



RSM Albazie & Co.

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING)
AND ITS SUBSIDIARY
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH
INDEPENDENT AUDITOR'S REPORT

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING)
AND ITS SUBSIDIARY
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Dar Al Dhabi Holding Company K.S.C. (Holding)
State of Kuwait

Report on the consolidated financial statements

I have audited the accompanying consolidated financial statements of Dar Al Dhabi Holding Company K.S.C. (Holding) (the Parent Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the fiscal year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

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

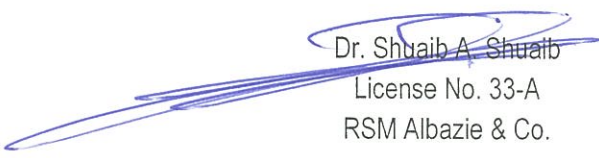
Emphasis of matter

Without qualifying my opinion, I draw attention to Note (18) in the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by KD 26,073,318. This condition, along with other matters as set forth in Note (18), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Report on other legal and regulatory requirements

Also in my opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 1 of 2016, the Executive Regulations of Law No. 25 of 2012, the Parent Company's Articles of Association and Memorandum of Incorporation, and I had obtained the information I required to perform my audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to me, there were no contraventions during the fiscal year ended December 31, 2015 of either Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012 or of the Parent Company's Articles of Association and Memorandum of Incorporation which might have materially affected the Group's financial position or results of its operations.

State of Kuwait
January 24, 2016



Dr. Shuaib A. Shuaib
License No. 33-A
RSM Albazie & Co.

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2015	2014
Current assets:			
Cash on hand and at banks		5,835	3,162
Total current assets		5,835	3,162
Non-current assets:			
Properties under development	3	75,559,384	74,152,102
Total non-current assets		75,559,384	74,152,102
Total assets		75,565,219	74,155,264
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Accounts payable and other credit balances	4	26,079,153	25,032,374
Total current liabilities		26,079,153	25,032,374
Non-current liabilities:			
Revenue received in advance	5	5,921,620	5,711,992
Due to a related party	6	7,538,492	7,179,382
Provision for end of service indemnity	7	3,379	1,706
Total non-current liabilities		13,463,491	12,893,080
Total liabilities		39,542,644	37,925,454
Equity:			
Share capital	8	100,000,000	100,000,000
Share premium	9	4,950,000	4,950,000
Statutory reserve	10	22,739	22,739
Voluntary reserve	11	22,739	22,739
Foreign currency translation adjustments		(753,773)	(544,150)
Accumulated losses		(68,219,130)	(68,221,518)
Total equity		36,022,575	36,229,810
Total liabilities and equity		75,565,219	74,155,264

The accompanying notes (1) to (18) form an integral part of the consolidated financial statements.

Mohamed Hamad Al-Mutawa
Chairman

Faisal Ali Al - Mutawa
Vice Chairman

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2015
 (All amounts are in Kuwaiti Dinars)

	Note	2015	2014
Revenue:			
Impairment reversal on properties under development	3	<u>1,206,212</u>	<u>1,193,420</u>
		<u>1,206,212</u>	<u>1,193,420</u>
Expenses and other charges:			
General and administrative expenses	13	99,778	86,316
Finance costs	6	135,000	135,000
Foreign exchange loss	14	<u>969,046</u>	<u>968,474</u>
		<u>1,203,824</u>	<u>1,189,790</u>
Net profit for the year		<u><u>2,388</u></u>	<u><u>3,630</u></u>

The accompanying notes (1) to (18) form an integral part of the consolidated financial statements.

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

	<u>2015</u>	<u>2014</u>
Net profit for the year	<u>2,388</u>	<u>3,630</u>
Other comprehensive loss:		
<u>Items that may be reclassified subsequently to profit or loss</u>		
Exchange differences on translating foreign operations	<u>(209,623)</u>	<u>(209,500)</u>
Other comprehensive loss for the year	<u>(209,623)</u>	<u>(209,500)</u>
Total comprehensive loss for the year	<u>(207,235)</u>	<u>(205,870)</u>

The accompanying notes (1) to (18) form an integral part of the consolidated financial statements.

**DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015**

(All amounts are in Kuwaiti Dinars)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation adjustments	Accumulated losses	Total
Balance as at December 31, 2013	100,000,000	4,950,000	22,739	22,739	(334,650)	(68,225,148)	36,435,680
Total comprehensive (loss) income for the year	-	-	-	-	(209,500)	3,630	(205,870)
Balance as at December 31, 2014	100,000,000	4,950,000	22,739	22,739	(544,150)	(68,221,518)	36,229,810
Total comprehensive (loss) income for the year	-	-	-	-	(209,623)	2,388	(207,235)
Balance as at December 31, 2015	100,000,000	4,950,000	22,739	22,739	(753,773)	(68,219,130)	36,022,575

The accompanying notes (1) to (18) form an integral part of the consolidated financial statements.

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net profit for the year	2,388	3,630
Adjustments for:		
Impairment reversal on properties under development	(1,206,212)	(1,193,420)
Provision for end of service indemnity	1,673	1,017
Finance costs	135,000	135,000
Foreign exchange loss	969,046	968,474
	<u>(98,105)</u>	<u>(85,299)</u>
Changes in operating assets and liabilities:		
Accounts payable and other credit balances	9,967	6,406
Net movement in related party balances	90,811	81,510
Net cash generated from operating activities	<u>2,673</u>	<u>2,617</u>
Net increase in cash on hand and at banks	2,673	2,617
Cash on hand and at banks at the beginning of the year	<u>3,162</u>	<u>545</u>
Cash on hand and at banks at the end of the year	<u><u>5,835</u></u>	<u><u>3,162</u></u>

The accompanying notes (1) to (18) form an integral part of the consolidated financial statements.

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities of the Parent Company

Dar Al Dhabi Holding Company (the Parent Company) is a Kuwaiti shareholding company incorporated through an agreement No. 6601/Vol. 1 dated August 30, 2004. The Parent Company's commercial registration number is 103326 dated October 23, 2005 and its latest amendment on July 1, 2015.

The objectives of the Parent Company are:

- a) Own shares of Kuwaiti or foreign shareholding companies, shares or stocks of Kuwaiti or foreign limited liability companies or participate in the incorporation and management of these types of companies including lending and guarantee activities.
- b) Granting loans to companies in which the Company is a shareholder and guarantee them provided that the Company's share in the borrowing company's capital shall not be less than 20%.
- c) Own industrial property rights including patents, industrial trademarks, industrial fees or any other rights related thereto and leasing the same to other companies for usage inside and outside Kuwait.
- d) Own tangible assets and real estates required to conduct its activities as permitted by the law.
- e) Use available surplus in the investment of financial portfolios managed by specialized companies and entities.

The Parent Company may conduct the aforementioned business inside and outside Kuwait as a principal or an agent. The Parent Company may have interest or participate in any manner in entities conducting similar activities or assist them in achieving their objectives inside or outside Kuwait. Also, it may establish, participate or purchase such entities or have them annexed to it.

Dar Al Dhabi Holding Co. K.S.C. (Holding) (the Parent Company) is a subsidiary of Bayan Investment Company K.S.C. (Public) (the Ultimate Parent Company).

The Parent Company is located in Suad Commercial Building, Fahad Al-Salem St., Area 12, Building No. 21 and its registered address is P.O. Box No. 104, Al Dasma 35151, State of Kuwait.

The Shareholder's Extraordinary General Assembly Meeting held on June 14, 2015 had ratified the amendments to some clauses of the Parent Company's Memorandum of Incorporation and Articles of Association to be in compliance with the requirements of the Company's Law No. 25 of 2012 and its subsequent amendments and executive regulations, which was notarized at the Parent Company's Commercial Registry under Ref. No. 111 dated July 1, 2015, that was issued by the Department of Shareholding Companies in the Ministry of Commerce and Industry of Kuwait.

