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Kuwait Real Estate Holding Company

ANNUAL REPORT 2014

Kuwait Real Estate Holding K.P.S.C
KRH
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«In the name of God

Most Gracious & Beneficient»

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His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of Kuwait

His Highness
Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah
Prime Minister

His Highness
Sheikh Nawaf Al - Ahmad Al-Jaber Al-Sabah
Crown Prince

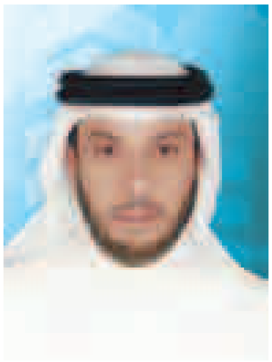
Board of Directors

Mr. Mohammed Barrak Al-Mutair
Chairman

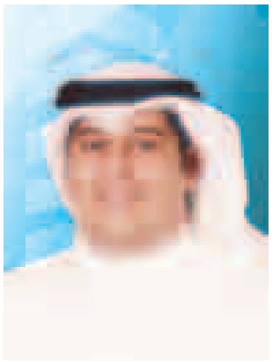
Mr. Naji Abdullah Al-Abdulhadi
Vice Chairaman

Mr. Abdullah Mohammad Al-Mutair
Board Member

Mr. Mishal Abdulaziz Al-Nassar
Board Member



Mr. Feras Yousef Al-Ghanim
Board Member



Mr. Soud Abdulaziz Al-Mansour
Board Member

Executive Management

Mr. Tareq Ibrahim Al-Mansour
General Manager

Mr. Sulaiman Ahmad Al-Houti
Deputy General Manager Administrative & Personnel Affairs

Mr. Magdy Mahboub
Financial Manager

Mr. Paul Raj Anthoni Raj
Manager - Direct Investment Department

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Chairman's Message

Dear Honorable Shareholders,

On behalf of Board of Directors, I am pleased to present to you the annual report of Kuwait Real Estate Holding Company in which we review business highlights and developments during the year ended 31st December 2014 that witnessed using significant efforts and keeping equation in balance through maintaining and developing the company's position and assets in light of great challenges.

Dear attendees :

There is no doubt that the State's financial position is no longer in comfortable position as it has been over the years of financial leap and abundance where it is expected that 2015 will be a difficult year as a result of potential resort to borrowing from banks to cover the deficit. However, the Board of Directors in Kuwait Real Estate Holding Company carefully monitors the developments in global and local markets to avoid the company's exposure to any reflections and at the same time seeks safe low risk opportunities representing added value to the company's assets, in particular after the success of policies and actions taken in connection with the restructuring process, which enhanced its financial position and accordingly, Kuwait Real Estate Holding Company remained more stable. Further, Board of Directors, in collaboration with the executive management, seeks to provide necessary liquidity through internal financial restructuring and reliance on our own resources under a successful philosophy that enables the Company to achieve good performance over coming years by continuing control over its expenses, enhancing its opportunities and minimizing costs of obligations towards the creditors.

During the financial crisis years, Kuwait Real Estate Holding Company realized many objectives and positive steps, importantly successful restructuring of the capital, which was a unique model that positively reflected on the shareholders' equity.

Dear valuable shareholders:

I would like to assure you that Kuwait Real Estate Holding Company established accurate financial system enabling it to accurately measure risks and assess the market's future in order to take appropriate precautions towards shocks affecting the markets. It is anticipated that markets will witness slowdown and state of instability will continue due to fluctuations in oil prices and weak global growth. We rely on the executive team's experience and unlimited support from owners and shareholders despite of sizable surrounding challenges in general; we will continue to lead the Company to achieve extra gains and successes.

Dear shareholders

Finally, we extend our grateful thanks and appreciation to His Highness the Amir of the State Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, His Highness Crown Prince, His Highness the Prime Minister, and valuable Kuwaiti people. We pray to Allah Almighty to endlessly grant Kuwait graces of security and safety and that Kuwait may witness, under patronage and directions of His Highness the Amir, property and advancement. We pray to Allah Almighty to guide and support our wise leadership.

We also extend thanks to our honorable shareholders for their valuable trust placed in the Board of Directors and for the continuous support they provide. We, in turn, promise to double our efforts to maintain the Company's assets and gains.

I would like to extend our grateful thanks to the Company's Board of Directors and members of board committees for their efforts and support to the Company.

Further, we extend thanks to the valuable members of Fatwa & Sharia Board for their blessed efforts. Board of Directors recognizes grateful appreciation to the Company's employees who made every effort and endeavor to achieve the Company's objectives since its incorporation.

In addition, I am pleased to extend grateful thanks and appreciation to all official relevant authorities for their support and assistance rendered to the Company.

