البحرين الأولى
First Bahrain

Diversification & Growth

Annual Report 2015

H.H. Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah

Amir of the State of Kuwait

H.H. Sheikh Nawaf Al-Ahmad
Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

His Royal Highness
Prince Khalifa bin Salman Al Khalifa

The Prime Minister of the
Kingdom of Bahrain

His Majesty
King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

Crown Prince, Deputy Supreme Commander
& First Deputy Prime Minister

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MajaalWarehouseCo
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www.elmercadojanabiya.com / www.elmercadovillage.com
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Company Profile

First Bahrain Real Estate Development Co. K.S.C. (First Bahrain) is an innovative real estate investment company, dedicated to achieving sustainable returns through collaborative relationships.

First Bahrain creates enduring value for all stakeholders with a demand-driven investment approach. Operating out of offices in Kuwait and Bahrain, the Company is strategically positioned to execute projects across the GCC.

Established in October 2004 in Kuwait as Baraq Al Khaleej Holding Company, with a paid up capital of KD 1 million, the corporate name was later changed to First Bahrain Real Estate Development Company, and the paid up capital increased to KD 30 million. In 2007, First Bahrain opened an office in the Kingdom of Bahrain. Since its inception, the Company has been guided by the principles of Islamic Sharia in all its daily operations and business interests.

The principal shareholders of First Bahrain are leading regional institutions and high-profile real estate investors, including Global Investment House, Action Group Holdings Co., Wafra International Investments Co., Esterad Investment Co. and the General Retirement and Social Authority of the State of Qatar.

First Bahrain owns or holds rights to over 1,000,000 square feet of strategically located lands in the Kingdom of Bahrain.

The Company's inaugural project, Majaal, is a flexible-use industrial facility designed to support Small-to-Medium-sized Enterprises (SMEs). The facility is located at the Bahrain Investment Wharf (BIW), within Salman Industrial City, near to both the new Khalifa bin Salman Port and the Bahrain International Airport.

Possessing 400,000 square feet of leasable space, the development consists of seven warehouse buildings. The land for the development was acquired in 2007 and the first three buildings were ready for occupancy by 2010. These initial buildings were fully leased by September 2011. Subsequent construction of an additional three buildings was completed in 2013. The final building was delivered in 2014.

The fully developed complex is now operating at full occupancy, functioning as home to over 30 businesses representing a range of activities from FMCG distributors to small manufacturers.

In 2015, the Company activated its holding in Janabiya, initiating the development of a neighbourhood retail centre. While construction was 93% finished by year end, contracts for 47% of the 50,000 square feet of leasable area had also been executed, notably featuring an anchor supermarket. The retail centre will be complete and the initial tenants expect to commence operations in Q2 2016.

Building on the success of the neighbourhood retail centre, the Board of Directors approved commencement of a residential project on the adjacent property in their last meeting of the year. The 150,000 square foot plot is to be subdivided for the construction of 42 single family homes, which are to be built and delivered by the end of 2017.

With the addition of commercial and residential developments to its portfolio of industrial properties, the Company is focusing on diversification and growth. Despite the potential negative economic shocks coming from lower oil prices, the Company sees good potential for its business in the years ahead as it takes advantage of low construction costs and adds new sources of revenue across multiple sectors. As it has done with Majaal, the Company is continuing to convert its raw land holdings into robust fully-developed income generating assets. Marked by entrepreneurial leadership, commitment and integrity, First Bahrain is actively putting its potential to work for benefit of all of its stakeholders.

Our Vision

Our vision is to realise value potential.

Our Mission

With entrepreneurial vision and innovation, First Bahrain exists to initiate and orchestrate real estate developments which bring enduring value and sustainable prosperity to both our communities and to our shareholders, through partnerships and investments made in accordance with the principles of Islamic Sharia.

Our Values

Our values drive our behaviour. First Bahrain's four core values flow from who we are as people and shape who we are as a Company, enabling us to achieve our vision and mission. These values are also in rank order. If there is any conflict between two values, we choose conduct in line with the higher value.

Integrity

We are passionate and committed to our principles. Driven by Islamic values, we stand by our corporate social responsibilities. Our expertise and dedication enables us to transcend traditional ideas, and offer clients inspired and meaningful solutions.

Partnership

We continue to build an international network of strategic alliances. These alliance share our vision of maximizing Return of Investment in accordance with the principles of Islamic Sharia. In working together with select partners, we develop a strong and secure support-structure and move forward with confidence and strength.

Innovation

We embrace creativity in a constantly changing environment and provide intelligent solutions to capitalise upon these developments. Through dynamic planning, we enhance stakeholder value, increase investor opportunity, and spearhead regional real estate growth to higher levels.

Prosperity

Our understanding and insight into the real estate market is the driving force that enables us to ensure continued prosperity for all our shareholders. We have established an energetic culture that both demands and rewards excellence throughout every business venture.

Report of the Board of Directors

On behalf of the Board of Directors, I am pleased to present this Annual Report and Consolidated Financial Statements of First Bahrain for the year ended 31 December 2015, the second of my tenure as Chairman of the Board of Directors.

First Bahrain is gaining momentum as we implement our plans to grow our business through the activation of our dormant land holdings and the diversification of our investments into new sectors of the real estate market. Gross profit grew by 18.9%, surpassing KD 1 million for the first time since the onset of the 2008 financial crisis, leading to a net gain of KD 315,723 for the year, representing 46% growth over the prior year.

We initiated two new projects during the year, fully activating our holding in Janabiya and increasing engagement of our investment properties from 41% to 56%. These two projects also diversified our holdings beyond the industrial sector with expansion into both commercial and residential properties.

The new commercial property, to be known as El Mercado Janabiya, promises to be a landmark property. Strong demand for the project is reflected in the 47% occupancy rate achieved by year end, in advance of completion of construction. An anchor supermarket, due to open in May 2016, will drive traffic in the facility. A complementary development of 42 villas on the adjacent property was approved at the last meeting of the Board of Directors. These two projects will be demand drivers for one another.

With these expansions of our investment properties, the Balance Sheet is healthy and growing. Asset values have increased by an average of 7.25% over each of the past two years. Principal repayment began on our KD 3.6 million loan from BMI Bank. During the year, we renegotiated the terms of this finance agreement with the bank and reduced the cost of finance by approximately KD 40,000 per year. A new KD 1.6 million facility from Kuwait Finance House was secured to fund the construction of El Mercado Janabiya, our new retail project. With repayment for the initial facility and drawdown on the new facility, the net movement in Murabaha payable was an increase of 6%, raising the debt to equity ratio to 16.9% from 14.9% the previous year.

Despite cash outlays to fund the ongoing construction of our retail development and repayment of KD 0.4 million against Murabaha payables, cash reserves stood at KD 0.9 million. Accounts payable included KD 553,383 for the construction of our retail centre which has now been covered by the facility from Kuwait Finance House. With this sum converted to long-term debt, the current ratio of current assets over current liabilities stands at 1.7, demonstrating the Company's clear ability to meet all of its financial obligations in the year ahead. Furthermore, funds have already been set aside to meet all four principal repayments due within the coming twelve months.

Executing the wishes of the Annual Ordinary and Extraordinary General Meetings of the shareholders on 11 June 2015, the Company brought final closure to the situation surrounding the default and exit of a former shareholder by reducing its share capital to KD 23,330,960 and by distributing 21,209,959 shares as a dividend valued at KD 2,120,996. The combined result of these two actions saw shareholder value increase by 46% as all previous treasury shares acquired in the debt settlement were eliminated. The reduced share capital also improves all performance ratios.

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Future Plans

Looking to the year ahead, we will continue to build momentum and turn the flywheel at increasingly faster rates. By the end of Q2 2016, our new retail property will be open for business. Already generating revenue, the cash generated by this retail centre will increase our annual net rental income by over 40%. Furthermore, we expect to introduce the neighbouring residential project during the Gulf Property Show from 26-28 April 2016. Beyond these two active projects, we will be managing the operations of our income generating industrial properties and those we manage for third parties.

We are exploring ways to monetize a portion of our industrial holdings to generate cash for expansion and dividend payments. One possibility exists in the new Real Estate Industrial Trust (REIT) structure, now available for listing on the Bahrain Bourse.

As we are able to exit from other investments, we will begin to focus on the development of our long-dormant property in Seef. We will consider joint ventures as a means of acquiring the required equity to proceed with development. We see niche opportunities in the hospitality sector which we hope to expand into in the near term.

Wherever we invest, we will make sure we are adding value and contributing to the local community in keeping with our values.

Transitions & Acknowledgments

As we complete the second year of the current Board of Directors' term, I would like to thank my fellow members for their ongoing support and commitment to provide First Bahrain with quality leadership and accountability. We have scrutinized and seriously considered many important proposals during our tenure thus far. The projects we have approved are being skilfully executed and God willing, these will bear good fruit in the years ahead.

In particular, I extend my sincere appreciation to Mr. Mohammed Al-Hadbah for his service these past 20 months both as a board member and as the Chairman of the Audit Committee. The board accepted his resignation in mid-December and was notified a week later of the appointment of Eng. Rawaf I. Boursili as his replacement, representing Action Group Holdings. We look forward to the wisdom, perspective and insight which Eng. Bourisli will bring to the Board.

