(2,243)
- Transferred to consolidated statement of profit or loss on impairment	**294**	374
Others		
- Exchange differences arising on translation of foreign operations	**355**	514
- Share of other comprehensive (loss)/ income of joint venture/ associate	**(1)**	1
Total other comprehensive income for the year	**(2,106)**	1,606
Total comprehensive income for the year	**(541)**	6,623
Total comprehensive (loss)/ income attributable to:		
Owners of the Parent Company	**900**	5,408
Non-controlling interests	**(1,441)**	1,215
	(541)	(6,623)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2015

		KD 000's	
	Notes	**31 December 2015**	**31 December 2014**
Assets			
Cash and bank balances	11	**7,977**	7,848
Time deposits	11	**7,321**	75
Investments at fair value through profit or loss	12	**41,100**	38,195
Accounts receivable and other assets	13	**5,084**	5,767
Loans to customers	14	**436**	3,798
Available for sale investments	15	**53,788**	61,835
Investment in associate/ joint venture	16	**3,090**	2,993
Investment properties	17	**29,167**	24,201
Property and equipment		**288**	326
Total assets		**148,251**	145,038
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	18	**6,363**	8,428
Bank borrowings	19	**7,685**	4,663
Bonds issued	20	**22,000**	22,000
Total liabilities		**36,048**	35,091
Equity			
Share capital	21	**53,130**	53,130
Share premium	22	**7,902**	7,902
Legal reserve	23	**14,847**	14,544
Voluntary reserve	23	**14,793**	14,490
Treasury shares	24	**(16,342)**	(16,342)
Treasury shares reserve		**7,973**	7,973
Other components of equity	26	**7,725**	9,703
Retained earnings		**4,132**	5,601
Equity attributable to owners of the Parent Company		**94,160**	97,001
Non-controlling interests	27	**18,043**	12,946
Total equity		**112,203**	109,947
Total liabilities and equity		**148,251**	145,038

Diraar Yusuf Alghanim
Chairman

Manaf AbdulAziz Alhajeri
Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 31 DECEMBER 2015

	KD 000's										
	Attributable to the owners of the Parent Company										
	Share Capital	Share premium	Legal reserve	Voluntary reserve	Treasury shares	Treasury shares Reserve	Other components of equity	Retained earnings	Sub Total	Non-controlling interests	Total
Balance at 31 December 2013	53,130	7,902	14,114	14,060	(16,342)	7,973	8,316	7,095	96,248	12,931	109,179
Net change in non-controlling interests	-		-	-	-	-	-	-	-	(1,047)	(1,047)
Effect of changes in ownership percentage of subsidiaries (Note 3)	-	-	-	-	-	-	-	153	153	(153)	-
Cash dividend paid	-	-	-	-	-	-	-	(4,808)	(4,808)	-	(4,808)
Transactions with owners	-	-	-	-	-	-	-	(4,655)	(4,655)	(1,200)	(5,855)
Profit for the year								4,021	4,021	996	5,017
Other comprehensive income	-	-	-	-	-	-	1,387	-	1,387	219	1,606
Total comprehensive income for the year	-	-	-	-	-	-	1,387	4,021	5,408	1,215	6,623
Transfer to reserves	-	-	430	430	-	-	-	(860)	-	-	-
Balance at 31 December 2014	53,130	7,902	14,544	14,490	(16,342)	7,973	9,703	5,601	97,001	12,946	109,947
Purchase of non-controlling interest in subsidiaries (Note 3)	-	-	-	-	-	-	-	(1,167)	(1,167)	(2,031)	(3,198)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	9,323	9,323
Effect of changes in ownership percentage of subsidiaries (Note 3)	-	-	-	-	-	-	-	311	311	(311)	-
Cash dividend paid	-	-	-	-	-	-	-	(2,885)	(2,885)	-	(2,885)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(443)	(443)
Transactions with owners	-	-	-	-	-	-	-	(3,741)	(3,741)	6,538	2,797
Profit/ (loss) for the year	-	-	-	-	-	-	-	2,878	2,878	(1,313)	1,565
Other comprehensive loss	-	-	-	-	-	-	(1,978)	-	(1,978)	(128)	(2,106)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	(1,978)	2,878	900	(1,441)	(541)
Transfer to reserves	-	-	303	303	-	-	-	(606)	-	-	-
Balance at 31 December 2015	**53,130**	**7,902**	**14,847**	**14,793**	**(16,342)**	**7,973**	**7,725**	**4,132**	**94,160**	**18,043**	**112,203**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS – YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015	31 December 2014
		KD'000	
Operating Activities			
Profit for the year		**1,565**	5,017
Adjustments for:			
Interest income		**(774)**	(972)
Dividend income		**(1,149)**	(726)
Depreciation	7	**204**	243
Gain on redemption/ sale of available for sale investments		**(4,215)**	(2,243)
Impairment of available for sale investments		**294**	374
Share of results of associate and joint venture		**(66)**	3
Gain on sale of investments properties		**(1,850)**	(1,945)
Charge of provisions		**347**	96
Finance costs		**1,150**	1,096
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**(2,905)**	4,754
Accounts receivable and other assets		**673**	(2,423)
Loans to customers		**3,414**	4,491
Accounts payable and other liabilities		**(2,136)**	2,525
Net cash (used in)/ from operating activities		**(5,448)**	10,290
Investing Activities			
Term deposit maturing after three months		**(22)**	(11)
Purchase of property and equipment		**(104)**	(75)
Proceeds from redemption/ sale of available for sale investments		**20,031**	10,401
Purchase of available for sale investments		**(10,523)**	(11,239)
Purchase of associate and joint venture		**(32)**	-
Purchase of investment properties	17	**(8,440)**	(17,652)
Proceeds from sale of investment properties		**5,712**	8,812
Purchase of non-controlling interests in a subsidiary		**(3,198)**	-
Dividend income received		**1,149**	726
Interest income received		**784**	1,036
Net cash from/ (used in) investing activities		**5,357**	(8,002)
Financing Activities			
Cash dividends paid		**(2,945)**	(4,763)
Dividend paid to non-controlling interests shareholders		**(443)**	-
Proceeds from bank borrowings		**7,685**	4,663
Repayment of bank borrowings		**(4,663)**	-
Finance costs paid		**(1,144)**	(1,093)
Net change in non-controlling interests		**9,323**	(1,047)
Net cash from/ (used in) financing activities		**7,813**	(2,240)
Foreign currency adjustments		**(369)**	514
Increase in cash and cash equivalents		**7,353**	562
Cash and cash equivalents at beginning of the year		**7,848**	7,286
Cash and cash equivalents at end of the year	11	**15,201**	7,848

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Incorporation and activities

Kuwait Financial Centre - K.P.S.C ("the Parent Company") was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The Parent Company is listed on the Kuwait Stock Exchange and is governed under the directives of the Central Bank of Kuwait and Capital Market Authority of Kuwait.