Best regards,

Chairman
Mr. Mohammad Barrak Al-Mutair

Fatwa & Shari'a Board Report

All praise and thanks be to Allah alone, Prayers and Peace be upon the last prophet and all his family and companions.

To: the Shareholders of Kuwait Real Estate Holding Company

Allah's peace, mercy and blessings be upon you.

As per our engagement for Fatwa and Sharia function, we have audited the contracts and the transactions made by the Company for the period from 01/01/2014 to 31/12/2014. Our responsibility is restricted to expressing an independent opinion about the Company's compliance with the provisions of Islamic Shari'a in its business and activities.

Based on Sharia audit report presented by Sharia Control Department, which conducted audit in accordance with the resolutions issued by the Board in light of standards and controls issued by Accounting & Audit Organization of Islamic Financial Institutions that require us to plan and implement audit and review procedures to obtain all necessary information, interpretations and representations to give a reasonable assurance that the Company is in compliance with the provisions of Islamic Sharia as stated by us. We believe that audits carried out by the Department provide an appropriate basis to give reasonable opinion.

The compliance responsibility to implement contracts and transactions according to the provisions of Islamic Shari'a as set out by us shall reside with the Company's management.

Based on the foregoing, the Board is of the opinion that:

1. During the specified period, the Company has been in compliance with its obligations towards implementation of contracts and transactions in accordance with the provisions of Islamic Sharia as set out in Shari'a based opinions, guidelines and decisions issued by us during the specified period. No Sharia violations contrary to this opinion were found by us.
2. Calculation of Zakat was conducted according to the principles approved by the Board.

Allah's prayers and peace are upon our prophet Muhammad,
his family and companions
Praise be to Allah

Members of Fatwa and Sharia Board

Member	Signature
Dr. Naif Mohammed Al-Ajmi	
Dr. Nazem Mohammed Al-Mesbah	
Dr. Suleiman Marafi Safar	
Dr. Khalid Shujaa Al-Otaibi	
Dr. Ibrahim Abdullah Al-Subaiaei	
Dr. Mohammed Ouad Al-Fuzai'a	

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Independent auditors' report and consolidated financial statements

for the year ended 31 December 2014

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Independent Auditors' Report to Shareholders of Kuwait Real Estate Holding Company K.P.S.C. (Holding)

State of Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Real Estate Holding Company K.S.C. (Holding) ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise of the consolidated financial position at 31 December 2014, and the related consolidated statements of income, income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Parent Company'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate the information that is required by the Companies' Law No. 25 of 2012 and its executive regulations, as amended, and by the Parent Company's Articles and Memorandum of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 25 of 2012 and its executive regulations, as amended, or of the Parent Company's Articles and Memorandum of Association, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the Group's business or its consolidated financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Barrak Al-Ateeqi
License No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Kuwait: 18 March 2015

A member of BKR INTERNATIONAL

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Financial Reports
for the year ended 31 December 2014

Consolidated Statement of Financial Position
As at 31 December 214

	Notes	2014 KD	2013 KD
Assets			
Non-current assets			
Investment properties	5	12,409,801	13,061,327
Investment in associate		455,584	431,711
Available for sale investments	6	14,413,200	19,102,874
		27,278,585	32,595,912
Current assets			
Receivables and other debit balances	7	608,117	371,497
Investments at fair value through statement of income	8	1,635,087	1,822,897
Cash and cash equivalents	9	3,434,909	3,060,685
		5,678,113	5,255,079
		32,956,698	37,850,991
Assets held for sale		448,164	437,996
Total assets		33,404,862	38,288,987
Equity and liabilities			
Equity			
Share capital	10	19,103,898	19,103,898
Share premium	11	830,286	830,286
Statutory reserve	12	1,452,034	1,452,034
Treasury shares	14	(1,452,034)	(1,452,034)
Profits on sale of treasury shares reserve		46,038	46,038
Change in fair value reserve		1,209,115	2,048,650
Accumulated losses		(12,568,747)	(13,261,005)
Equity attributable to owners of the Parent Company		8,620,590	8,767,867
Non-controlling interests		1,859,646	1,997,599
Total equity		10,480,236	10,765,466
Non-current liabilities			
Long-term Murabaha payable	15	-	3,662,299
Purchase of land payable	16	2,329,424	2,329,424
Provision for employees' end of service indemnity	17	545,528	487,390
		2,874,952	6,479,113
Current liabilities			
Payables and other credit balances	18	1,521,173	1,535,245
Short-term Murabaha payable	15	18,528,501	19,509,163
		20,049,674	21,044,408
Total liabilities		22,924,626	27,523,521
Total equity and liabilities		33,404,862	38,288,987