I extend my best wishes to H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Amir of the State of Kuwait, and to H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of the State of Kuwait, for their wise leadership and dedication to advancing the growth and development of the State of Kuwait.

In like manner, I am grateful for the wise and considered leadership of H.M. the King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, H.R.H. the Crown Prince, Salman bin Hamad Al Khalifa, The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain and H.R.H. the Prime Minister, Khalifa bin Salman Al Khalifa, the Prime Minister of the Kingdom of Bahrain. The reforms and initiatives advanced by their government this past year is contributing to an increasingly positive business climate in our home market, the Kingdom of Bahrain.

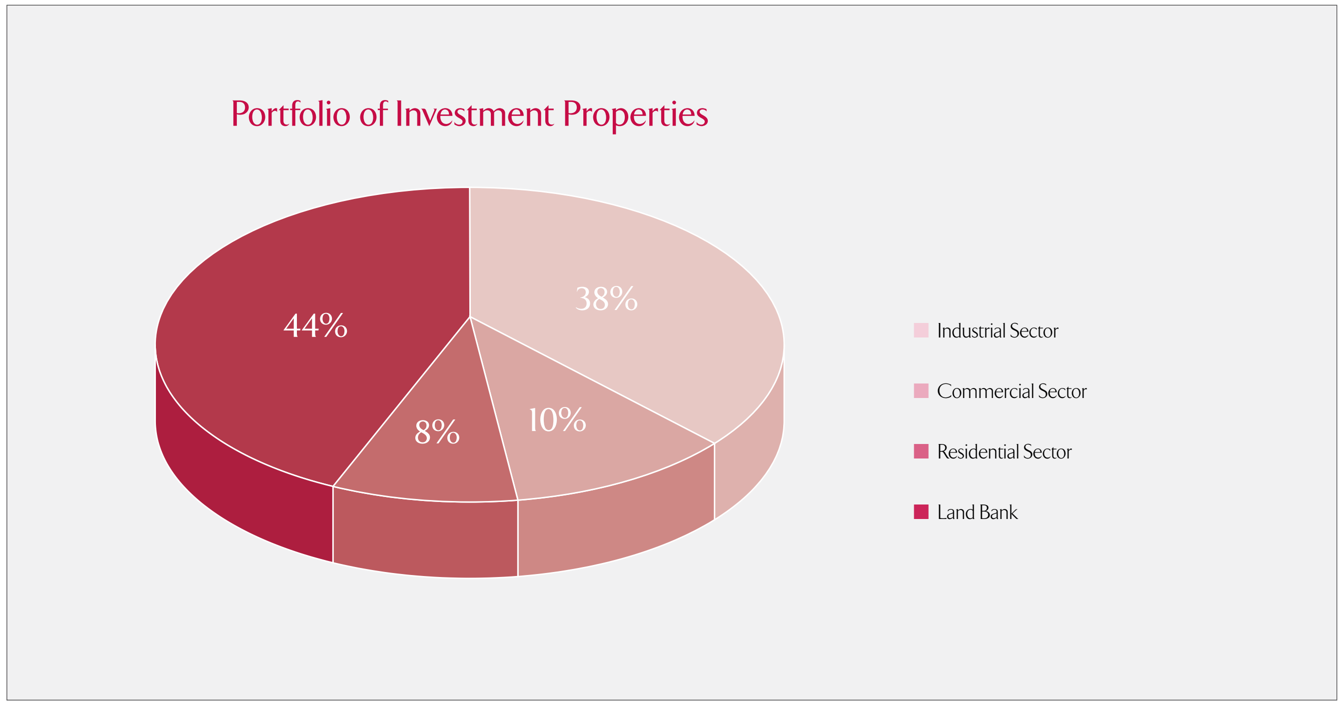
Furthermore, I express appreciation to all governmental ministries, supervisory bodies, and regulatory authorities of both countries, for their constructive support and sage guidance.

Finally, I offer my sincere appreciation to our shareholders for your continued confidence in my leadership. I am committed to creating a success story that we can all be proud of. Towards this end, I am particularly grateful for the dedication to duty displayed by our management and staff. We are well on our way to achieve our short-term objectives. Keep up the hard work. There is much more to be done.

May Almighty Allah grant us all sustained prosperity and growth.

Waleed Ahmed Alkhaja
Chairman

Project Highlights



Land Bank 44%

Seef District –
Just north of Bahrain City Centre Mall

Location:
Corner of Road 2819 and Road 4653
Seef 346, Kingdom of Bahrain

Value:
US$ 46.5 million

Land Area:
164,818 square feet

Converting land to active projects and diversifying our portfolio.

The Company's four plots in the new central business district hold strategic value and significant potential. Having stabilized in value since the 2008 Global financial crisis, the real estate cycle is approaching the point at which the economics are favourable for development again.

The Company is seriously considering a proposal to joint venture in a new development which could commence development in the year ahead, opening a new operating sector and activating portions of all of the Company's land holdings.

MAJAAL™

Industrial Sector 38%

Majaal Warehousing Development at BIW

Location:
Bahrain Investment Wharf,
Salman Industrial City, Kingdom of Bahrain

Value:
US$ 45 million

Total Occupancy at 31 December:
97%

Leasable Area:
405,308 square feet

Start of Construction:
February 2009

Date of Completion:
April 2014

Majaal is a leading provider of industrial facilities for Small to Medium sized Enterprises (SMEs), a market segment which constitutes the engine of growth for every economy. As developer and operator of these flexible multi-purpose facilities, Majaal seeks to facilitate the growth of business and industry in the markets we serve.

The first Majaal property is located at the Bahrain Investment Wharf (BIW) within the Salman Industrial City, providing easy access to Khalifa bin Salman Port and other major transport links in Bahrain. Majaal holds land covering over 717,000 square feet in this modern and private industrial development.

The initial three S-Type buildings became operational in February 2010. Each building is sub-dividable into units as small as 2,500 square feet. Three more S-Type buildings were added to our inventory in June 2013.

The centrepiece of the development at BIW, completed during 2014, is our M-Type building, offering 150,000 square feet of net leasable area sub-divisible into units of minimum space of 10,700 square feet. The building features raised floors with adjustable dock-levellers to cater for direct on and off loading of trucks along with a 12m structure height to facilitate maximum storage density.

Beyond facilities, our entrepreneurial team has further expanded Majaal's product offering through the provision of development, leasing and facilities management services. Majaal has now successfully guided multiple third party industrial developments to completion, providing ongoing management of these facilities.

Project Highlights

EL MERCADO
المركادو
JANABIYA الجنبية

Commercial Sector 10%

El Mercado Janabiya –
a neighbourhood retail centre

Location:
Corner of Avenues 27 and 79
Janabiya 575, Kingdom of Bahrain

Value:
US$ 13.3 million

Total Occupancy at 31 December:
47%

Leasable Area:
50,408 square feet

Start of Construction:
June 2015

Expected Date of Completion:
Q2 2016

El Mercado Janabiya is a neighbourhood retail centre designed to provide a mix of casual dining restaurants, cafés, shopping, and services supported by an anchor supermarket.

Alosra Supermarket and McDonald's headline the businesses which had signed contracts prior to year-end. The supermarket is due to open in May 2016.

The facility will have 160 covered car parks at ground level. The majority of the shops are on an elevated, landscaped open air platform cooled with shading and water features.

The site for the development is on a plot size of over 85,000 square feet in Block 575 of Janabiya. Designed and managed by Sanad Engineering with HAJ serving as the Cost Consultant, the project is being built by the Almoayyed Contracting Group.

Funding has been arranged through an Islamic finance facility from Kuwait Finance House - Bahrain. The BD 2 million finance facility will pay for the full sum of the construction contract.

EL MERCADO VILLAGE
قرية المركادو
JANABIYA الجنبية

Residential Sector 8%

El Mercado Village –
42 Villa Residential Development

Location:
Avenue 79, Janabiya 575, Kingdom of Bahrain

Value:
US$ 20.7 million

Total Units:
42

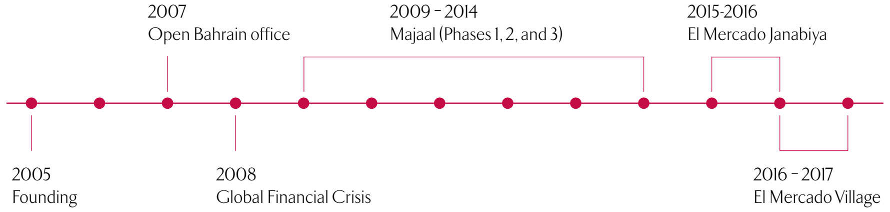
Total Land Area:
153,279 square feet

Expected Start of Construction:
Q2 2016

Expected Date of Completion:
Q4 2017

Adjacent to the El Mercado Janabiya project, the 150,000 square feet property will be subdivided into 42 individual plots with RHA (row houses) zoning. Designed by Sanad Engineering, the Spanish architecture of the homes will be complementary to the neighbourhood retail centre. In like manner, future occupants of the homes will be demand drivers for the businesses which locate within the retail centre. The two projects will benefit from each other.