On 1 February 2016, the new Companies Law No.1 of 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.

The principal activities of the Parent Company and its subsidiaries ("the Group") are investment management, corporate financing, investment and financial advisory services, private equity funds, mutual funds and real estate funds and real estate funds management, real estate investments, money market and foreign exchange deals.

The address of the Parent Company's registered office is PO Box 23444, Safat 13095, State of Kuwait.

These consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue by the Parent Company's board of directors on 07 March 2016 and are subject to the approval of the General Assembly of the shareholders.

2. Basis of preparation

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

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company rounded off to the nearest thousand.

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

2.1 New and amended IFRS that are issued and effective and are relevant to the Group

The accounting policies are consistent with those used in the previous year except for the following new and amended IFRS:

IAS 19 Defined Benefit Plans – Employee Contributions (Amendments)

The amendments to IAS 19 clarify how an entity should account for contributions made by employers or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent on the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' period of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' period of service. These amendments have not resulted in any impact on the financial position or performance of the Group.

Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle

The Company 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 the other amendments has had no impact on the disclosures or amounts recognised in the Group's financial statements.

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

2.2 New standards and interpretations issued but not yet effective and are relevant to the Group

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective.

IFRS 9: Financial Instruments: Classification and Measurement

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

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to an annual financial statements beginning on or after 1 January 2017. The application of IFRS 15 is not expected have any material impact on the financial position or performance of the Group.

IFRS 16 - Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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. The Management of the Group do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's financial statements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries in accordance with IAS 39. This amendment is not relevant to the Group, as the Group does not qualify to be an investment entity under IFRS 10.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of the above standards is not expected to have a material impact on the financial position or performance of the Group as and when they become effective, except for IFRS 9, which will result in amendments and/or additional disclosures relating to classification, measurement and associated risks of financial instruments.

2.3 Basis of consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries, (i.e. investees that it controls), and investees controlled by its subsidiaries.

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.

2. Basis of preparation (continued)

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;
- Voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

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

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

2.4 Business combinations

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

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

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue arises from rendering of services and is measured by reference to the fair value of consideration received or receivable.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

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

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

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

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

2.6 Operating expenses

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

2.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

2.8 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally cash and bank balances, time deposits, accounts receivables, investments, loans to customers, accounts payable and other liabilities, bank borrowings, bonds and derivatives.

In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as “at fair value through profit or loss”, “loans and receivables” or “available for sale”. All financial liabilities are classified as “other than at fair value through profit or loss”.

Recognition/de recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, 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 de recognition of the original liability and recognition of a new liability.

Regular way purchase and sale of financial assets are recognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as “at fair value through profit or loss”.

Financial assets at fair value through profit or loss

Financial assets classified as “at fair value through profit or loss” (FVTPL) are divided into two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy. Derivatives are classified as “held for trading” unless they are designated as hedges and are effective hedging instruments.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Cash and bank balances, time deposits, accounts receivable and other assets and loans to customers are classified as loans and receivables.

2. Basis of preparation (continued)

Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of profit or loss and other comprehensive income and reported within the fair value reserve in equity. When the "available for sale "asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of profit or loss as gains or losses.

Financial liabilities other than at fair value through profit or loss

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset. Accounts payable and other liabilities, bank borrowings and bonds are classified as financial liabilities other than at fair value through profit or loss.

Murabaha payables represent amount payable on deferred settlement basis for assets purchases under murabaha arrangements. Murabaha payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Financial guarantees

Financial guarantees are subsequently measured at the higher of the fee initially recognized less any cumulative amortization and the best estimate of the amount required to settle any financial obligation arising as a result of the guarantee.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost other than short term receivables, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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

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

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the consolidated statement of profit or loss. For "available for sale" equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial assets are written off when there is no realistic prospect of recovery.

2.9 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the consolidated statement of cash flows.

2.10 Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for as FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships or fair value hedge relationship, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in consolidated statement of profit or loss.

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

At the time the hedged item affects consolidated statement of profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

All derivative financial instruments are recognised in the consolidated statement of financial position as either assets (positive fair values) or liabilities (negative fair values).

Derivative financial instruments used by the Group include only foreign exchange forwards contracts.

2.11 Investment in associate

Associate is entity over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investment in associate is initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associate.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its associate and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

2. Basis of preparation (continued)

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

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

2.12 Interests in joint ventures

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures as an investment and accounts for it using the equity method.

2.13 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation and are initially measured at cost, including transaction costs, Subsequently, investment properties are accounted for using the cost model whereby these investments are stated at cost less accumulated depreciation and impairment losses, if any. The Group depreciates its investment property except land on the straight-line method over their expected useful lives of over 45 years.

When investment property is sold, its cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from the disposal is recognised in the consolidated statement of profit or loss.

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

Fair values of investment properties are determined based on the market comparable approach that reflects recent transaction prices for similar properties/ capitalisation of net income method. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers knowledge of the factors specific to the respective properties.

Fair value measurement takes into account the 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.

2.14 Property and equipment

Property and other equipment (comprising fittings, furniture, vehicles and decoration) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Vehicles and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of vehicles and other equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment. The following useful lives are applied:

	Years
Office equipment and software	3 - 5
Motor vehicles	3 - 4
Furniture and fixtures	7 - 10
Decorations	7

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

2.15 Impairment testing of non-financial assets

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

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

2.16 Treasury shares

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

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

2.17 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

2.18 Segment reporting

The Group has two operating segments: the asset management and investment banking. In identifying these operating segments, management generally follows the Group's service lines representing its main services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.19 Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies or the applicable foreign currency. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of profit or loss.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets are included in the fair valuation reserve in equity.