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Muhammad Barak Al Mutair
Chairman

Consolidated Statement of Income
For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Income / loss			
Net income from rent		245,188	210,695
Net profits/(losses) from management and maintenance of third party properties		78,635	(45,011)
Net profits from supervision contracts		17,192	16,692
Unrealized (loss)/profit on investments at fair value through statement of income		(187,050)	58,464
Profit on sale of available for sale investments		799,186	140,940
Profit on disposal of a subsidiary	20	6,762	1,926
Dividends		183,218	46,464
Change in fair value of investment properties		(413,966)	(4,337,644)
Profit on sale of investment properties		-	500,000
Impairment of goodwill		-	(920,348)
Income from wakala investments		-	39,202
Group's share of an associate results		23,873	(12,076)
Operating income		753,038	(4,300,696)
Impairment loss of available for sale investments		(255,504)	(2,552,592)
Provision no longer required		-	899,732
		(255,504)	(1,652,860)
Net operating profit/(loss)		497,534	(5,953,556)
Profits from murabaha repayment discount		148,836	-
Net revenue from financial institutions		17,419	24,161
Other income		2,709	2,724
Foreign currency translation differences		(25,656)	(71,951)
Expenses and other charges			
General and administrative expenses	21	(953,635)	(908,224)
Write back of unclaimed finance charges/(finance charges)		1,037,144	(1,183,102)
Total expenses and other charges		83,509	(2,091,326)
Net profit/(loss) for the year before NLST and Zakat		724,351	(8,089,948)
National Labor Support Tax		(17,904)	-
Zakat		(6,020)	-
Net profit/(loss) for the year		700,427	(8,089,948)
Attributable to:			
Owners of the Parent Company		692,258	(7,904,951)
Non-controlling interests		8,169	(184,997)
		700,427	(8,089,948)
Basic earnings/(loss) per share (fils)	22	3.68	(42.02)

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of income and other comprehensive income
For the year ended 31 December 2014

	2014	2013
	KD	KD
Net profit/(loss) for the year	700,427	(8,089,948)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to statement of income:		
Unrealized loss from available for sale investments	(441,975)	(1,912,051)
Transferred to statement of income from sale of available for sale investments	(799,186)	(140,940)
Impairment losses of available for sale investments	255,504	2,552,592
Total other comprehensive (loss)/income for the year	(985,657)	499,601
Total comprehensive loss for the year	(285,230)	(7,590,347)
Attributable to:		
Owners of the Parent Company	(147,277)	(7,580,049)
Non-controlling interests	(137,953)	(10,298)
	(285,230)	(7,590,347)

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2014

	Share capital	Share premium	Statutory reserve	Treasury shares	Profit on sale of treasury shares reserve	Change in fair value reserve	Accumulated losses	Equity attributable to owners of the Parent Company	Non-controlling interests	Total Equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2013	19,103,898	830,286	1,452,034	(1,452,034)	46,038	1,723,748	(5,356,054)	16,347,916	2,007,897	18,355,813
Total comprehensive income/ (loss) for the year	-	-	-	-	-	324,902	(7,904,951)	(7,580,049)	(10,298)	(7,590,347)
Balance as at 31 December 2013	19,103,898	830,286	1,452,034	(1,452,034)	46,038	2,048,650	(13,261,005)	8,767,867	1,997,599	10,765,466
Balance as at 1 January 2014	19,103,898	830,286	1,452,034	(1,452,034)	46,038	2,048,650	(13,261,005)	8,767,867	1,997,599	10,765,466
Total comprehensive income/ (loss) for the year	-	-	-	-	-	(839,535)	692,258	(147,277)	(137,953)	(285,230)
Balance as at 31 December 2014	19,103,898	830,286	1,452,034	(1,452,034)	46,038	1,209,115	(12,568,747)	8,620,590	1,859,646	10,480,236