Currently pursuing all necessary approvals, construction is scheduled to commence during Q2 2016. Funding for the project has been secured from Kuwait Finance House as an extension of the facility for the retail centre.



Report of the Chief Executive

With multiple projects initiated this year across both commercial and residential real estate sectors, diversifying our holdings from our core industrial real estate business, 2015 has been a significant year in the history of First Bahrain.

The growth of our holdings, averaging 7% over each of the past two years, and the activation of dormant plots in our land bank is positioning the Company for significant income growth in the years ahead. The flywheel is really starting to pick up speed.

Our two new projects are both in Janabiya, fully utilizing land acquired in 2008 at very favourable expected returns.

Just off the highway towards Saudi Arabia and at the corner of two well trafficked arteries, we began construction on our neighbourhood retail centre, El Mercado Janabiya in June 2015. Catering to the immediate community, the centre is anchored by what will be the largest Alosra Supermarket in Bahrain. The vote of confidence offered by the Alosra signing in early October gave a significant boost to the leasing process. By year-end, the facility, still under construction, was 47% leased with over KD 72 thousand in advance rent deposits received. Alosra is scheduled to open for business in Q2 2016. We expect the facility to be at least 80% leased prior to opening.

Well positioned, the neighbourhood retail centre is in an area which is significantly underserved. The facility will offer a mix of casual dining, cafés, and services to compliment the anchor supermarket. The open air environment structured on a platform above 160 car parks will offer a unique experience for those who frequent the centre.

With the leasing program ahead of targets, we expect to achieve a developer's margin on the project of at least 20% with the expected addition of KD 400,000 in annual net rental income on stabilization. The expected rental returns will be several percent better than we are currently receiving on our industrial properties.

On the adjacent property in Janabiya, we have initiated a complementary residential development. The land is being subdivided to support 42 semi-detached villas with RHA (row houses) zoning, upon approval by the Board of Directors in their final meeting of the year. The two projects, featuring similar architectural elements, will provide mutual demand drivers for one another as the retail centre raises the profile of the homes and the occupants of the homes are expected to frequent the retail centre.

The final project value is expected to be KD 6.2 million. Arrangements with Kuwait Finance House to fund the construction are being finalized. We will be formally launching the project in Q2 2016. The units should be delivered by the end of 2017, resulting in a significant cash event for the Company once the release of funds from escrow is approved upon the handover of keys to the homebuyers.

I am very pleased to report that all of this growth has been funded through current operations and project finance sourced by Management, without any need to ask our valued shareholders for additional funds. Our growing income from

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real estate operations, including rental income from our industrial properties and professional fees from managing third party properties, is strong enough to insulate the Company from external shocks and is now giving us very predictable and steadily increasing cash flows.

We successfully renegotiated our KD 3.6 million finance facility with BMI Bank during the year, reducing our finance costs by KD 40 thousand. We added a KD 1.6 million facility from Kuwait Finance House to fund the construction of our retail centre and we are negotiating for an additional KD 2.7 million to fund the construction of the villas. As our assets grow, our debt to equity ratio ended the year at a very manageable 16.9%. With KD 0.9 million in cash and a current ratio of 1.7, I confirm that we are maintaining sufficient liquidity to meet all ongoing obligations.

Our existing projects continue to make headlines and support our reputation as the leading provider of industrial facilities for SMEs. Majaal gained an audience with HRH the Prime Minister, Prince Khalifa bin Salman Al Khalifa when he visited our stand at the Gulf Industry

Fair, where we were highlighting the new industrial facility we are managing for Al Mazaya Holdings of Kuwait. This new facility began operations in February and we hosted its grand opening in May. Our prominence in the sector was highlighted by the local and regional press several times throughout the year. I was personally invited by the Bahrain Economic Development Board to be a member of a working group to promote the growth of the logistics sector in the local economy. In similar manner, I have also recently been appointed to the Tamkeen advisory board for real estate and construction. All of these opportunities are raising our profile and positioning us to provide build-to-suit and development management services which will further grow our portfolio and income base.

In order to successfully deliver results across this growing portfolio, the Company invested in new cloud based real estate focused Customer Relationship Management (CRM) system and accounting solutions during the year. These new systems will expand our capacity to manage and report on our growing portfolio without significant growth of our team. We have been able to achieve these positive results with just 13 people across our offices in Kuwait and Bahrain.

Looking to the year ahead, I expect to report to you next year that we have further diversified our portfolio by activating a hospitality project on our Seef land, in addition to executing on our other projects mentioned above.

We will also continue to pursue strategies to monetize and partially exit from existing investment properties which have stabilized cash flows and have reached their maximum potential value.

As we execute these plans, we will see a significant increase in our net income. Despite all the negative signals in the broader economic environment, First Bahrain is on track to double our income for each of the next two years. As we achieve these results, we will grow our cash balances and start distributing dividends for the shareholders on a consistent basis. We recognize that this journey has been a long one for our investors and we want you to know that we take our stewardship role seriously and we are keeping your interests at the forefront of our planning and consideration.

Acknowledgments

I would like to thank each member of the Board of Directors for their faithful deliberations and good questions which have challenged Management to ensure our proposals are well considered and faithfully presented. Their support has helped us achieve our objectives and move the Company forward. Their sage counsel and guidance, consistent engagement and regular availability empowers my leadership and calls me to a higher level of performance. Our Company is much better for the collective wisdom they represent. I am privileged to have them as mentors and guides.

I am also very appreciative of the dedication to duty and tireless efforts of my executive team and our entire staff. Their determined and faithful service has delivered better than expected results at every turn. Their entrepreneurial creativity enables us to move into new sectors and diversify our holdings as they apply their skills to each new challenge we face. They are each a credit to the organization.

The best days of this Company are still before us. Working together, by God's grace, we will achieve results beyond our expectations as we deliver enduring value to each of our stakeholders.

Amin Ahmed Al Arrayed
Chief Executive Officer

Board of Directors

Mr. Waleed Ahmed Alkhaja
Chairman

Mr. Alkhaja is a seasoned leader with a long career in investments. He served for 19 years in the Investment Directorate of the Kingdom of Bahrain's Ministry of Finance, before joining the Pension Fund Commission of Bahrain as Director of Investment and Executive Director of the SIO Asset Management Company. In 2013, he became the Managing Director of AMAK Property & Development, a family firm. He served two terms on the Board of Directors of Seef Properties and Batelco Group. He currently serves on the Board of Directors of Bahrain Tourism Co., Reef Real Estate Finance Co., and Gulf Educational Projects (Applied Science University). Mr. Alkhaja holds a Bachelor's degree in Business Administration from North Texas State University.

Mr. Ahmad Mohammad Al Ajlan
Vice Chairman, Remuneration Committee Chairman

Mr. Al Ajlan is a well-respected senior leader with extensive experience in real estate and investment management. Currently serving as the Chairman for Al-Jahra Cleaning Co., Mr. Al Ajlan has served on the Board of Directors of Qurain Petrochemical Industries Co. and Zumorroda Leasing & Finance Co. He previously worked as the General Manager of Real Estate House Co., Vice President of Qurain Holding Co. and General Manager of Pearl of Kuwait Real Estate Co. Earlier, he also served with the Kuwait Clearing Co., Kuwait Lube Oil Co. and the Public Industrial Authority. Mr. Al Ajlan holds a Bachelor's degree in Business Studies with an emphasis in Marketing from Kuwait University.

Mr. Sulaiman Mohammad Al Furaih
Director

Mr. Al Furaih is the Manager for Financial Analysis for Wafra International Investment Co. in Kuwait, where he has risen through the ranks over a distinguished 9 year career with the firm. He also serves as the Chairman of the Board of Directors for Fanan Real Estate Co. Mr. Al Furaih holds a Bachelor of Science degree in Accounting and Auditing from Kuwait University.

Mr. Bader Ghanem Al Ghanem
Director

Mr. Al Ghanem is the Senior Vice President for Asset Management, GCC at Global Investment House in Kuwait where he manages a portfolio valued in excess of USD 1 Billion. Prior to joining Global in 2010, he worked for Kuwait Middle East Financial Investment Co. (KMEFIC) and Kuwait Financial Centre (Markaz) where he held positions in asset management and futures trading. Mr. Al Ghanem holds a Bachelor of Science degree in Electrical Engineering along with a Bachelor of Arts degree in Economics from Boston University.

Mr. Abdullah Hamad Al Jouan
Director

Mr. Al Jouan is the Assistant General Manager for the AlJouaan Investment Company and the Managing Partner for Finance & Operations for the Gusto Group Food Services Co., providing strong leadership to these related family firms. His career in finance and investments has seen him serve with the Capital Markets Authority, the Kuwait Financial Centre (Markaz) and Boubyan Bank. Mr. Al Jouan holds a Bachelor of Science degree in Business Administration from the University of Denver.

Mr. Omar Faysal Reehan Al Temeimy
Director

Mr. Al Temeimy is the Assistant Vice President of Debt Capital Markets - Investment Banking at Global Investment House in Kuwait. A member of the Global Investment House team since 2003, Mr. Al Temeimy brings significant experience in investment analysis and management. He holds a Bachelor's degree in Economics, with a specialization in Finance, from the International Islamic University of Malaysia and a Masters in Business Administration from the Kuwait Maastricht Business School.