The new Companies Law No. 1 of 2016 was issued on January 24, 2016 and was published in the Official Gazette on February 1, 2016, which replaced the Companies Law No 25 of 2012 and its amendments. According to Article No. 5, the new Law will be effective from November 26, 2012 and the executive regulations of Law No. 25 of 2012 will continue until a new set of executive regulations are issued. The adoption of the new Companies Law is not expected to have any effect on the reporting entity.

The consolidated financial statements were approved for issue by the Board of Directors on January 24, 2016. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company and are prepared under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(o).

Standards issued and effective

The accounting policies applied by the Group are consistent with those used in the previous year, except for the changes due to implementation of the following amended International Financial Reporting Standards as of January 1, 2015:

Amendments to IAS 24 - Related Party Disclosures

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Amendments to IFRS - 13 Fair Value Measurement

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that the portfolio exception in IFRS 13 applies to all contracts within the scope of IAS 39, regardless of whether they meet the definitions of financial assets or financial liabilities.

The above mentioned amendments did not have any material impact on the consolidated financial statements.

Standards issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2017, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

Amendments to IAS 1 - Disclosure Initiative

The amendments to this standard which are effective for annual periods beginning on or after January 1, 2016 clarify some judgments used in the presentation of financial reports. The amendments make changes about:

- Materiality, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception

The amendments to these standards which are effective for annual periods beginning on or after January 1, 2016 confirm that the exemption from preparing consolidated financial statements under IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. However, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose are to provide services and activities that are related to the investment activities of the investment entity parent. All other subsidiaries of an investment entity should be measured at fair value.

Consequential amendments have been made to IAS 28 to confirm that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity, even if the investment entity parent measures all its subsidiaries at fair value. IAS 28 has been also amended to permit an entity to retain the fair value measurement applied by an associate or joint venture that is an investment entity to its interests in subsidiaries rather than applying uniform accounting policies.

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities.

Amendments to IFRS 7 – Financial Instruments: Disclosures

The amendments to this standard are effective for annual periods beginning on or after January 1, 2016. They clarify that for servicing agreements, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context, and adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. Another amendment to IFRS 7 clarifies that the additional disclosure required by the amendments to IFRS 7 is not specifically required for all interim periods, unless required by IAS 34.

The application of the above standards and amendments are not expected to have a material impact on the consolidated financial statements.

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2015
 (All amounts are in Kuwaiti Dinars)

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiary (together the "Group"):

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Percentage of holding</u>	
			<u>2015</u>	<u>2014</u>
Dar Al Dhabi Real Estate Co. (K.S.C.C.) and its wholly owned subsidiary: Emirates Dar Al Dhabi Real Estate Co. (L.L.C.)	Kuwait	Real estate	99%	99%

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholders' share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

DAR AL DHABI HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

(All amounts are in Kuwaiti Dinars)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial instruments

The Group classifies its financial instrument, as "financial assets" and "financial liabilities". Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, payable and due to a related party.

Financial liabilities

(i) Accounts payable

Accounts payables include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

d) Properties under development

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at cost. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

DECEMBER 31, 2015

(All amounts are in Kuwaiti Dinars)

e) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

f) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employee contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

g) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

h) Capital

Ordinary shares are classified as equity.

i) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale and services rendered have been resolved.

(i) Sale of properties under development

- When the agreement is within the scope of IAS 11 – construction contracts and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11 – construction contracts.
- When the agreement is within the scope of IAS 18 – Revenue, the Group recognizes revenue at time of completion, when the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.
- If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognize revenue by reference to the percentage of completion method.

If there is a doubt about the future economic benefits flowing to the Group, the Group recognizes revenue based on the installment percentage.