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2014

	Note	2014	2013
		KD	KD
Operating activities			
Net profit/(loss) for the year		700,427	(8,089,948)
Adjustment for:			
Depreciation		-	302
Unrealized losses/(gains) on investments at fair value through statement of income		187,050	(58,464)
Group's share of an associate results		(23,873)	12,076
Profits from sale of available for sale investments		(799,186)	(140,940)
Impairment losses on available for sale investments		255,504	2,552,592
Change in fair value of investment properties		413,966	4,337,644
Profit on sale of investment properties		-	(500,000)
Impairment of Goodwill		-	920,348
Provision no longer required		-	(899,732)
Dividends		(183,218)	(46,464)
Profits from murabaha repayment discount		(148,836)	-
(Write back of unclaimed finance charges)/finance charges		(1,037,144)	1,183,102
Profit on disposal of a subsidiary		(6,762)	(1,926)
Provision for employees' end of service indemnity		176,358	83,028
		(465,714)	(648,382)
Movements in working capital:			
Receivables and other debit balances		(173,374)	114,440
Investments at fair value through statement of income		760	-
Assets held for sale		(10,168)	-
Payables and other credit balances		(11,560)	(373,834)
Cash flows used in operating activities		(660,056)	(907,776)
Employees' end of service indemnity, paid		(118,220)	(33,559)
Net cash used in operating activities		(778,276)	(941,335)
Investing activities			
Proceeds from disposal of a subsidiary		4,250	1,926
Proceeds from sale of investment properties		237,560	13,303
Net movement in available-for-sale investments		1,184,453	544,892
Cash dividend received		183,218	46,464
Net cash from investment activities		1,609,481	606,585
Financing activities			
Murabaha payables		(456,981)	(860,413)
Net cash used in financing activities		(456,981)	(860,413)
Net increase / (decrease) in cash and cash equivalents		374,224	(1,195,163)
Cash and cash equivalents at beginning of the year		3,060,685	4,255,848
Cash and cash equivalents at end of the year	9	3,434,909	3,060,685

The accompanying notes on pages 8 to 38 form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Real Estate Holding Company K.S.C. (Holding) ("the Parent Company") is a closed Kuwaiti shareholding company incorporated on 19 January 1980 in accordance with the Commercial Companies' Law in the State of Kuwait. The Parent Company's share was listed on the Kuwait Stock Exchange on 12 April 2005.

The Parent Company's objectives:

- Acquisition of shares of Kuwaiti or foreign shareholding and limited liability companies as well as participation in those companies› incorporation, administration, lending and providing third party guarantees for these companies.
- Grant loans to the companies in which the Parent Company holds shares, guarantees them before third parties and in this case the contributions ratio of the Parent Company in the capital of the investee companies shall not be less than 20% minimum.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Acquisition of movables and properties necessary for the Parent Company to practice its activities pursuant to the limits prescribed by law.
- Utilization of the financial surpluses available with the Parent Company through investing the same in financial portfolios managed by specialized companies and entities.

The Parent Company shall, in conducting its business activities, comply with Noble Islamic Sharia principles.

The Group comprises the Parent Company and its subsidiaries (together referred to as "the Group"). Details of subsidiary companies are set out in Note (3.3).

The Parent Company has regularized its affairs with the companies' Law No. 25 of 2012, as amended, and its executive regulations in accordance with article 322 of the Law, as per amendments to the articles and memorandum of association of the Parent Company. Such amendments have been approved by the extraordinary general assembly meeting of the shareholders on 11 May 2014. The registration of this in the commercial register took place on 11 June 2014 under No. 338.

The address of the Parent Company is P.O. Box 26371, Safat 13124, State of Kuwait.

The consolidated financial statements of Kuwait Real Estate Holding Company K.S.C. (Holding) and its subsidiaries (the Group) for the year ended 31 December 2014 were authorized for issue by the Parent Company's Board of Directors on 18 March 2015 and are subject to the approval of the Annual General Assembly of the shareholders. The Parent Company's shareholders have the right to amend these consolidated financial statements in the Annual General Assembly.

2. Basis of preparation and significant accounting policies

a) New standards, interpretations and amendments effective from 1 January 2014

A number of amendments to IFRSs and one new interpretation are effective for the current year and have been adopted in the financial statements. The nature and effect of each amendment and interpretation adopted by the Company is detailed below.

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

Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;

- require additional disclosure about why the entity is considered an investment entity, details of the entity›s unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries;

- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

- These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

- ***IAS 32 Offsetting Financial Assets and Financial Liabilities***

The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts;
- the unit of account for applying the offsetting requirements.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

- ***IAS 36 Recoverable Amount Disclosures for Non-Financial Assets***

The amendment to IAS 36 Impairment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

2. Basis of preparation and significant accounting policies (Continued)

a) New standards, interpretations and amendments effective from 1 January 2014 (Continued)

- ***IAS 39 Novation of Derivatives and Continuation of Hedge Accounting***

The amendment to IAS 39 Financial Instruments: Recognition and Measurement makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

- ***IFRIC 21 Levies***

The interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

The liability is recognised progressively if the obligating event occurs over a period of time;

If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

b) New standards, interpretations and amendments not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below: The Group intends to adopt these standards if applicable, when they become effective.

2. Basis of preparation and significant accounting policies (Continued)

b) New standards, interpretations and amendments not yet effective (Continued)

- ***IFRS 9 Financial Instruments***

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 is effective for financial years beginning on or after 1 January 2018.