Eng. Rawaf I. Bourisli
Director

Eng. Bourisli has served as the General Manager of Action Real Estate Company (AREC) since 2007. He is a qualified architect and expert in the field of mixed use and mid-class development with over 15 years of professional experience in design, project management and real estate development throughout the Middle East. Previously, he served as Chairman of the Integrated International Group Kuwait, and as the PMC Manager of Kuwait Dynamics Ltd. Eng. Bourisli holds a BSc in Architecture from Oklahoma State University where he was awarded the Iron Design Certificate. He is a serving member of the Kuwait Society of Engineers and is a regular speaker on budget & mid-market hotel developments in the Middle East.

Executive Management

Amin Al Arrayed
Chief Executive Officer

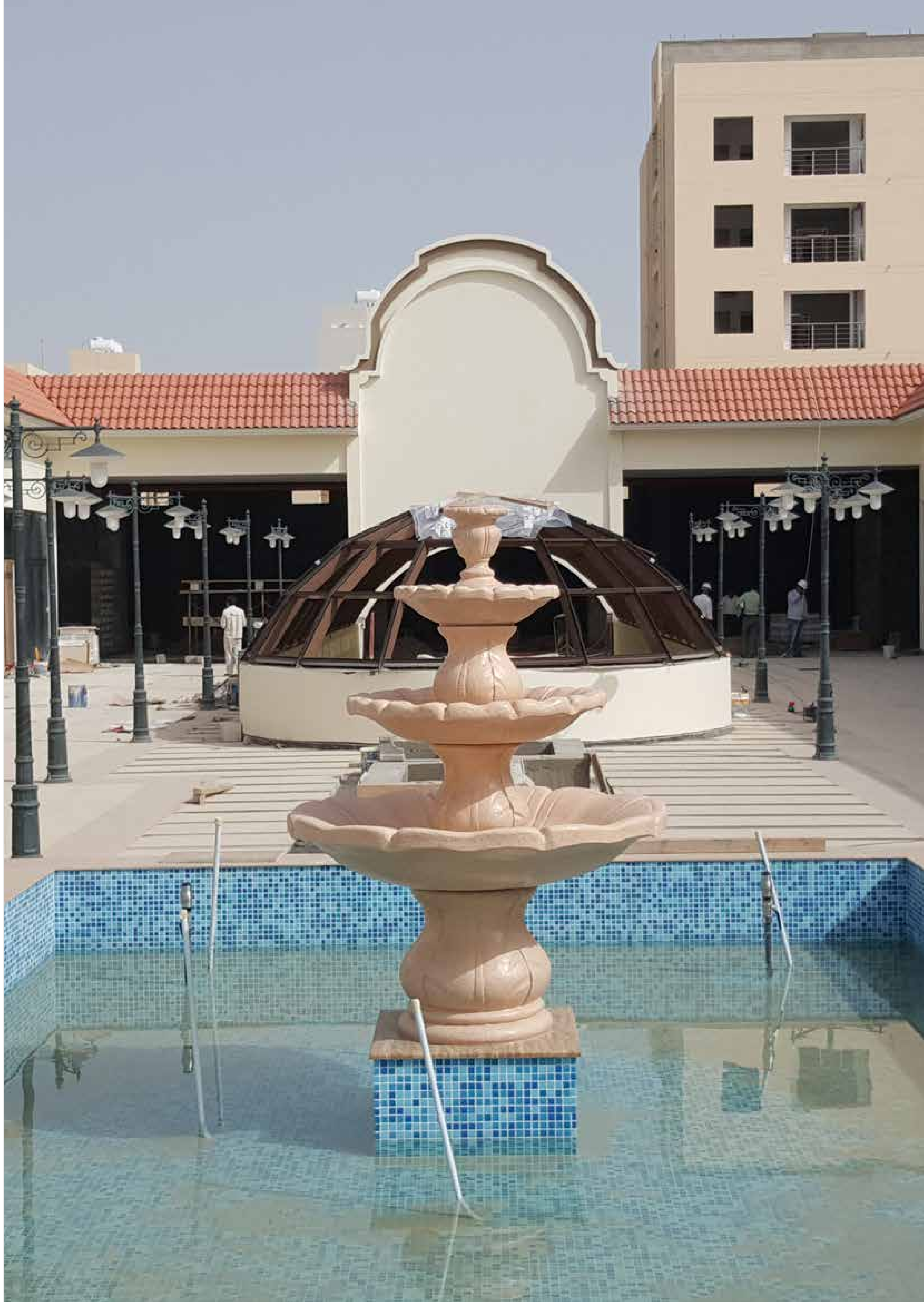
Mr. Al Arrayed has skilfully provided wise and stable leadership to the Company throughout a period of tremendous market volatility over the past nine years. He brings an in-depth knowledge of banking, financial services, and real estate developed over a 20 year career. Prior to being selected to lead First Bahrain, he was Head of Retail and Placement at Reef Real Estate Finance Company, and Regional Head of Retail Banking at BBK, in the Kingdom of Bahrain. Active in the local community, Mr. Al Arrayed serves on the Tamkeen advisory board for real estate and construction, as a member of the College Council for Business Administration for the University of Bahrain, and as the Curriculum Advisory Committee for the Bachelor of International Logistics Management program at Bahrain Polytechnic. Mr. Al Arrayed holds a Master's degree in Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and a Bachelor's degree in Economics from the University of Redlands, California, USA.

Daniel Taylor
Chief Financial Officer

An entrepreneur, with a diverse career spanning 27 years, Mr. Taylor has a wealth of operational and management experience. At First Bahrain, Mr. Taylor leads the Operations and Finance teams, overseeing the planning and execution of the Company's activities; contributing directly to the achievement of the Company's strategic objectives. Prior to joining First Bahrain, he was General Manager of New York Coffee, and General Manager of Mariner Technologies, where he was the chief architect of the GCC business news portal, TradeArabia.com. A member of the Urban Land Institute and a member of the Board of Directors of the American Chamber of Commerce in Bahrain, Mr. Taylor holds a Master's degree in Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and a Bachelor's degree from the University of Virginia, USA.

Yasser Abu-Lughod
Chief Development Officer

Mr. Abu-Lughod brings over 30 years of international project management and engineering experience to the First Bahrain team where he leads the Company's developments from concept to construction to commissioning and beyond. Prior to joining First Bahrain, Mr. Abu-Lughod worked as senior project manager for Mace International where he managed the infrastructure design and construction phases for Bahrain Bay Development project. He also held several senior posts at VicRoads in Victoria, Australia and GHD Global where he played a key role in the success of infrastructure projects in Al Khore Qatar. Mr. Abu-Lughod holds a B.Sc. in Civil Engineering from University of Wisconsin, Milwaukee; USA. He is a Charted Professional Engineer and a member of the Institution of Engineers in Australia, a holder of the Project Management Professional certification (PMP) and a member of the Project Management Institute (PMI).



Corporate Governance

The Company has put in place a Corporate Governance framework through which it seeks to safeguard shareholders interest, particularly for the minority owners.

The Company seeks to balance entrepreneurship, compliance and industry best practice, while creating value for all stakeholders. This includes, but is not limited to, conducting the policy and affairs of the Company in compliance with regulatory requirements. It also involves having checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

First Bahrain Real Estate Development Company K.S.C. (Closed) is a Kuwaiti closed Shareholding Company which operates as a real estate developer in compliance with the guiding principles of Islamic Sharia. While not publicly listed, the Company is working to fully comply with the Corporate Governance framework as established by the Capital Markets Authority of Kuwait. The Company has only one class of ordinary share and the holders of shares have equal voting rights. The list of leading shareholders in the Company as of 31 December 2015 is as follows:

Name	Nationality	No. of Shares	Share %
Global Investment House (Client Accounts)	Kuwait	108,884,373	46.7%
Wafra International Investments (Client Accounts)	Kuwaiti	46,638,900	20.0%
Esterad Real Invest I WLL	Bahraini	14,520,000	6.2%
GRSIA Qatar	Qatari	11,319,000	4.9%
Yaqoub Yousif Mohammed Al Jouan	Kuwaiti	10,159,831	4.4%
Other Shareholders	Various	41,787,496	17.9%
Total		233,309,600	100%

Distribution of ownership by shares and nationality:

Nationality	Shareholders	No. of Shares	Share %
Kuwaiti	132	201,337,835	86.3%
Bahraini	4	20,134,180	8.6%
Qatari	1	11,319,000	4.9%
Other Nationalities	9	518,585	0.2%
Total	146	233,309,600	100%

Distribution of ownership by size of shareholders:

Size of Holding	Shareholders	No. of Shares	Share %
Less than 1%	133	13,207,438	5.7%
1% to less than 5%	9	38,739,889	16.6%
5% to less than 10%	2	25,839,000	11.1%
10% and above	2	155,523,273	66.7%
Total	146	233,309,600	100%

Board of Directors

The Articles of Association of the Company detail the responsibilities of the Chairman and members of the Board of Directors as well as the guidelines of Corporate Governance with respect to the distribution of responsibilities between the Board of Directors and Executive Management. The Board of Directors oversee all the business activities in consultation with the Executive Management team. The Board of Directors also discuss and confirm the Company's business strategy. Additionally, the Board of Directors is responsible for the preparation of financial statements, for risk management, and for Corporate Governance issues. These activities are supplementary to the main role of the Board of Directors which is to ensure adherence and commitment to the Company's values as set forth in its internal policies and procedures.