2. Basis of preparation (continued)

The profit or loss and cash flow statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their statements of financial position are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill, long term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of profit or loss and other comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of profit or loss as part of the gain or loss on sale.

2.20 End of service indemnity

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

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

2.21 Fiduciary assets

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

2.22 Significant management judgments and estimation uncertainty

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

Significant management judgments

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

Classification of investments

On acquisition of an investment, management has to decide whether it should be classified as "at fair value through profit or loss", "available for sale" or as "loans and receivables". In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of profit or loss or directly in equity.

Classification of real estate

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

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

Estimates uncertainty

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

Impairment of available for sale investments

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

Impairment of non financial assets

The Group’s management tests annually whether tangible assets have suffered impairment. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group’s management determines the useful lives of depreciable assets and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Impairment of loans to customers

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

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

Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate.

3. Subsidiaries

Following are the subsidiaries which are consolidated in the Group financials.

Name	Country of incorporation	Voting capital Held 31 December 2015	Voting capital Held 31 December 2014	Purpose
Mar-Gulf Management Inc.	USA	**100%**	100%	Assets management
First Management and Economic Consultancy Company – KSCC	Kuwait	**85%**	85%	Economic consultancy
MDI Holding Limited	Cayman Islands	**66.66%**	66.66%	Property management
MDI Management Limited	Cayman Islands	**66.66%**	66.66%	Property management
MDI Ventures Ltd	Cayman Islands	**50%**	50%	Property management
Markaz Offshore Ltd.	Cayman Islands	**100%**	100%	Investment
Marmore Mena Intelligence Private Limited	India	**96.25%**	96.25%	Consultancy
Rimal Venture Company WLL	Bahrain	**100%**	100%	Assets management
Markaz Fixed Income Fund	Kuwait	**82.5%**	82.5%	Investment Fund
Bay View Real Estate Company WLL	Kuwait	**99.55%**	99.55%	Real Estate
Al Rihab Real Estate Development Company WLL	Kuwait	**99.55%**	99.55%	Real Estate
Changes in ownership/ newly incorporated companies in 2015				
Markaz Arabian Fund	Bahrain	**54.35%**	57.89%	Investment Fund
Aradi Development Limited	Cayman Islands	**96.89%**	20%	Real Estate
Markaz Real Estate Investment Company WLL	KSA	**100%**	100%	Real Estate
Arab Gulf Real Estate Development Company WLL	Kuwait	**99.55%**	99.55%	Real Estate
Boardwalk International Real Estate Company WLL	Kuwait	**99.55%**	99.55%	Real Estate
Al Bandriya Real Estate Company WLL	Kuwait	**99.55%**	-	Real Estate
Mawazeen International Fund	Kuwait	**56.53%**	-	Investment Fund

The Group's ownership in Markaz Arabian Fund decreased by 3.54% due to changes in units held by non-controlling interest holders, resulting in a net gain of KD 311 thousand (2014: net gain KD 153 thousand) and recognised in equity as Parent Company continues to control the Funds.

Group acquired an additional 76.89% equity interest in Aradi Development Limited from non- controlling interest holders for a consideration of KD 3.2 million. The difference between the consideration paid and the carrying value of the shares acquired amounting to KD 1.17 million is recorded in equity.

The Group established four new subsidiaries under Markaz Real Estate Investment Company WLL, Arab Gulf Real Estate Development Company WLL, Boardwalk International Real Estate Company WLL and Bayview Real Estate Company W.L.L respectively. The contribution of non-cotrolling interests in these companies amounted to KD 7.3 million.

Group established a new subsidiary called Al Bandriya Real Estate Company WLL. The contribution of non-controlling interests in the Company is 0.45%.

The Parent Company incorporated Mawazeen International Fund during the year and holds 56.53% of the issued units. The non-controlling interests in the fund is 43.47% amounting to KD 2.4 million. The Group assessed that it controls Mawazeen International Fund as other unit holders does not have the ability to remove the Parent Company as the manager of the fund and the Group has significant exposure to variable returns based on its investment in the units of the fund. Therefore the Parent Company concluded that it acts as the principal and not as an agent.

4. Interest income

	KD 000's	
	31 December 2015	31 December 2014
From:		
Time deposits	**39**	36
Investments at fair value through statement of profit or loss	**119**	178
Available for sale investment	**574**	567
Loans to customers	**41**	189
Others	**1**	2
	774	972

5. Management fees and commission

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

6. (Loss)/ gain on investments at fair value through profit or loss

	KD 000's	
	31 December 2015	31 December 2014
Change in fair value of investments at fair value through profit or loss	**(4,622)**	(961)
(Loss)/ gain on sale of investments at fair value through profit or loss	**(589)**	1,207
	(5,211)	246

7. General and administrative expenses

	KD 000's	
	31 December 2015	31 December 2014
Staff costs	**4,591**	4,528
Depreciation	**204**	243
Other expenses	**2,651**	2,736
	7,446	7,507

8. Finance costs

	KD 000's	
	31 December 2015	31 December 2014
Bonds	**1,051**	1,051
Borrowings	**99**	45
	1,150	1,096

9. Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

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

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

10. Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share attributable to the owners of the Parent Company is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares in issue excluding treasury shares.

	31 December 2015	31 December 2014
Profit for the year attributable to the owners of the Parent Company (KD '000)	**2,878**	4,021
Weighted average number of shares in issue during the year ('000s)	**480,802**	480,802
Basic and diluted earnings per share attributable to the owners of the Parent Company	**6 Fils**	8 Fils

The weighted average number of shares outstanding during the year is calculated after adjusting for treasury shares as follows:

	2015	2014
Weighted average number of issued and paid up shares ('000s)	**531,300**	531,300
Less: Weighted average number of treasury shares ('000s)	**(50,498)**	(50,498)
	480,802	480,802

11. Cash and cash equivalents

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

	KD 000's	
	31 December 2015	31 December 2014
Cash and bank balances	**7,977**	7,848
Time deposits	**7,321**	75
	15,298	7,923
Less: Time deposits maturing after three months	**(97)**	(75)
Cash and cash equivalent for statement of cash flow	**15,201**	7,848

The Group's time deposits yield interest at an average interest rate of 0.67% (2014: 0.68%) per annum.