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability›s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. changes in fair value attributable to a financial liability›s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. Basis of preparation and significant accounting policies (Continued)

b) New standards, interpretations and amendments not yet effective (Continued)

- ***IFRS 9 Financial Instruments (Continued)***

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‹economic relationship›. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity›s risk management activities have also been introduced.

The directors of the Parent Company anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group's consolidated financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Parent Company' management undertakes a detailed review.

- ***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations***

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- ***IFRS 14 Regulatory Deferral Accounts***

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

2. Basis of preparation and significant accounting policies (Continued)

b) New standards, interpretations and amendments not yet effective (Continued)

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

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Parent Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

- ***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. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

- ***Annual improvements to 2010-2012 Cycle***

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

○ **IFRS 2 Share-based Payments**

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

2. Basis of preparation and significant accounting policies (Continued)

b) New standards, interpretations and amendments not yet effective (Continued)

- ***Annual improvements to 2010-2012 Cycle (Continued)***

○ IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

○ IFRS 8 Operating Segments

The amendment is applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

○ 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 on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

○ IAS 24 Related Party Disclosures

The amendment is applied retrospectively 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.

- ***Annual improvements to 2011-2013 Cycle***

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group and include:

2. Basis of preparation and significant accounting policies (Continued)

b) New standards, interpretations and amendments not yet effective (Continued)

- ***Annual improvements to 2011-2013 Cycle (Continued)***

○ **IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

○ ***IFRS 13 Fair Value Measurement***

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

○ **IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

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

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

2. Basis of preparation and significant accounting policies (Continued)

b) New standards, interpretations and amendments not yet effective (Continued)

- ***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Company does not have any bearer plants.

- ***Amendments to IAS 27: Equity Method in Separate Financial Statements***

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Companies' Law of No. 25 of 2012 and its executive regulations.

3.2 Basis of preparation

These financial statements are presented in Kuwaiti Dinars ("KD"), which is the Group's functional and presentation currency, and are prepared under the historical cost convention, except for fair value measurement of investments classified at fair value through statement of income, available for sale investments and investment properties.

3. Significant accounting policies (Continued)

3.2 Basis of preparation (Continued)

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2014 (see Note 3.3). All subsidiaries have a reporting date of 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties
- Other contractual arrangements.
- Historic patterns in voting attendance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. 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. Intercompany balances and transactions, including intercompany profits or losses and unrealised profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Profits or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to the consolidated statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

The consolidated financial statements include the financial statements of the Parent Company and its Subsidiaries (the Group) as follows:

Company name	Ownership interest		Country of incorporation	Company objectives
	2014	2013		
Al Omran Real Estate Development Company K.S.C. (Closed)	96%	96%	State of Kuwait	Investment and development of real estates.
Time Line Project Management K.S.C. (Closed)	80%	80%	State of Kuwait	Project management & maintenance in Kuwait and abroad.
First National for Consulting K.S.C. (Closed)	99%	99%	State of Kuwait	Management consulting.
Olive VFM Consulting -Kuwait K.S.C. (Closed).	99%	99%	State of Kuwait	Management consulting.
National Vision for trading Co. W.L.L.	-	99%	State of Kuwait	General trading.
Al-Fanar Investment Company K.S.C. (Closed)	83.43%	83.43%	State of Kuwait	Investment.

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

The total assets of subsidiaries amounted to KD 26,995,030 as at 31 December 2014 (31 December 2013: 27,357,939) and their total profits amounted to KD 175,144 for the year ended 31 December 2014 (31 December 2013: losses of KD 5,412,051).

3. 4 Business combinations

Acquisitions of companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred. At the acquisition date, the identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 "Financial Instruments; Recognition and Measurement" or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in the consolidated statement of profit or loss.

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

3. Significant accounting policies (Continued)

3. 4 Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognize amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

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

3.5 Property, plant and equipment

Property, plant and equipment are stated in the consolidated financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the group's accounting policy (see finance costs policy 3.23). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

The profit or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in consolidated statement of income in the period in which they occur.

3. Significant accounting policies (Continued)

3.6 Investment properties

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

Investment properties are revalued annually and are included in the consolidated statement of financial position at their open market values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any profit or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of income in the period in which they arise.

3.7 Goodwill

Goodwill arising on an acquisition of a subsidiary or jointly controlled company represents the excess of the cost of the acquisition over the fair value of Company's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or jointly controlled company as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

3.8 Assets held for sale

Assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

3. Significant accounting policies (Continued)

3.8 Assets held for sale (Continued)

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

3.9 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associate is accounted for under the equity method of accounting, i.e. on the consolidated statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment in value and the consolidated statement of income reflects the group's share of the results of operations of the associate.