When appointed, Board Members are provided with the necessary detailed information to enable them to effectively perform their main role of overseeing the strategic, operational, financial, and compliance affairs as well as corporate Governance controls in the Company. The Corporate Governance framework allows a member of the Board of Directors to seek independent advice when necessary.

With respect to the channels of communication between the Board of Directors and Executive Management, the Board Members can contact and request information from the Executive Management at all times.

Board of Directors are responsible for ensuring that the systems and controls framework in the Company, including the Board structure and the organizational structure is appropriate for the Company's business and its associated risks. The Board of Directors ensure that there are sufficient resources and expertise to identify, understand, and measure the significant risks to which the Company is exposed in its activities. Directors are regularly assessing the systems and controls framework of the Company to ensure that:

- The Company's operations, individually and collectively are measured, monitored, and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of the Company's activities;
- The Company's operations are supported by an appropriate control environment;
- The compliance, risk management and financial reporting functions are adequately resourced, independent of business lines and is run by individuals not involved with the day-to-day running of the various business areas.
- The Management develops, implements and oversees the effectiveness of comprehensive "Know Your Customer" standards, as well as on-going monitoring of accounts and transactions, in keeping with the requirements of relevant laws, regulations, and best practice.

In their strategy review process, the Board of Directors:

- Review the Company's business plans and the inherent level of risk in the plans;
- Assess the adequacy of capital to support the business risks of the Company;
- Set performance objectives; and
- Oversee major capital expenditures, divestitures, and acquisitions.

Election and Re-election of Directors:

In their meeting dated 6 May 2014 and in compliance with the terms stipulated in the Article of Association, the Shareholders elected the current members of the Board of Directors for a period of three years. The Directors are elected by the shareholders at the Annual General Meeting. Candidates for the Board shall be selected by the Remuneration Committee, and recommended to the Board of Directors for approval, in accordance with the qualifications approved by the Board taking into consideration the overall composition and diversity of the Board and areas of expertise new Board members might be able to offer.

Board Composition & Attendance

The members of the Board of Directors collectively possess an extensive background in finance, real estate development, and broader management experience. The members provide valuable directives in meeting Company objectives. The Board consists of seven (2014: seven) non-executive Directors comprising including the five (2014: five) independent Director(s).

Per the Articles of Association, the Board is required to meet six times during each year. Board members must attend 75% of all meetings within a calendar year. Board members will step down if they are unable to attend four consecutive meetings without an acceptable explanation. The absence of Board members at Board and Committee meetings will be noted in the meeting minutes. Board attendance percentage will then be reported during any General Assembly Meeting when Board members stand for re-election. Voting and attendance proxies for Board meetings are prohibited at all times.

Board Remuneration

The Board of Directors are paid sitting fees of KD 200 for participation in each Board Meeting and KD 100 for each Committee Meeting. The chairman of each meeting receives KD 250 and KD 125 respectively.

Board & Committee Membership:

Director's Name	Nationality	Membership Type	Position	Committee Membership Remuneration	Audit & Risk Management
Waleed Ahmed Alkhaja	Bahraini	Independent	Chairman	Member	
Ahmad Mohammad Al Ajlan	Kuwaiti	Independent	Vice Chairman	Chairman	
Mohammed Saud Al Hadbah (resigned)	Kuwaiti	Non-independent	Member		Chairman
Sulaiman Mohammad Al Furaih	Kuwaiti	Non-independent	Member		Member
Bader Ghanem Al Ghanem	Kuwaiti	Independent	Member	Member	
Abdullah Hamad Al Jouan	Kuwaiti	Independent	Member		Member
Omar Faysal Reehan Al Temiemy	Iraqi	Independent	Member		Member
Eng. Rawaf I. Bourisli	Kuwaiti	Non-independent	Member		

Board Meeting Attendance Record:

Board Meeting Date	2015 – 1	2015-2	2015-3	2015-4	2015-5	2015-6	Percentage
	19 Mar	14 May	10 June	4 Oct	9 Dec	31 Dec	
Waleed AlKhaja (Chairman)	P	P	P	P	P	P	100%
Ahmad Al Ajlan	P	P	P	P	P	P	100%
Mohammed Al Hadbah	P	P	P	A	P	A	67%
Sulaiman Al Furaih	P	P	P	P	P	P	100%
Bader Al Ghanem	P	P	A	P	P	P	83%
Abdullah Al Jouan	P	P	P	P	P	P	100%
Omar Al Temiemy	P	P	P	P	P	P	100%

Committee Meeting Attendance Record:

Meeting Date		2015-1	2015-2	2015-3	Percentage
		18 Mar	10 Jun	3 Oct	
Waleed AlKhaja	HR	P		P	100%
Ahmed Al Ajlan (Committee Chairman)	HR	P		P	100%
Mohammed Al Hadbah (Committee Chairman)	ARM	P	P	P	100%
Sulaiaman Al Furaih	ARM	P	P	P	100%
Bader Al Ghanem	HR	P		P	100%
Abdullah Al Jouan	ARM	P	P	P	100%
Omar Al Temiemy	ARM	P	P	A	67%

On 14 December 2015, Mr. Mohammed S. Al Hadbah resigned his position as the representative of Action Group Holdings on the board of directors. Action Group Holdings appointed Eng. Rawaf I. Bourisli as their replacement for this seat on 20 December 2015.

Profiles of each of the members of the Board of Directors are included within this Annual Report.

Board Committees

The Board of Directors have established two subordinate Committees and have delegated specific powers to each committee as follows:

Audit & Risk Management Committee

The primary purpose of the Audit & Risk Management Committee is to assist the Board of Directors in fulfilling its responsibilities by overseeing all audit (external, internal, and Sharia) related processes for the Company and its Subsidiaries and by reviewing the related financial information which will be provided to the shareholders, banks and other stakeholders, as well as the systems of internal controls which Management and the Board of Directors have established. The Committee must meet at least three times a year.

The Committee held three meetings during the fiscal year 2015.

Remuneration Committee

The Remuneration Committee was established to align with best practice in Corporate Governance. As and when required by the Board, the Committee identifies persons qualified to become members of the Board, to serve as Chief Executive Officer ("CEO") and or other officers of the Company. The appointment of the external and internal auditors, however, is the responsibility of the Audit & Risk Management Committee. The Committee can make recommendations to the Board including recommendations of candidates for the Board membership to be included by the Board on the agenda for the next AGM meeting, besides reviewing the Company's remuneration policies for both the Executive Management and for the Board of Directors. Board remuneration shall be subject to approval by the shareholders in the AGM meetings. The Committee must meet at least twice a year.

The Committee held two meetings during the fiscal year 2015.

Management

The Board delegates authority for the day-to-day management of the Company to the Chief Executive Officer, who is supported by a qualified and experienced Executive Management team. Profiles of the Executive Management are included within this Annual Report.

Communication & Disclosure

The Company conducts all communications with its stakeholders in a professional, transparent, and timely manner. Communication channels include this annual report and the Annual General Meeting of the shareholders. Other communication channels include the website, social media, and regular announcements made to the local press. For the most current information regarding the Company, including relevant news along with current and historical financial reports, you are invited to regularly visit the Company website at www.firstbahrain.com.

Risk Management

The Company has developed a risk management framework that provides controls and ongoing management of the major risks inherent in the Company's core business activities. The Board of Directors has the ultimate authority for setting the risk appetite, risk tolerance and associated parameters and limits, in which the Company operates. The Audit & Risk Management Committee is responsible for establishing, maintaining, and monitoring a risk based approach to all business activities and management of the Company.

The main risks that the Company is exposed to are credit, liquidity, and market risk. The nature of these risks are further detailed in note 17 to the Consolidated Financial Statements.

The policy of the Board of Directors is to maintain a strong capital base in order to maintain investor, creditor and market confidence.

Capital Management

The policy of the Board of Directors is to maintain a strong capital base in order to maintain investor, creditor and market confidence, as well as to provide for the future development of the Company. The Board of Directors seeks to maintain a balance between the higher returns and growth which may be possible with higher levels of borrowings and the advantages and security offered by a sound capital position.

Internal Audit

Internal Audit provides an additional line of defence in risk management and internal controls. The role of internal audit is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Company is appropriately and effectively applied.

Internal Audit reports on a semi-annual basis to the Board of Directors through the Audit & Risk Management Committee. The internal auditors report to the Audit & Risk Management Committee the results of periodic audits and obtains commitments from Management to take any remedial action required for any issues raised. The Bahrain office of global audit and advisory firm, Deloitte, serves as the Company's internal auditors.

Al Mashora & Al Raya Sharia Advisory Board Report

Praise is only to Allah and Peace and Blessing on the last Prophet. His family and companions.