12. Investments at fair value through profit or loss

	KD 000's	
	31 December 2015	31 December 2014
Trading:		
Local quoted securities	-	812
Foreign quoted securities	**15,138**	12,497
	15,138	13,309
Designated on initial recognition:		
Local managed funds	**24,406**	21,305
Foreign quoted securities	**131**	2,106
Fixed income securities	**1,425**	1,475
	25,962	24,886
	41,100	38,195

The investments in managed funds are carried at net asset value provided by the respective fund managers due to the nature of those investments. Management believes the net asset value provided by the fund managers represents the best estimate of fair value available for these investments. The interest rates on fixed income securities range from 2.50% to 9.00% (2014: 4.75% to 10.75%) per annum.

13. Accounts receivable and other assets

	KD 000's	
	31 December 2015	**31 December 2014**
Management fees and commission receivable	**1,139**	725
Interest receivable	**118**	172
Receivable from trade	**2,070**	3,563
Prepayments	**406**	307
Others	**1,351**	1,000
	5,084	5,767

The carrying value of accounts receivable and other assets approximates its fair value as most of it is expected to be received within six months, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

14. Loans to customers

	KD 000's	
	31 December 2015	**31 December 2014**
Commercial loans	-	1,899
Personal loans	**927**	2,420
	927	4,319
Provision for credit losses	**(491)**	(521)
	436	3,798

The maturity profile of loans to customers are as follows:

	KD 000's	
	31 December 2015	**31 December 2014**
Between one month and six months	**7**	971
Between six months and one year	**161**	1,934
Over one year	**272**	931
Non-performing loans (fully impaired)	**487**	483
	927	4,319

Provision for credit losses is made in accordance with Central Bank of Kuwait requirements including general provision on the balance of regular facilities for which no specific provisions are made. The total non-performing loans which have been fully provided amounts to KD 487 thousand (2014: KD 483 thousand).

The interest rate on commercial loans for 2014 ranged from 4.50% to 6.00% per annum and for personal loans the interest rate ranged from 2.00% to 6.25% (2014: 2.00% to 6.00%) per annum. All loans are denominated in KD or US Dollars.

15. Available for sale investments

	KD 000's	
	31 December 2015	**31 December 2014**
Quoted securities	**6,870**	11,989
Unquoted securities	**807**	817
Managed funds	**26,239**	26,826
Equity participation	**13,662**	14,565
Debt instruments	**6,210**	7,638
	53,788	61,835

Fair value of investments in equity participations are determined mostly based on net assets value provided by the investment managers as this represents the best estimate of fair value available for these investments.

During the year, the Group recognised an impairment loss of KD 294 thousand (2014: KD 374 thousand) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates no further impairment.

Investments in debt instrument amounting to KD 1,187 thousand (2014: KD 2,618 thousand) are secured by charges over real estate properties and carry average interest rate of 5.44% (2014: 5.36%) per annum.

Debt instruments include a syndicated murabaha for KD 4,997 thousand (2014: KD 4,979 thousand) provided to a local Kuwaiti company with an option to convert this facility into equity securities of another Kuwaiti listed company at an agreed price in the event of default or on maturity, whichever is earlier. The effective profit rate is 4.25% (2014: 5.00%) per annum.

16. Investment in associate and joint venture

Details of the Group's associate and joint venture are as follows:

Name	Country of incorporation	Proportion of ownership interest held by the Group		Purpose
		31 December 2015	**31 December 2014**	
Associate:				
First Equilease for Equipment and Transportation Company KSC (FEETC)	Kuwait	17.24%	17.22%	Transportation and Leasing
Joint Venture:				
MZES Gayrimenkul Alim Satim Company, Turkey (MZES)	Turkey	50%	50%	Real Estate

The Parent Company holds 50% of the share capital of MZES and the remaining shares are held by another company, which gives the Group joint control, as all decisions about the relevant activities require unanimous consent of both the parties sharing control.

The summarised financial information of FEETC and MZES are as below:

	KD 000's					
	FEETC		MZES		Total	
	2015 FEETC	**2014 FEETC**	**2015 MZES**	**2014 MZES**	**2015 Total**	**2014 Total**
Current assets	**9,847**	8,187	**96**	98	**9,943**	8,285
Non-current assets	**3,853**	5,797	**1,557**	1,529	**5,410**	7,326
Current liabilities	**(181)**	(970)	**(7)**	(13)	**(188)**	(983)
Non-current liabilities	**(32)**	(22)	**-**	-	**(32)**	(22)
Non-controlling interest of associate	**(337)**	(301)	**-**	-	**(337)**	(301)
Net assets	**13,150**	12,691	**1,646**	1,614	**14,796**	14,305
Revenue	**1,135**	1,164	**35**	-	**1,170**	1,164
Profit/ (loss) for the year	**344**	(83)	**14**	(19)	**358**	(102)
Other comprehensive income/ (loss) for the year	**114**	16	**(43)**	(3)	**71**	13

A reconciliation of the above summarised financial information to the carrying amount of the equity accounted investments is set out below:

	31 December 2015			31 December 2014		
	FEETC	MZES	Total	FEETC	MZES	Total
Net assets - (KD 000's)	**13,150**	**1,646**	**14,796**	**12,691**	**1,614**	**14,305**
Proportion of Group's ownership	**17.24%**	**50%**	**-**	**17.22%**	**50%**	**-**
Carrying amount of the Group's interest - (KD 000's)	**2,267**	**823**	**3,090**	**2,186**	**807**	**2,993**

No dividend was received from the associate or joint venture during the year. FEETC and MZES are private companies; therefore, no quoted prices are available for their shares.