Any excess of the cost of acquisition over the group›s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group›s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes resulting from the consolidated statement of income and other comprehensive income of the associate or items recognised directly in the associate's or equity of the Group, as applicable.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized profits on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

3. Significant accounting policies (Continued)

3.9 Investment in associates (Continued)

The associate's financial statements are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

3.10 Financial instruments

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, except for those financial assets and financial liabilities carried at fair value through statement of income, which are initially measured at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3.10.1 Financial assets

Financial assets are classified into the following specified categories: 'investments at fair value through statement of income' (FVTSI), and 'available for sale investments' (AFS). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Investments at fair value through profit or loss

Investments are classified as at FVTSI where the financial asset is either held for trading or it is designated as at FVTSI. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; or (ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

A financial asset, other than a financial asset held for trading, may be designated as at fair value through statement of income upon initial recognition if: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is valuated on a fair value basis, in accordance with the Group›s documented risk management or investment strategy, and information about consolidation that is provided internally on that basis.

3. Significant accounting policies (Continued)

3.10 Financial instruments (Continued)

3.10.1 Financial assets (Continued)

Financial assets at FVTSI are stated at fair value, with any resultant profit or loss recognized in the consolidated statement of income. The net profit or loss recognised in the consolidated statement of income incorporates any dividend or returns earned on the financial asset.

(ii) Available for sale investments

The Group's investments in equity securities are classified as available for sale investments and are stated at fair value. Fair value is determined in the manner described in note 23. Profits and losses arising from changes in fair value are recognized in the consolidated statement of income and other comprehensive income and reported within fair value reserve in equity with the exception of impairment losses. These losses are recognized in the consolidated statement of income Where the investment is disposed of or is determined to be impaired, the cumulative profit or loss previously recognised in the consolidated statement of income and other comprehensive income is reclassified from the equity reserve to the consolidated statement of income and presented as a reclassification adjustment within the statement of income and other consolidated comprehensive income.

3.10.2 Impairment of financial assets

Financial assets, other than those at fair value through statement of income, are assessed for indicators of impairment at each consolidated statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

For receivables and loans and advances, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant accounting policies (Continued)

3.10 Financial instruments (Continued)

3.10.2 Impairment of financial assets (Continued)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of murabaha and receivables, where the carrying amount is reduced through the use of an allowance account.

When receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognized in the consolidated statement of income.

When an AFS investment is considered to be impaired, cumulative gains or losses previously recognised in the consolidated statement of income and other comprehensive income are reclassified to consolidated statement of income for the period.

In respect of available for sale investments, impairment losses previously recognised through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3.10.3 Financial liabilities

The Group's financial liabilities include murabaha payables, borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortized cost, except for financial liabilities held for trading or designated at fair value through statement of income, that are carried at fair value with profits or losses recognized in the consolidated statement of income.

3.11 Inventories

Inventories, representing spare parts, are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the purchase of inventory. Net realizable value represents the estimated selling price less all completion costs necessary for the finalization of selling.

Spare parts are not intended for resale and are stated at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

3. Significant accounting policies (Continued)

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value with an original maturity of three months or less, net of bank overdrafts.

3.13 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Profits and losses resulting from some financial instruments are recognized under reserves for available for sale investments.

Accumulated losses include all current and prior period accumulated losses.

Dividends are recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

3.14 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent 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 (profits reserve on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves.

Profits realized 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 profit 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.

3.15 Provision for employees' end of service benefits

Provision is made for amounts payable to employees under the Kuwait labor law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the consolidated statement of financial position date, and approximates the present value of the final obligation.

3. Significant accounting policies (Continued)

3.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.17 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.18 Assets and contingent commitments

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

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

3.19 Zakat

Contribution to Zakat is calculated at 1% of the Group's profit attributable to the Parent Company's shareholders in accordance with the Ministry of Finance resolution No. 58/2007 effective as of 10 December 2007.

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

3. Significant accounting policies (Continued)

3.20 National Labor Support Tax

The Group calculates national Labour Support Tax ("NLST") in accordance with the ministry of finance resolution No. 19 of 2000.

3.21 Revenue recognition

Lease income is recognized on accrual basis, and the profit resulting from management and maintenance of third party properties, and construction and cleaning contracts is recognized on a time proportion basis according to the principles and rates stated in these contracts. Income from real estate investments is recognized on finalization of sale transaction and transfer of risks to the purchaser. Income from financial investments is recognized on finalization of sale transaction.

Dividend income, and yields from financial institutions other than those from investments in associates, are recognised at the time the right to receive payment is established.

Rental income is recognized on a straight-line basis over the term of the relevant lease.