To the Shareholders of First Bahrain Estate Development Co. (KSC)

Peace. mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2015 to 31/12/2015. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2015 to 31/12/2015. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Sharia Advisory Board:

Prof. Abdul Aziz K. Al-Qassar
Chairman of the Sharia Committee

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

Independent Auditor's Report

The Shareholders, First Bahrain Real Estate Development Company K.S.C. (Closed) State of Kuwait

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we 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 principles 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 consolidated financial position of the Group as at 31 December 2015, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016 and the executive regulations of Law No. 25 of 2012, as amended, and the Company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2015, of the Companies Law No. 1 of 2016 and the executive regulations of Law No. 25 of 2012, as amended, or of the Company's articles and memorandum of association that might have had a material effect on the Company's activities or on its financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International
Kuwait: 23rd March 2016.

Consolidated Financial Statements

Consolidated statement of financial position

as at 31 December 2015

	Notes	2015 KD	2014 KD
Assets			
Investment property	5	32,345,937	29,900,331
Equipment		101,008	113,728
Total non-current assets		32,446,945	30,014,059
Trade and other receivables	6	244,339	333,307
Investments at fair value through profit or loss	7	4,880	86,305
Islamic finance facilities	8	430,166	397,821
Cash on hand and at banks	8	486,845	619,745
Total current assets		1,166,230	1,437,178
Total assets		33,613,175	31,451,237
Equity and liabilities			
Equity			
Share capital	9	23,330,960	31,500,000
Treasury shares	10	-	(10,290,036)
Statutory reserve	11	1,526,237	1,490,982
Foreign currency translation reserve	3c	1,881,445	822,130
Retained earnings		2,031,482	3,851,908
Total equity		28,770,124	27,374,984
Non-current liabilities			
Long-term murabaha payable	12	3,568,997	3,486,018
Provision for employees' end of service indemnity		60,440	50,161
Total non-current liabilities		3,629,437	3,536,179
Current liabilities			
Short-term murabaha payable	12	570,690	418,322
Trade and other payables	13	642,924	121,752
Total current liabilities		1,213,614	540,074
Total liabilities		4,843,051	4,076,253
Total equity and liabilities		33,613,175	31,451,237

Waleed Ahmed Alkhaja
Chairman

Ahmed Mohammed Al Ajlan
Vice Chairman

The accompanying notes form an integral part of these consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Income			
Change in fair value of investment property	5	218,476	95,497
Net rental income	14	948,322	836,819
Income from consultancy		62,733	38,630
Unrealised loss on investments at fair value through profit or loss		167	(4,216)
Write off on Investment at fair value through income statement		(83,486)	-
Income from Islamic finance facilities		7,814	8,703
Foreign exchange loss		(9,590)	(12,677)
Total Income		1,144,436	962,756
Expenses and other charges			
General, administrative and marketing expenses		(212,735)	(146,671)
Staff costs		(356,960)	(312,524)
Depreciation		(18,331)	(20,369)
Finance costs		(203,859)	(243,371)
Contribution to Kuwait Foundation for the Advancement of Sciences		(3,173)	(2,158)
Zakat		(3,628)	(2,443)
Board of Directors remuneration	20	(9,925)	(19,321)
Total expenses and other charges		(808,611)	(746,857)
Profit for the year		335,825	215,899
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		1,059,315	1,000,491
Other comprehensive income for the year		1,059,315	1,000,491
Total comprehensive income for the year		1,395,140	1,216,390
Basic and diluted earnings per share	15	1.44	0.69

The accompanying notes form an integral part of these consolidated financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital KD	Treasury shares KD	Statutory reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2014	31,500,000	(10,238,963)	1,467,000	(178,361)	3,659,991	26,209,667
Total comprehensive income for the year	-	-	-	1,000,491	215,899	1,216,390
Transfer to statutory reserve	-	-	23,982	-	(23,982)	-
Transfer to treasury shares (note 10)	-	(51,073)	-	-	-	(51,073)
Share Dividend (note 10)	-	-	-	-	-	-
Capital reduction (note 9)	-	-	-	-	-	-
Balance at 31 December 2014	31,500,000	(10,290,036)	1,490,982	822,130	3,851,908	27,374,984
Total comprehensive income for the year	-	-	-	1,059,315	335,825	1,395,140
Transfer to statutory reserve	-	-	35,255	-	(35,255)	-
Transfer to treasury shares (note 10)	-	-	-	-	-	-
Share Dividend (note 10)	-	2,120,996	-	-	(2,120,996)	-
Capital reduction (note 9)	(8,169,040)	8,169,040	-	-	-	-
Balance at 31 December 2015	23,330,960	-	1,526,237	1,881,445	2,031,482	28,770,124

The accompanying notes form an integral part of these consolidated financial statements

Consolidated statement of cash flows

for the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Cash flows from operating activities:			
Profit for the year		335,825	215,899
Adjustments for:			
Depreciation		18,331	20,369
Unrealised (gain) / loss on investments at fair value through profit or loss		(167)	1,022
Change in fair value of investment property		(218,476)	(95,497)
Write off of investment at fair value through profit and loss		83,486	-
Finance costs		203,859	243,371
Provision for employees' end of service indemnity		10,279	4,489
Operating income / (loss) before changes in working capital		433,137	389,653
Trade and other receivables		88,968	436,799
Trade and other payables		521,172	(213,316)
Net cash generated from operating activities		1,043,277	613,136
Cash flows from investing activities:			
Additions to investment property		(1,071,512)	(812,634)
Purchase of equipment		(1,443)	(53,435)
Net cash used in investing activities		(1,072,955)	(866,069)
Cash flows from financing activities:			
Net movement in murabaha payable		235,347	1,145,068
Finance costs paid		(203,859)	(243,371)
Net cash generated from financing activities		31,488	901,697
Net increase in cash and cash equivalents		1,810	648,764
Net foreign exchange difference		(102,365)	(62,240)
Cash and cash equivalents at the beginning of the year		1,017,566	431,042
Cash and cash equivalents at the end of the year	8	917,011	1,017,566

The accompanying notes form an integral part of these consolidated financial statements

1. Reporting group

First Bahrain Real Estate Development Company K.S.C. (Closed) ("the Company") was incorporated as a Kuwait Shareholding Holding Company on 5 October 2004. The Company has commercial registration Number 103837 dated 16 October 2004. The Company is engaged in activities in accordance with Noble Islamic Shari'ah, which include:

- Trading, management and development of properties inside and outside Kuwait.
- Owning, buying and selling of stocks and bonds of real estate companies inside and outside Kuwait.
- Performing maintenance of properties, including mechanical, electro-mechanical, and air conditioning activities.
- Performing real estate advisory services, feasibility studies and real estate appraisals.
- Managing, operating and leasing hotels, clubs, residential buildings, touristic and health care resorts and providing support services.
- Organizing real estate exhibitions for the Company's real estate projects.

The Company's main office is at City Tower, 2nd Floor, Khalid Bin Waleed Street, Sharq, Kuwait.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group"). A list of subsidiaries follows:

Name of the company	Country of incorporation	Percentage of ownership 2015	Percentage of ownership 2014	Principal activities
First Kuwait Al Seef Real Estate Development Company W.L.L.	Kingdom of Bahrain	100%	100%	Real estate and investment activities
FB Janabiya Residential Development Co. W.L.L.	Kingdom of Bahrain	100%	100%	Real estate and investment activities
Majaal Warehouse Co. W.L.L.	Kingdom of Bahrain	100%	100%	Real estate and investment activities

Certain shares of subsidiaries are registered in the name of related parties on behalf of the Group, and there are letters of renunciation in favour of the Group.

The total number of employees in the Group was 13 as at 31 December 2015 (10 employees as at 31 December 2014).

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, and the executive regulation of Law No. 25 of 2012, as amended, will continue until a new set of executive regulation is issued.

The consolidated financial statements were authorized for issue by the Board of Directors on 21 March 2016 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting.

2. Basis of preparation

a) Statement of compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Law No. 1 of 2016 and the executive regulations of Law No. 25 of 2012, as amended, and the Company's articles and memorandum of association.

b) Basis of measurement
The consolidated financial statements have been prepared on fair value basis for financial assets and liabilities carried at fair value through profit or loss. Non-financial assets and liabilities are stated at amortised cost or historical cost as modified by the revaluation of investment property.

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

d) Use of estimates and judgments
The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 4.

3. Significant accounting policies

a) The accounting policies applied by the Group in these financial statements are consistent with those applied in the year ended 31 December 2014 except for the following new or revised IFRS that are effective from 1 January 2015.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the financial statements of the Company.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively for annual periods beginning on or after 1 January 2015 and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company, since Company does not have defined benefit plans with contributions from employees or third parties.

Other amendments to IFRS, which apply to the annual reporting periods effective from 1 January 2015, have no material impact on the Group's accounting policies or its financial position or performance.

b) Basis of consolidation
The consolidated financial statements for the year ended 31 December 2015 include the Company and its subsidiaries referred to in note 1.

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power directly or indirectly to govern the financial and operating policies of subsidiaries so as to obtain benefits from their activities.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any unrealized gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The consolidated financial statements are prepared using uniform accounting policies.