17. Investment properties

Movement in investment properties for the year are as follows

	KD 000's			
	Land	Project under development	Building	Total
Cost				
31 December 2013	7,298	398	5,982	**13,678**
Additions	16,869	783	-	**17,652**
Disposals	(5,266)	-	(1,968)	**(7,234)**
FX change	218	-	95	**313**
31 December 2014	19,119	1,181	4,109	**24,409**
Additions	2,624	5,816	-	**8,440**
Disposals	(2,230)	-	(1,762)	**(3,992)**
FX change	642	-	82	**724**
31 December 2015	20,155	6,997	2,429	**29,581**
Depreciation				
31 December 2013	-	-	171	**171**
Charge for the year	-	-	91	**91**
Relating to disposals	-	-	(54)	**(54)**
31 December 2014	-	-	208	**208**
Charge for the year	-	-	62	**62**
Impairment provisions	274	-	-	**274**
Relating to disposals	-	-	(130)	**(130)**
31 December 2015	**274**	-	**140**	**414**
Net book value				
31 December 2014	19,119	1,181	3,901	**24,201**
31 December 2015	**19,881**	**6,997**	**2,289**	**29,167**

As at 31 December 2015, the fair value of the investment properties is KD 33,332 thousand (31 December 2014: KD 26,927 thousand). Investment properties were revalued by independent valuers using market comparable approach that reflects recent transaction prices for similar properties and is therefore classified under level 2. In estimating the fair value of investment properties, the highest and best use is their current use. There has been no change to the valuation technique during the year.

During the year the Group recognised net impairment amounting to KD 274 thousand relating to certain investment properties.

The Group sold certain investment properties in USA and GCC for aggregated sale consideration of KD 5,712 thousand (31 December 2014: KD 8,812 thousand) and realized a gain of KD 1,850 thousand (31 December 2014: KD 1,945 thousand). Additions during the year include KD 155 thousand (2014: KD 44 thousand) of interest capitalised.

The Groups investment properties are located as below:

	KD 000's	
	31 December 2015	31 December 2014
North America	**2,289**	3,901
GCC	**26,878**	20,300
	29,167	24,201

18. Accounts Payable and other liabilities

	KD 000's	
	31 December 2015	31 December 2014
Accrued Expenses	**2,090**	1,949
Post employment benefits	**2,107**	1,907
Dividend Payable	**364**	424
Provisions and others	**1,802**	4,148
	6,363	8,428

19. Bank borrowings

These mainly include unsecured loan facilities amounting to KD 26.42 million obtained from local commercial banks and carry interest rate ranging from 2.0% to 2.5% above Central Bank of Kuwait discount rate. As at 31 December 2015, an amount of KD 2.7 million (31 December 2014: 4.7 million) was drawn against these facilities.

Bank borrowings also include a murabaha facility obtained from a local Islamic bank amounting to KD 5 million (2014: KD Nil) carrying a profit rate of 1.5% above Central Bank of Kuwait discount rate and maturing in March 2016.

20. Bonds

This represents unsecured bonds issued on 19 December 2011 by the Parent Company in the principal amount of KD 22,000 thousand as follows:

- KD 12,200 thousand with a fixed rate of 5.00% payable half yearly in arrears maturing on 19 December 2016.
- KD 9,800 thousand with variable rate of 2.50%, above Central Bank of Kuwait Discount rate, which is payable half yearly in arrears maturing on 19 December 2016.

21. Share capital

	KD 000's	
	31 December 2015	31 December 2014
Authorised, issued and fully paid shares of 100 Kuwait Fils each	**53,130**	53,130

Subsequent to the financial position date, the Parent Company's board of directors proposed to reduce the Parent Company's share capital to KD 48.08 million (480,801,747 shares) by extinguishing its 50,498,253 treasury shares amounting to KD 5.05 million. The capital reduction is subject to the approval of the shareholders and Ministry of Commerce at the Parent Company's Extraordinary General Meeting.

22. Share premium

Share premium is not available for distribution.

23. Reserves

The Companies Law No 25 of 2012 and the Parent Company's articles of association require that, 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the legal reserve. The shareholders of Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

According to the Parent Company's articles of association, a percentage of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration, as proposed by the Board and approved by the AGM, is transferred to the voluntary reserve. The Board has proposed to transfer 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration to the voluntary reserve.

There are no restrictions on distribution of voluntary reserve.

24. Treasury shares

	31 December 2015	31 December 2014
Number of shares (000's)	**50,498**	50,498
Percentage of issued shares	**9.5%**	9.5%
Cost (KD 000's)	**16,342**	16,342
Market value (KD 000's)	**5,050**	5,555

Treasury share reserve is not available for distributions. Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable. Treasury shares are not held as collateral against any financial liabilities.

25. Proposed dividend

The Board of Directors of the Parent Company has proposed a cash dividend of 5 fils per share amounting to KD 2,404 thousand. The proposed dividend is subject to the approval of the shareholders at the Parent Company's Annual General Assembly.

The shareholders' Annual General Assembly held on 29 March 2015 approved the consolidated financial statements of the Group for the year ended 31 December 2014 and declared cash dividend of 6 Fils per share amounting to KD 2,885 thousand for the year ended 31 December 2014 which was paid in 2015 following that approval.

26. Other components of equity

		KD 000's	
	Fair value reserve	Foreign currency translation reserve	Total
Balance at 31 December 2013	8,335	(19)	8,316
Available for sale investments			
- Net change in fair value arising during the year	2,956	-	2,956
- Transferred to consolidated statement of profit or loss on sale	(2,279)	-	(2,279)
- Transferred to consolidated statement of profit or loss on impairment	374	-	374
Exchange differences arising on translation of foreign operations	-	335	335
Share of other comprehensive income of associate and joint venture	-	1	1
Total other comprehensive income	1,051	336	1,387
Balance at 31 December 2014	**9,386**	**317**	**9,703**
Available for sale investments			
- Net change in fair value arising during the year	1,223	-	1,223
- Transferred to consolidated statement of profit or loss on sale	(3,915)	-	(3,915)
- Transferred to consolidated statement of profit or loss on impairment	294	-	294
Exchange differences arising on translation of foreign operations	-	421	421
Share of other comprehensive (loss) of associate/ joint venture	-	(1)	(1)
Total other comprehensive (loss)/ income	**(2,398)**	**420**	**(1,978)**
Balance at 31 December 2015	**6,988**	**737**	**7,725**

27. Non-controlling interests

Details of subsidiaries that have material non-controlling interests to the Group are disclosed below:

			KD 000's			
	Proportion of ownership interests held by non-controlling interests		Profit/ (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2015	2014	2015	2014	2015	2014
MDI Holding Limited	**33.34%**	33.34%	**118**	15	**2**	294
MDI Management Limited	**33.34%**	33.34%	**183**	14	**172**	713
MDI Ventures Ltd	**50%**	50%	**53**	353	**2,220**	2,099
Mawazeen International Fund	**43.47%**	-	**(235)**	-	**2,440**	-
Markaz Arabian Fund (MAF)	**45.65%**	42.11%	**(1,005)**	303	**4,901**	6,093
Markaz Fixed Income Fund (MFIF)	**17.50%**	17.50%	**11**	(18)	**888**	856
Other subsidiaries with non-controlling interests			**(438)**	329	**7,420**	2,891
			(1,313)	996	**18,043**	12,946

27. Non-controlling interests (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below:

	KD 000's					
	31 December 2015					
	MDI Holding Limited	MDI Management Limited	MDI Ventures Ltd	Mawazeen Fund	MAF	MFIF
Current assets	6	73	1,384	5,624	10,800	1,647
Non current assets	-	444	3,076	-	-	3,438
Current liabilites	(1)	(2)	(12)	(10)	(63)	(12)
Non current liabilities	-	-	(8)	-	-	-
	5	515	4,440	5,614	10,737	5,073
Equity attributable to:						
- Owners of the Parent Company	3	343	2,220	3,174	5,836	4,185
- Non controlling interests	2	172	2,220	2,440	4,901	888
	5	515	4,440	5,614	10,737	5,073
Revenue	366	724	436	(469)	(1,888)	101
Expenses	(11)	(176)	(330)	(72)	(314)	(38)
Profit/ (loss) for the year	355	548	106	(541)	(2,202)	62
Profit attributable to:						
- Owners of the Parent Company	237	365	53	(306)	(1,197)	51
- Non controlling Interests	118	183	53	(235)	(1,005)	11
	355	548	106	(541)	(2,202)	62
Other comprehensive income attributable to:						
- Owners of the Parent Company	(163)	(7)	68	(2)	(13)	(38)
- Non controlling Interests	(81)	(3)	68	(2)	(10)	(8)
	(244)	(10)	136	(4)	(23)	(46)
Total comprehensive income attributable to:						
- Owners of the Parent Company	74	358	121	(308)	(1,210)	13
- Non controlling Interests	37	180	121	(237)	(1,015)	3
	111	538	242	(545)	(2,225)	16
Net cash from/ (used in):						
Operating activities	307	(291)	(103)	(5,839)	2,091	156
Investing activities	636	2,589	890	6,159	-	(147)
Financing activities	(1,021)	(2,257)	-	-	(2,041)	-
Net cash flow	(78)	41	787	320	50	9

	KD 000's 31 December 2014					
	MDI Holding Limited	MDI Management Limited	MDI Ventures Ltd	Aradi	MAF	MFIF
Current assets	82	56	630	477	14,555	1,583
Non-current assets	817	2,085	3,616	3,805	-	3,322
Current liabilites	(16)	(3)	(48)	(680)	(85)	(12)
	883	2,138	4,198	3,602	14,470	4,893
Equity attributable to:						
- Owners of the Parent Company	589	1,425	2,099	720	8,377	4,834
- Non controlling interests	294	713	2,099	2,882	6,093	59
	883	2,138	4,198	3,602	14,470	4,893
Revenue	57	140	1,196	648	1,079	(68)
Expenses	(12)	(97)	(490)	(235)	(359)	(37)
Profit/ (loss) for the year	45	43	706	413	720	(105)
Profit/ (loss) attributable to:						
- Owners of the Parent Company	30	29	353	83	417	(87)
- Non controlling Interests	15	14	353	330	303	(18)
	45	43	706	413	720	(105)
Other comprehensive income attributable to:						
- Owners of the Parent Company	170	108	152	(22)	(40)	(21)
- Non controlling Interests	85	54	152	(90)	(29)	(4)
	255	162	304	(112)	(69)	(25)
Total comprehensive income attributable to:						
- Owners of the Parent Company	200	137	505	61	377	(107)
- Non controlling Interests	100	68	505	240	274	(23)
	300	205	1,010	301	651	(130)
Net cash flow (used in)/ from:						
Operating activities	(12)	(213)	252	538	(1,285)	194
Investing activities	78	135	2,755	1,244	-	1,099
Financing activities	(73)	(1,035)	(2,640)	(1,315)	1,516	(45)
Net cash flow	(7)	(1,113)	367	467	231	1,248

28. Related party transactions

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

	KD 000's	
	31 December 2015	31 December 2014
Transactions included in the consolidated statement of profit or loss:		
Interest income	**3**	61
Management fees and commission	**5,468**	5,693
	5,471	5,754
Key management compensation:		
Salaries and other short-term benefits	**973**	822
Terminal benefits	**156**	189
Directors remuneration	**-**	81
	1,129	1,092
Balances included in the consolidated statement of financial position:		
Loans to customers	**94**	56
Accounts receivable and other assets	**631**	471
Accounts payable and other liabilities	**1,207**	1,169

Board of Directors remuneration is subject to approval of shareholders in the Annual General Assembly.

29. Segmental analysis

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Group profit or loss.

The revenues and profits generated by the Group from business segments are summarised as follows:

Asset management

- GCC and MENA investments
- International investments
- Private equity
- Real estate

Investment banking

- Corporate finance & advisory
- Oil and gas
- Treasury
- Loans
- Structured finance and derivatives

	Asset Management (KD 000's)		Investment Banking (KD 000's)		Total (KD 000's)	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Segment income	**9,409**	12,311	**1,848**	2,388	**11,257**	14,699
Segment profit	**1,411**	4,723	**304**	576	**1,715**	5,299
KFAS, NLST, Zakat and directors remuneration	**(137)**	(235)	**(13)**	(47)	**(150)**	(282)
Profit/(loss) for the year	**1,274**	4,488	**291**	529	**1,565**	5,017
Total segment assets	**122,140**	118,490	**26,111**	26,548	**148,251**	145,038
Total segment liabilities	**27,521**	27,108	**8,527**	7,983	**36,048**	35,091
Interest income	**155**	112	**619**	860	**774**	972
Finance cost	**(943)**	(898)	**(207)**	(198)	**(1,150)**	(1,096)
Depreciation	**(99)**	(128)	**(105)**	(115)	**(204)**	(243)
Impairment of available for sale investments	**(287)**	(102)	**(7)**	(272)	**(294)**	(374)
Purchase of property and equipment	**(32)**	(24)	**(72)**	(51)	**(104)**	(75)
Purchase of investment properties	**(8,440)**	(17,652)	**-**	-	**(8,440)**	(17,652)

Segment income above represents income generated from external customers.