3.22 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in consolidated statement of income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than KD (the Group's presentation currency) are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expense items are translated into the Group's presentation currency at the average rate over the reporting period.

3.23 Financing costs

Financing costs primarily comprise costs on the Group's murabaha. Financing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other financing costs are expensed in the period in which they are incurred and are recognised in consolidated statement of income in the period in which they are incurred.

4. Significant Accounting Judgements And Estimation Uncertainity

Accounting judgements

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements.

Impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Investment classification

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, available for sale or held to maturity investments.

Financial investments at fair value are investments which are designated as held for trading investments and investments at fair value, at initial recognition, through consolidated statement of income on initial recognition.

Classification of investments as investments at fair value at initial recognition through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of the statement of income in the management accounts. They are classified at fair value (at initial recognition) through statement of income All other investments are classified as available for sale or as held to maturity.

Classification of investment property

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

The Group classifies properties as trading properties if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate Lease income or for capital appreciation, or for undetermined future use.

4. Significant accounting judgements and estimation uncertainity (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the consolidated financial statements within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following recent arm's length market transactions:

- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

5. Investment properties

	2014	2013
	KD	KD
Investment properties		
Balance at beginning of the year	13,061,327	20,598,971
Disposals	(237,560)	(3,200,000)
Change in fair value	(413,966)	(4,337,644)
Balance at end of the year	12,409,801	13,061,327

Investment properties were recognized at fair value determined based on independent valuers one of them is a local bank for local properties and independent valuers for properties outside Kuwait and the lower value was adopted to determine the fair value as at 31 December 2014. The data of the valuers are as follows:

- State of Kuwait: Kuwait Finance House and International Group
- Kingdom of Bahrain: Silver Gate and Bin Faqeeh
- Sultanate of Oman: Al waseet and Al Seraj Real Estate
- Kingdom of Saudi Arabia: Al Khaldiya Beach and Al Bayola Al Kalijeaa
- United Arab Emirates: Warna real Estate & Aizdehar

The fair value of the properties was determined according to transactions done for similar properties known in the market because of the nature of the properties and availability of comparative data.

5. Investment properties (Continued)

The investment properties by geographical location are as follows:

	2014	2013
	KD	KD
Properties - State of Kuwait	2,695,000	2,635,000
Land - Kingdom of Bahrain	501,748	497,959
Land - Sultanate of Oman	-	468,138
Land - KSA	9,213,053	9,174,595
Land - UAE	-	285,635
	12,409,801	13,061,327

The Group has reduced the remaining of its investment properties in Sultanate of Oman and UAE based on the management's perspective for the development of the fair value.

6. Available for sale investments

	2014	2013
	KD	KD
Investment in quoted local shares	3,738,444	4,870,096
Investment in unquoted local shares	8,732,599	11,881,802
Investment in quoted foreign shares	107,039	314,452
Investment in unquoted foreign shares	1,835,118	2,036,524
	14,413,200	19,102,874

The Group's management recognized investments impairment losses of KD 255,504 as at 31 December 2014 resulting from the sharp decline in the fair value of these investments (31 December 2013: KD 2,552,592).

Available for sale investments include an amount of KD 1,586,655 representing an investment in the share capital of one of the major shareholders of the Parent Company "related party" (KD 2,869,020 as at 31 December 2013).

During the year, the Group has settled financial liabilities (note 15) against available for sale investments which resulted in a profit of KD 268,986 included in the consolidated statement of income.

7. Receivables and other debit balances

	2014	2013
	KD	KD
Trade receivables	1,134,042	976,645
Other receivables	293,649	192,925
Provision for doubtful debts	(856,210)	(856,210)
	571,481	313,360
Prepaid expenses	10,877	15,743
Due from employees	13,706	22,937
Accrued revenues	-	6,479
Refundable deposits	12,053	12,978
	608,117	371,497

8. Investments at fair value through profit or loss

	2014	2013
	KD	KD
Quoted local financial portfolios	1,229,840	1,400,550
Quoted foreign investments	405,247	422,347
	1,635,087	1,822,897

Certain investments at fair value through statement of income are in a related party and managed by another related party (note 19)

9. Cash and cash equivalents

	2014	2013
	KD	KD
Cash in hand and at financial institutions	814,190	672,350
Investment deposit	500,000	500,000
Cash at investment portfolios	347,630	47,710
Investment saving account	1,773,089	1,840,625
	3,434,909	3,060,685

The return on Company's saving account is at 1.31 % is realized (2013: 1.29%) annually.

The investment deposit matures within three months from placement and is automatically renewable.