The subsidiaries' accounts are based on their audited financial statements for the year ended 31 December 2015. Total assets, liabilities and net income of the subsidiaries as per these financial statements (after eliminations) amounted to KD 33,246,370 KD 4,697,339 and KD 711,604 respectively.

c) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary items denominated in foreign currencies which are stated at fair value are translated to the functional currency at the exchange rates ruling at the date of determining the fair value. Foreign currency differences arising on retranslation are recognized in profit or loss.

The functional currency of each subsidiary of the Group is Bahraini Dinars. The presentation currency of the Group is Kuwaiti Dinars. When translating from Bahraini Dinar to Kuwaiti Dinar, movement during the period in the exchange rate between the two currencies creates a variance which is presented in the foreign currency translation reserve in the consolidated statement of changes in equity. This translation is measured against the value of all of the Group's assets, liabilities, equity, revenue and expenses.

Foreign operations

The assets and liabilities of foreign operations are translated to Kuwaiti Dinar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Kuwait Dinar at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income.

d) Investment property

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Fair value measurement on property under development is only applied if the fair value is considered to be reliably measurable.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

e) Equipment

Equipment are measured at cost less accumulated depreciation and impairment losses (see note 3(i)). Depreciation is calculated to write off the cost of and equipment by equal instalments over their estimated useful lives as follows:

Furniture and office equipment	5 years
Computers and electronics	3 years
Leasehold improvement	3 years
Fixtures	10 years

The useful life, depreciation method and residual value of and equipment at the end of their useful lives are reviewed annually to ensure that the method and period of depreciation is in line with the expected pattern of economic benefits from items of and equipment. A change in the estimated useful life of and equipment is applied at the beginning of the financial year of change with no retroactive effect.

f) Receivables

Receivables are stated at cost less impairment losses (see note 3(i)). The Group's receivables include trade and other receivables and Islamic finance facilities.

g) Investments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value.

The amounts of each class of investments that has been designated at fair value through profit or loss are described in note 7.

Financial instruments at fair value through profit or loss are measured initially at fair value. Transaction costs on financial instruments through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments measured at fair value through profit or loss are measured at fair value with changes in their fair value recognized in profit or loss.

The fair value of financial instruments classified as financial assets at fair value through profit or loss is their quoted market price at the reporting date. If the quoted market price is not available, the fair value of the investment is estimated using generally accepted valuation methods such as discounted cash flow techniques or net asset value or market price of similar investments.

Financial assets at fair value through profit or loss are recognised or derecognised on the trade date i.e., on the date the Group commits to purchase or sell the investments.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks and highly liquid financial assets with original maturities of less than three months.

i) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognised in profit or loss.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

j) Payables
Payables are stated at amortised cost. The Group's payables include trade and other payables and murabaha payable.

k) Provisions
Provisions are recognized in the consolidated financial statements when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

l) Provision for employees' end of service indemnity
Provision is made for employees' end of service indemnity payable under the Kuwait labour law in private sector, based on employees' accumulated periods of service and latest entitlements of salaries, or on the basis of employment contracts, where such contracts provide extra benefits. The provision which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment at the reporting date. Employees of the Group's subsidiaries in the Kingdom of Bahrain are entitled to post-service benefits under Bahrain laws.

m) Revenue recognition

- Rental income from operating leases is recognized on a straight-line basis over the lease term.
- Income from Islamic finance contracts and deposits is recognized on a time proportion basis to achieve fixed rate of return on outstanding balances for these transactions.
- A property is regarded as sold when the significant risks and returns have been transferred to the buyer. Any gains or losses on the disposal of investment property are recognized in profit or loss in the year of disposal.
- Dividends income is recognized when the Group's right to receive dividends is established.
- Other revenues and expenses are recognized on an accrual basis.

n) Treasury shares
Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (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 realised losses are charged to the same account to the extent of credit balance in such account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

o) New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these financial statements. The management believes that the extent of the impact may not be significant to the Group.

IFRS 9 – Financial Instruments
IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmers.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Other new standards and interpretations not yet adopted:

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019.

IAS 16 (Amendments) includes clarification of acceptable methods of depreciation earlier is effective for annual periods beginning on or after 1 January 2016

Annual Improvements to IFRSs 2012– 2014 cycle includes various standards are effective for annual periods beginning on or after 1 January 2016

Amendments to IAS 1 includes disclosure initiative is effective for annual periods beginning on or after 1 January 2016

The adoption of these standards will not have material effect on these financial statements.

4. Use of estimates and judgments

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

Valuations of property
The determination of the fair value of investment property requires the use of estimates. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment property under development. These estimates are based on local market conditions existing at the reporting date.

The continuing volatility in the global financial system is reflected in the turbulence in commercial real estate markets across the world. The significant reduction in transaction volumes continued this year. Therefore, in arriving at their estimates of market values as at 31 December 2015, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property. The lack of liquidity in capital markets also means that, if it was intended to dispose of the property, it may be difficult to achieve a successful sale of the investment property in the short term.

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

Determining fair values of investments at fair value through profit or loss
For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

5. Investment property

	Properties under development Industrial-Zoned Properties KD	Properties under development Commercial-Zoned Properties KD	Properties under development Residential-Zoned Properties KD	Land held for capital appreciation Commercial-Zoned Properties KD	Building held for rental income and capital appreciation Industrial-Zoned Properties KD	Total KD
At 1 January 2014	3,009,259	-	3,776,396	13,199,368	7,944,446	27,929,469
Transfers	(3,009,259)	-	-	-	3,009,259	-
Additions during the year	-	-	24,556	-	788,078	812,634
Change in fair value	-	-	-	-	95,497	95,497
Foreign currency translation differences	-	-	143,327	500,962	418,442	1,062,731
Balance at 31 December 2014	-	-	3,944,279	13,700,330	12,255,722	29,900,331
At 1 January 2015	-	-	3,944,279	13,700,330	12,255,722	29,900,331
Transfers	-	1,523,588	(1,523,588)	-	-	-
Additions during the year	-	1,067,457	-	4,055	-	1,071,512
Change in fair value	-	466,930	80,146	-	(328,600)	218,476
Foreign currency translation differences	-	64,298	94,299	528,314	468,707	1,155,618
Balance at 31 December 2015	-	3,122,273	2,595,136	14,232,699	12,395,829	32,345,937

Investment property represents land acquired through the Group's subsidiaries in the Kingdom of Bahrain.

Murabaha payable is secured on investment property to the value of KD 12,395,829 (2014: KD 12,255,722) (see note 12).

The Group's investment properties were revalued at 31 December 2015 by independent professionally qualified valuation officers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

Investment property with a carrying value of KD 19,950,108 was not in use as of 31 December 2015 (2014: KD 17,644,609), as it was either held for capital appreciation or in the process of construction. The Group determined that the fair value of all of its investment property under construction at 31 December 2015 was reliably determinable on a continuing basis.

6. Trade and other receivables

	2015 KD	2014 KD
Accrued income	159,837	249,245
Prepaid expenses	47,254	52,867
Other receivables	37,248	31,195
	244,339	333,307

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 18.

7. Investments at fair value through profit or loss

	2015 KD	2014 KD
Unquoted funds	4,880	86,305

A three percent increase in stock prices at the reporting date would have increased profit or loss and equity by KD 146 (2014: an increase of KD 2,589); an equal change in the opposite direction would have decreased profit or loss and equity by KD 146 (2014: KD 2,589). The analysis is performed on the same basis for 2014.

The Group's exposure to currency risk related to investments at fair value through profit or loss is disclosed in note 18.

8. Cash and cash equivalents

	2015 KD	2014 KD
Islamic finance facilities	430,166	397,821
Cash on hand and at banks	486,845	619,745
	917,011	1,017,566

Islamic finance facilities carry effective average annual profit rate of 1.92 % (2014: 1.75%).

The Group's exposure to currency risk and a sensitivity analysis for financial assets are disclosed in note 18.

9. Share capital

The Company's authorized, issued and paid up share capital amounted to KD 23,330,960 distributed over 233,309,600 shares of 100 fils each paid in cash (31 December 2014: KD 31,500,000 distributed over 315,000,000 shares).

On 11 June 2015, the extraordinary General Assembly decided to reduce the share capital of the company by KD 8,169,040 through extinguishing 81,690,400 shares of the treasury shares owned by the group. On 4 October 2015, the Ministry of Commerce and Industry approved the capital reduction.

The share capital was decreased in the consolidated financial statements for the year ended 31 December 2015 based on the above mentioned approvals from the extraordinary General Assembly and the Ministry of Commerce and Industry.

10. Treasury shares

The Company holds the following treasury shares as at 31 December:

	2015 KD	2014 KD
Number of treasury shares (shares)	-	102,900,359
Percentage of treasury shares to total issued shares	-	32.7%
Cost of treasury shares – KD.	-	10,290,036

Movement in treasury shares was as follows:

	2015 No. of shares	2014 No. of shares
Balance as at 1 January	102,900,359	102,389,629
Transferred from the Board of Directors	-	510,730
Capital reduction	(81,690,400)	-
Share dividend	(21,209,959)	-
Balance as at 31 December	-	102,900,359

On 11 June 2015, the General Assembly approved a distribution of 21,209,959 shares to the shareholders as a share dividend at KD 2,120,996.