(ii) Other income and expenses

Other income and expenses are recognized on an accrual basis.

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are expense in the consolidated statement of profit or loss in the period in which they are incurred.

k) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

l) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration and after deducting accumulated losses, its share of income from Kuwaiti shareholding subsidiaries and transfer to statutory reserve. There is no contribution to KFAS until the accumulated losses are fully set off.

m) Zakat

Zakat is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration and after deducting its share of Zakat paid by Kuwaiti shareholding subsidiary in accordance with Law No. 46 for the year 2006 and the Ministerial of Finance Resolution No. 58 for the year 2007 and their Executive Regulations. No Zakat has been provided since there was no eligible profit on which Zakat could be calculated.

n) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

o) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Classification of land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for trading

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

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Estimates and assumptions

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

(i) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Properties under development

Properties under development represent plots of land located in Reem Island - Abu Dhabi (UAE) and held with a view to be developed for sale in the future as residential apartments, offices and retail outlets. The estimated cost of the project is AED 3,508,594,819 (KD 290,436,146).

The transfer of ownership as per paragraph No. 7.2 of the contract will be done upon full payment and completion of the development work.

Properties under development are as follows:

	<u>2015</u>	<u>2014</u>
Lands	134,104,463	134,104,463
Consultancy and design	5,786,416	5,585,346
Impairment loss on properties under development	<u>(64,331,495)</u>	<u>(65,537,707)</u>
	<u>75,559,384</u>	<u>74,152,102</u>

The movement during the year is as follows:

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	74,152,102	72,958,682
Additions	201,070	-
Impairment reversal on properties under development	1,206,212	1,193,420
Balance at the end of the year	<u>75,559,384</u>	<u>74,152,102</u>

Impairment reversal on properties under development for the year ended December 31, 2015 had been recorded based on the lowest of the valuations carried out by two independent valuers.

4. Accounts payable and other credit balances

	<u>2015</u>	<u>2014</u>
Trade payables (a)	26,060,543	25,023,726
Accrued expenses	9,233	5,500
Accrued staff leave	9,377	3,148
	<u>26,079,153</u>	<u>25,032,374</u>

(a) Trade payables include KD 23,608,327 (AED 285,198,846) (December 31, 2014: KD 22,772,580 (AED 285,198,846)) that represent the remaining amount payable on the acquisition of properties under development. The amount payable is overdue as of December 31, 2015.

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5. Revenue received in advance

Revenue received in advance represents advances from customers for booking their residential apartments or offices that would be constructed as part of the properties under development Note (3). Five customers have raised legal cases claiming refund for the advances paid amounting to KD 495,984 (AED 5,991,699) and final verdicts have been favorably issued for four customers amounting to KD 271,414 (AED 3,278,797).

6. Related party balances and transactions

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

	<u>Major shareholders</u>	<u>2015</u>	<u>2014</u>
(i) <u>Balances included in the consolidated statement of financial position:</u>			
Due to a related party	(7,538,492)	(7,538,492)	(7,179,382)
(ii) <u>Transactions included in the consolidated statement of profit or loss:</u>			
Finance costs (a)	(135,000)	(135,000)	(135,000)

(a) During the year ended December 31, 2009, the Parent Company obtained financing from the Ultimate Parent Company amounting to KD 3,000,000 to finance the payments for properties under development. The effective interest rate was 4.5% per annum (December 31, 2014: 4.5% per annum). Accordingly finance costs amounting to KD 135,000 have been recognized in the consolidated statement of profit or loss for the year ended December 31, 2015 (December 31, 2014: KD 135,000).

(ii) Compensation to key management personnel

	<u>2015</u>	<u>2014</u>
Salaries and other short term benefits	54,923	29,750
Termination benefits	5,237	786
	<u>60,160</u>	<u>30,536</u>

7. Provision for end of service indemnity

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	1,706	689
Charge for the year	1,673	1,017
Balance at the end of the year	<u>3,379</u>	<u>1,706</u>

8. Share capital

The authorized, issued and fully paid-up capital consists of 1,000,000,000 shares of 100 fils each and all shares are paid in cash (December 31, 2014: 1,000,000,000 shares).

9. Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not distributable except in cases stipulated by law.

10. Statutory reserve

As required by Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may discontinue resolve such annual transfer when the reserve exceeds 50% of capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association. No transfer was made to the statutory reserve during the year, due to accumulated losses.

11. Voluntary reserve

As required by the Parent Company's Articles of Association, a percentage of profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. No transfer was made to the voluntary reserve during the year, due to accumulated losses.

12. General assembly and proposed dividends

The Board of Directors proposed not to distribute dividends for the year ended December 31, 2015. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on June 14, 2015 approved the Board of Directors' proposal not to distribute dividends for the year ended December 31, 2014.

13. General and administrative expenses

General and administrative expenses include staff costs amounting to KD 64,944 (December 31, 2014: KD 38,521).

14. Foreign exchange loss

Foreign exchange loss is mainly represented by loss of KD 835,747 (December 31, 2014: loss of KD 835,253) resulting from the translation of the remaining amount payable on the acquisition of properties under development which is denominated in UAE Dirham (Note (4a)) wherein during the year, the Kuwaiti Dinar weakened by 3.5% against the UAE Dirham.

15. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, payables and due to a related party and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Interest rate risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. At present, the Group has no significant exposure to such risk since the funding received from the Parent Company carry a fixed rate of return.

b) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks. The Group's cash at banks are placed with high credit rating financial institutions.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks.

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c) **Foreign currency risk**

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in the foreign exchange rate. The Group's exposure to currency risk arises from the balances denominated in UAE Dirham from its wholly owned subsidiary, Dar Al Dhabi Real Estate Co. (K.S.C.C.) and its subsidiary. During the year, the Kuwaiti Dinar weakened by 3.5% against the UAE Dirham and the management monitors its exposure to currency risk periodically.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currency and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on other comprehensive income
2015			
UAE Dirham	± 5%	±1,368,690	±296,088
2014			
UAE Dirham	± 5%	±1,320,237	±285,606

d) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities.

The maturity profile of financial liabilities was as follows:

	3-12 Months	More than 1 year	Total
2015			
Accounts payable and other credit balances	26,079,153	-	26,079,153
Due to a related party	-	7,538,492	7,538,492
	<u>26,079,153</u>	<u>7,538,492</u>	<u>33,617,645</u>
2014			
Accounts payable and other credit balances	25,032,374	-	25,032,374
Due to a related party	-	7,179,382	7,179,382
	<u>25,032,374</u>	<u>7,179,382</u>	<u>32,211,756</u>

e) **Equity price risk**

Equity price risk is the risk that fair values of equity instrument decrease as the result of changes in level of equity indices and the value of individual stocks. As at December 31, 2015, the Group has no exposure to such risk.

16. **Fair value measurement**

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.

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At December 31, the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of cash on hand and at banks, accounts payable and due to a related party approximate their carrying amounts largely due to the short-term maturities of these instruments.

17. Capital risk management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

18. Going concern

The Group's current liabilities exceeded its current assets by KD 26,073,318 (December 31, 2014: KD 25,029,212). The consolidated financial statements have been prepared assuming the Group will continue as a going concern. The Group's ability to continue as a going concern depends on its ability to make profits, enhance its future cash flows, restructure its debt repayments, and the financial support of its major shareholders. If those conditions are not viable, the accompanying consolidated financial statements shall be adjusted accordingly.

The Group's management is in the process of negotiating the terms of the settlement of the trade payables amounting to KD 23,608,327 with the counterparty (Note 4(a)).

If the Group is unable to reschedule the trade payables for the foreseeable future, it may be unable to realize its assets and discharge its liabilities in the normal course of business.