For the purposes of monitoring segment performance and allocating resources between segments:

- There are no assets used jointly by any reportable segment.
- There are no liabilities for which any segment is jointly liable

30. Fiduciary accounts

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management as at 31 December 2015 amounted to KD 1,026,808 thousand (2014: KD 1,089,085 thousand). The Group earned management fee of KD 6,594 thousand (2014: KD 6,641 thousand) from these activities.

31. Contingent liabilities and commitments

	KD 000's	
	31 December 2015	**31 December 2014**
Commitments for purchase of investments	**4,166**	4,390
Letters of guarantee	**825**	157

32. Derivative financial instruments

Derivatives are financial instruments that derive their value by referring to interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

The derivatives held for trading are given below:

	31 December 2015 KD 000's			31 December 2014 KD 000's		
	Assets	**Liabilities**	**Contractual amounts**	**Assets**	**Liabilities**	**Contractual amounts**
Held for trading:						
Forward foreign exchange contracts	-	**18**	**7,653**	-	239	8,935

Derivatives are carried at fair value and expire within one year.

33. Financial risk management objectives

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

The board of directors of the Parent Company are ultimately responsible for setting out risk management objectives. The Group's risk management function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analysis exposures by degree and magnitude of risks.

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

33.1 Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

a) Equity price risk

The Group is exposed to the equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss or available for sale investments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The equity price risk sensitivity analysis shown below has been determined based on the quoted market price of investments at fair value through profit or loss and available for sale investments that are listed on the Kuwait Stock Exchange and other stock exchange at the reporting date.

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis. If equity price had been 2% (2014: 2%) higher/lower, the effect on the profit and equity for the year ended 31 December would have been as follows:

	31 December 2015			31 December 2014		
	%	KD 000's		%	KD 000's	
Market indices:	Change in price	Effect on profit	Effect on equity	Change in price	Effect on profit	Effect on equity
Kuwait Stock Exchange	**2%**	**-**	**-**	2%	10	-
Other stock exchange	**2%**	**281**	**137**	2%	226	240

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

b) Foreign currency risk

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 hedging strategies like forward foreign exchange contracts are used to ensure positions are maintained within the established limits.

The carrying amounts of the Group's foreign currency exposure at the reporting date are as follows:

	Financial liabilities KD 000's		Financial assets KD 000's	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
US Dollars	**836**	669	**54,374**	51,374
Euros	**4**	4	**2,812**	3,265
Sterling Pounds	**1**	1	**34**	67
Bahraini Dinars	**-**	-	**579**	356
UAE Dirhams	**-**	-	**123**	8,499
Saudi Riyals	**-**	-	**8,491**	8,409
Qatari Riyals	**-**	-	**8**	222
Others	**7**	7	**394**	123

The Group is maintaining exposure mainly to the US Dollars, Euros and UAE Dirhams.

The following table details the Group's sensitivity to a 2% (2014: 2%) increase and decrease in the KD against US Dollars, Euros and UAE Dirhams. The sensitivity analysis includes only outstanding US Dollars, Euros and UAE Dirhams denominated monetary assets and liabilities and adjusts their translation at the year end for a 2% change in foreign currency rates. All other variables are held constant.

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	+2 % Impact KD 000's		-2 % Impact KD 000's	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Profit for the year	**720**	750	**(720)**	(750)
Equity	**579**	667	**(579)**	(667)

The effect on equity is due to the changes in fair value of available for sale investments.

c) Interest rate risk

The Group is exposed to interest rate risk as it places and borrows funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

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

A positive number below indicates an increase in profit and negative number indicates a decrease in profit.

	31 December 2015 KD 000's		31 December 2014 KD 000's	
	+1%	**-1%**	+1%	-1%
Profit for the year	**17**	**(17)**	55	(55)

33.2 Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year.

Exposure to credit risk

The carrying amount of financial assets which is net of impairment losses, recorded in the consolidated statement of financial position represents the Group's maximum credit exposure without taking account of the value of any collateral obtained. The maximum exposure to credit risk at the reporting date was:

	KD 000's 31 December 2015	KD 000's 31 December 2014
Bank balances	**7,973**	7,846
Time deposits	**7,321**	75
Accounts receivable and other assets	**4,678**	5,460
Investments at fair value through profit or loss	**25,831**	22,780
Loans to customers	**436**	3,798
Available for sale investments	**32,449**	34,464
	78,688	74,423

33. Financial risk management objectives (continued)

The maximum exposure to credit risk at the reporting date by geographic region was:

	KD 000's	
	31 December 2015	31 December 2014
Kuwait	**57,150**	52,906
North America	**10,491**	10,342
GCC	**2,157**	5,671
Europe	**6,930**	4,239
MENA	**1,848**	110
Others	**112**	1,155
	78,688	74,423

There are no past due assets. Loans and advances of KD 487 thousand (2014: KD 483 thousand) are impaired and is fully provided for.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. The Group assesses the credit quality of financial assets using internal records and customer profiles.