11. Statutory reserve

In accordance with the Companies Law No. 1 of 2016 and the executive regulations of Law No. 25 of 2012, as amended, and the Company's articles and memorandum of association, 10% of the profit for the year is required to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

12. Murabaha payable

Murabaha payable represents the value of commodities purchased on a deferred settlement basis and bear average profit rate of 5.1 % per annum (2014: 7% per annum). One twenty-eighth of the Murabaha is payable on quarterly basis starting on 20 May 2015 and ending on 20 February 2022.

The Murabaha is secured over investment property with a carrying amount of KD 12,395,829 (2014: KD 12,255,722) (see note 5).

The Group's exposure to currency and liquidity risks related to murabaha payable is disclosed in note 18.

13. Trade and other payables

	2015 KD	2014 KD
Trade payables	594,824	63,603
Accrued expenses	31,374	34,227
Due to KFAS and Zakat	6,801	4,601
Board remuneration	9,925	19,321
	642,924	121,752

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 18.

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14. Net rental income

Rental income is generated from properties developed by wholly owned subsidiaries Majaal Warehouse Co. and FB Janabiya Residential Development Co. Majaal operates seven industrial buildings occupied by a diverse mix of small to medium sized enterprises. FB Janabiya is developing a neighbourhood retail centre, branded as El Mercado Janabiya. All of these rental properties are located within the Kingdom of Bahrain.

	2015 KD	2014 KD
Industrial Properties		
Occupancy rate at 31 December	97.0%	95.3%
Total leasable area 31 December	37,654	37,654
Gross rental revenue	1,128,692	980,042
Costs of revenue	(158,468)	(105,132)
Allowance for doubtful receivables	(34,356)	(38,091)
Net industrial rental income	935,868	836,819
Commercial Properties		
Occupancy rate at 31 December	47%	-
Total leasable area at 31 December	4,683	-
Gross rental revenue	12,454	-
Net commercial rental income	12,454	-
Total net rental income	948,322	836,819

The seven buildings which comprise the Majaal industrial facilities at the Bahrain Investment Wharf were developed in three phases between February 2009 and April 2014.

Costs of revenue include brokerage commissions on new leases and the master development service charge paid to the private industrial park, the Bahrain Investment Wharf. Costs of revenue also include insurance, security, maintenance and other expenses required to run the facility.

The gross rental income grew from KD 980,042 in 2014 to KD 1,141,146 in 2015 due to the increase in the occupancy rate and the commencement of the leasing of the El Mercado Janabiya neighbourhood retail centre.

Construction of the neighbourhood retail centre commenced in June 2015 and was 93% complete at year end. Tenant contracts had been executed for 47% of the leasable area by year end. With tenant fit-outs underway, the income reflects the first month's revenue for the newly signed tenants.

15. Basic and diluted earnings (loss) per share

Earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year, as follows:

	2015 KD	2014 KD
Profit for the year	335,825	215,899
Weighted average number of outstanding and paid shares	233,309,600	212,610,371
Basic and diluted earnings (loss) per share (fils)	1.44	0.69

16. Related party transactions

Related parties comprise the Group's shareholders who have representation in the Board of Directors, Directors, key management personnel and their close family members. In the normal course of business and upon management approval, transactions have been carried out during the year ended 31 December 2015.

The only related party transactions during the year is the compensation provided to key management personnel detailed below.

Compensation to key management personnel:

	2015 KD	2014 KD
Salaries and other short-term benefits	192,061	171,686
Post-employment benefits	8,088	14,713
	200,149	186,399

17. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and investment securities.

Trade and other receivables and Islamic finance facilities

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in notes 6 and 8. There are no significant concentrations of credit risk within the Group.

Investments

With respect to credit risk arising from the Group's investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments. Management does not expect any counterparty to fail to meet its obligations.

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.

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The Group manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At present the Group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Group expects the operating activity to generate sufficient cash inflows. In addition, the Group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices 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.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Bahraini Dinar (BHD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level.

The Group currently does not use financial derivatives to manage its exposure to currency risk.

Other market price risk

Equity price risk arises from equity securities. The primary goal of the Group's investment strategy is to maximise investment returns. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. To manage its price risk arising from investments in equity securities which are carried at fair value through profit or loss, the Group diversifies its portfolio. The group's investments in equity of other entities are included primarily in Kuwait Stock Exchange.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Executive Management.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

18. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk for trade and other receivables and Islamic finance facilities at the reporting date by geographic region was:

	2015 KD	2014 KD
State of Kuwait	8,024	6,989
Kingdom of Bahrain	666,481	724,139
	674,505	731,128

The aging of trade and other receivables and Islamic finance facilities at the reporting date was:

	2015 KD	2014 KD
Past due 0-30 days	78,120	37,253
Past due 31-120 days	596,385	693,875
	674,505	731,128

No provision for Islamic finance facilities was required in 2015 (2014: KD Nil).

Doubtful receivables of rental income, as detailed in note 14, were provided for in 2015, as part of trade and other receivables, in the amount of KD 34,356 (2014: KD 38,091).

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk

The following are the expected maturities of financial liabilities at the reporting date.

	Carrying amount KD	One year or less KD	One to five years KD
31 December 2015			
Financial liabilities			
Murabaha payable	4,139,687	570,690	3,568,997
Trade and other payables	642,924	642,924	-
	4,782,611	1,213,614	3,568,997
31 December 2014			
Financial liabilities			
Murabaha payable	3,904,340	418,322	3,486,018
Trade and other payables	121,752	121,752	-
	4,026,092	540,074	3,486,018

Currency risk

Exposure to currency risk

The Group is exposed to currency risk on certain assets denominated in a currency other than Kuwaiti Dinar. The currency giving rise to this risk is primarily Bahraini Dinar (BHD). At the reporting date the Group's net long exposure in foreign currency was BHD 35,475,752 (2014: BHD 35,057,118).

Sensitivity analysis

A 10 percent strengthening of the KD against the BHD at 31 December would have increased (decreased) equity and profit or loss by KD 2,877,013 (2014: KD 2,737,498). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

A 10% weakening of the KD against the BHD at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Fair values

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at measurement date.

The estimated fair value of financial assets and financial liabilities (trade and other receivables, Islamic finance facilities, murabaha payable and trade and other payables) at the reporting date are not materially different from their carrying values.

Fair value hierarchy

The next table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2015				
Investments at fair value through profit or loss	-	4,880	-	4,880
	-	4,880	-	4,880

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2014				
Investments at fair value through profit or loss	-	86,305	-	86,305
	-	86,305	-	86,305

During the year ended 31 December 2015, there have been no transfers between fair value levels.

19. Operating Segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For each of the strategic business units, the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- **Real estate activities.** Includes trading, development and management of real-estate properties inside and outside Kuwait.
- **Non-real estate activities.** Includes investment in various Islamic financial instruments, mainly murabaha.

The operating segments derive their revenue primarily from return on real-estates and investment income. All of the Group's business activities and operating segments are reported within the above segments.

Financial information on reportable segments for the year ended 31 December 2015 is as follows:

	Real estate activities	Non-real estate activities	Total
	KD	KD	KD
Segment revenues	1,219,941	(75,505)	1,144,436
Segment expenses	(808,611)	-	(808,611)
Segment results	411,330	(75,505)	335,825
Segment assets	32,691,284	921,891	33,613,175
Segment liabilities	4,843,051	-	4,843,051
Capital expenditure	1,074,273	-	1,074,273

Financial information on reportable segments for the year ended 31 December 2014 is as follows:

	Real estate activities	Non-real estate activities	Total
	KD	KD	KD
Segment revenues	958,269	4,487	962,756
Segment expenses	(746,857)	-	(746,857)
Segment results	211,412	4,487	215,899
Segment assets	30,347,366	1,103,871	31,451,237
Segment liabilities	4,076,253	-	4,076,253
Capital expenditure	863,577	-	863,577

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of counterparties. Segment assets are based on the geographical location of the assets.

Geographical information

	Revenues	Non-current assets
	KD	KD
31 December 2015		
Inside Kuwait	7,814	4,649
Outside Kuwait	1,136,622	32,442,296
	1,144,436	32,446,945
31 December 2015		
Inside Kuwait	8,703	4,543
Outside Kuwait	954,053	30,009,516
	962,756	30,014,059

During 2015 and 2014, there were no transactions between the Group's reportable segments.

There were no changes in the reportable segments during the year. The accounting policies of the reportable segments are the same as described in note 3.

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The Board assesses the performance of the operating segments based on a measure of segment profit. The profit or loss of the Group's reportable segments reported to the Board are measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of segment result to net loss is therefore not presented separately.

The amounts provided to the Board in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and physical location of the assets. As all assets and liabilities have been allocated to the reportable segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

20. Board of Directors remuneration

On 21 March 2016 the Board of Directors proposed remuneration of KD 9,925 for the Company's Board of Directors for the year ended 31 December 2015 (2014: KD 19,321), subject to the approval of the shareholders' general assembly.

21. Proposed dividends

There were no proposed cash distribution for the year ended 31 December 2015 (2014: KD Nil).

At their meeting dated 11 June 2015, the shareholders' general assembly decided to distribute 21,209,959 share dividend for the year 2014, valued at KD 2,121,996.