33.3 Liquidity risk

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

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

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

	KD 000's					
	Upto 1 month	Upto 1-3 months	3-12 months	1 to 5 years	Total	Weighted average effective interest rate %
31 December 2015						
Financial liabilities						
Accounts payable and other liabilities	2,855	214	1,187	-	4,256	-
Borrowings	-	5,064	1,983	816	7,863	3.5% to 4.75%
Bonds	-	-	23,021	-	23,021	4.75% to 5%
	2,855	5,278	26,191	816	35,140	
Commitments	-	-	-	4,166	4,166	
31 December 2014						
Financial liabilities						
Accounts payable and other liabilities	2,276	1,234	3,011	-	6,521	-
Borrowings	505	2,046	78	2,287	4,916	4% to 5%
Bonds	-	-	1,016	23,051	24,067	4.5% to 5%
	2,781	3,280	4,105	25,338	35,504	
Commitments	-	-	-	4,390	4,390	

The maturity profile of the Group's asset and liabilities are as follows:

	KD 000's		
31 December 2015	**Up to one year**	**More than one year**	**Total**
Assets:			
Cash and bank balances	7,977	-	**7,977**
Time deposits	7,321	-	**7,321**
Investments at fair value through profit or loss	41,100	-	**41,100**
Accounts receivable and other assets	4,886	198	**5,084**
Loans to customers	166	270	**436**
Available for sale investments	-	53,788	**53,788**
Investment in associate and joint venture	-	3,090	**3,090**
Investment properties	-	29,167	**29,167**
Property and equipment	-	288	**288**
	61,450	**86,801**	**148,251**
Liabilities			
Accounts payable and other liabilities	4,256	2,107	**6,363**
Borrowings	6,932	753	**7,685**
Bonds	22,000	-	**22,000**
	33,188	**2,860**	**36,048**

	KD 000's		
31 December 2014	**Up to one year**	**More than one year**	**Total**
Assets:			
Cash and bank balances	7,848	-	7,848
Time deposits	75	-	75
Investments at fair value through profit or loss	38,195	-	38,195
Accounts receivable and other assets	5,492	275	5,767
Loans to customers	2,876	922	3,798
Available for sale investments	-	61,835	61,835
Investment properties	-	24,201	24,201
Investment in associate and joint venture	-	2,993	2,993
Property and equipment	-	326	326
	54,486	90,552	145,038
Liabilities			
Accounts payable and other liabilities	6,521	1,907	8,428
Borrowings	2,504	2,159	4,663
Bonds	-	22,000	22,000
	9,025	26,066	35,091

34. Financial instruments measured at fair value

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the Group's management the carrying amounts of financial assets and liabilities as at 31 December 2015 and 2014 approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable. The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2015	KD 000's			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities				
- Listed in GCC	9,834	-	-	9,834
- Listed in the United States of America	5,435	-	-	5,435
Funds				
- GCC	-	24,401	-	24,401
- United States of America	-	5	-	5
Fixed income securities				
- Europe	1,080	-	-	1,080
Forward FX contracts held for trading	-	(18)	-	(18)
Available for sale investments				
Quoted securities and funds				
- Listed in GCC	529	-	-	529
- Listed in Europe	4,701	-	-	4,701
- Listed in the United States of America	1,640	-	-	1,640
Funds				
- GCC	-	13,876	-	13,876
- Europe	-	5,839	-	5,839
- United States of America	-	6,524	-	6,524
Debt instruments				
- GCC	-	-	5,023	5,023
- United States of America	-	-	1,187	1,187
Equity participations and other investments				
- GCC	-	919	-	919
- Europe	-	942	-	942
- United States of America	-	5,260	-	5,260
- Others	-	6,541	-	6,541
Unquoted securities				
- GCC	-	-	96	96
- Europe	-	-	711	711
	23,219	**64,289**	**7,017**	**94,525**

	KD 000's			
	Level 1	Level 2	Level 3	Total
31 December 2014				
Investments at fair value through profit or loss				
Quoted securities				
- Listed in GCC	13,309	-	-	13,309
- Listed in the United States of America	2,106	-	-	2,106
Funds	-	21,299	-	21,299
- GCC	-	6	-	6
- United States of America				
Fixed income securities				
- Europe	940	-	-	940
Forward FX contracts held for trading	-	(239)	-	(239)
Available for sale investments				
Quoted securities and funds				
- Listed in GCC	595	-	-	595
- Listed in Europe	4,904	-	-	4,904
- Listed in the United States of America	6,490	-	-	6,490
Funds				
- GCC	-	16,989	-	16,989
- Europe	-	3,211	-	3,211
- United States of America	-	5,580	-	5,580
- Others	-	1,046	-	1,046
Debt instruments				
- GCC	-	-	5,021	5,021
- United States of America	-	-	2,617	2,617
Equity participations and other investments				
- GCC	-	860	-	860
- Europe	-	1,056	-	1,056
- United States of America	-	5,113	-	5,113
- Others	-	7,536	-	7,536
Unquoted securities				
- GCC	-	-	195	195
- Europe	-	-	622	622
	28,344	**62,457**	**8,455**	**99,256**

34. Financial instruments measured at fair value (continued)

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

Financial assets	KD 000's Fair value as at 2015	KD 000's Fair value as at 2014	Fair value Hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
Investment at fair value through Profit or loss:						
Quoted securities	15,269	15,415	1	Quoted bid prices	-	-
Funds	24,406	21,305	2	NAV basis	-	-
Fixed income securities	1,080	940	1	Quoted	-	-
Derivative financial liabilities	(18)	(239)	2	Discounted cash flows, estimated based on observable foreign exchange rates	-	-
Available for sale investments						
Quoted securities	6,870	11,989	1	Quoted bid prices	-	-
Unquoted securities	807	817	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Funds	26,239	26,826	2	NAV basis and others	-	-
Debt instruments	6,210	7,638	3	Discounted cash flow	Interest rate	Higher the interest rate, lower the value
Equity Participation	13,662	14,565	2	NAV basis	-	-

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

For financial instruments carried at amortized cost, fair values are not materially different from their carrying values and is used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

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

Level 3 fair value measurements

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

	KD '000 Available for sale investments
31 December 2015	
Opening balance	**8,455**
Sales	**(1,839)**
Gain recognised in other comprehensive income	**401**
Closing balance	**7,017**
31 December 2014	
Opening balance	8,356
Sales	(73)
Gain recognised in other comprehensive income	172
Closing balance	8,455

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

35. Operational risk

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

36. Capital management objectives

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from previous year.

The capital structure of the Group consists of total equity, comprising issued share capital, share premium and reserves as disclosed in notes 21, 22, and 23 respectively, treasury shares as disclosed in note 24, retained earnings and debt consists of bank borrowings and bonds disclosed in note 19 & 20.

Gearing ratio

The gearing ratio at year end was as follows:

	KD 000's	
	31 December 2015	31 December 2014
Debt	**29,685**	26,663
Less: Cash and cash equivalents (see note 11)	**(15,201)**	(7,848)
Net debt	**14,484**	18,815
Equity	**112,203**	109,947
Net debt to equity ratio	**12.91%**	17.11%