10. Share capital

The company's authorized, issued and fully paid capital comprises of KD 19,103,898 (31 December 2013: KD 19,103,898) allocated over 191,038,980 shares of nominal value 100 fils per share (31 December 2013: 191,038,980 shares) and all shares are in cash.

11. Share premium

The share premium represents increase of the cash collected for the nominal value of shares of the issued capital, which is not distributable except to the extent stated by law.

12. Statutory reserve

In accordance with the Companies' Law, as amended, and the Parent Company's Articles of Association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount. No transfer to statutory reserve was made because of the accumulated losses incurred.

13. Voluntary reserve

In accordance with the Parent Company's articles of association, a percentage is transferred to the voluntary reserves as proposed by the board and approved by the general assembly. This transfer was stopped by a resolution of the general assembly of shareholders based on a proposition from the board of directors. No transfer to voluntary reserve was made because of the accumulated losses incurred.

14. Treasury shares

	2014	2013
Number of shares (No's)	2,910,761	2,910,761
Percentage of issued shares (%)	2.05	2.05
Market value (KD)	107,698	200,842
Cost (KD)	1,452,034	1,452,034

15. Murabaha payables

	2014	2013
	KD	KD
Maturing within one year	18,528,501	19,509,163
Maturing after more than one year	-	3,662,299
	18,528,501	23,171,462

Murabaha payables are granted by local financial institutions. The average effective interest rate is 5% as at 31 December 2014 (31 December 2013: 5%)

On 27 March 2014, an offsetting and debt settlement contract was signed to one of the main creditors of the parent company of KD 3,000,000 against the parent company›s assignment of available for sale investments (note 6) for this party.

As a result, the Parent Company has achieved a discount in its favor of KD 148,836 resulting from this settlement which has been recorded in the consolidated statement of income for the year.

One of the banks that financed the Group has filed a case against the Group of a claim of KD 18,491,991 to return such finance. Till the date of the consolidated financial statements, this case was not resolved yet by the court. The Group has reversed the finance charges charged to the consolidated statement of income of KD 1,037,144 as the plaintiff bank did not claim this amount.

16. Purchase of land payables

This item represents the value of due on purchase of land in Jebel Ali area in United Arab Emirates.

17 . Provision for employee' end of service indemnity

	2014	2013
	KD	KD
Balance at 1 January	487,390	437,921
Charged on statement of income	176,358	83,028
Paid	(118,220)	(33,559)
Balance at 31 December	545,528	487,390

18. Payables and other credit balances

	2014	2013
	KD	KD
Trade payables	1,149,619	1,194,092
Accrued expenses and leave	149,220	157,717
Third party insurance	116,011	92,738
Other credit balances	106,323	90,698
	1,521,173	1,535,245

19. Related parties transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Group's management. Related parties transactions are as follows:

	2014	2013
	KD	KD
Consolidated statement of financial position:		
Investments at fair value through statement of income	1,071,000	1,149,750
Available for sale investments	1,477,980	1,586,655
Consolidated statement of income		
Senior managements' benefits and salaries	245,183	236,935
Portfolio management fees	5,405	960
Management and maintenance contract income	84,549	33,349

20. Disposal of a subsidiary

On 14 October 2014 the Parent Company sold one of its subsidiaries owned by 99% – National Vision for General Trading and Contracting Company W.L.L. The financial statements of the subsidiary was consolidated till disposal date (14 October 2014).

The statement of financial position of the subsidiary at the date of sale is as follows:

	14 October 2014
	KD
Net assigned liabilities as at sale date	2,512
Disposal of subsidiary sale amount	4,250
Profit on disposal of a subsidiary	6,762

21. General and administrative expenses

	2014	2013
	KD	KD
Senior managements' benefits and salaries	245,183	236,935
Staff costs	467,209	442,705
Depreciation	-	302
Other	241,243	228,282
	953,635	908,224

22. Basic earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the net earnings/(loss) for the year attributable to the Parent Company owners by the weighted average number of ordinary shares outstanding during the year taking into account treasury shares, as follows:

	2014	2013
Net profit/(loss) for the year attributable to owners of the Parent Company (KD)	692,258	(7,904,951)
Weighted average number of outstanding shares (share)	188,128,219	188,128,219
Basic earnings/(loss) per share (fils)	3.68	(42.02)

23. Operating segments

Operating segments are identified on the basis of internal reports about the Group's components which are regularly reviewed by the chief operating decision maker in order to assess its performance. The management has classified the Group's products and services into the following operational segments according to the IFRS 8: Operating Segments":

- Real Estate Management
- Supervision management
- Investment properties
- Financial investments
- Other

The inter transactions between operating segments are priced at cost. Only the operating segments revenues from external clients are stated, whereas the inter transactions between these segments are excluded. The operating segments profit represents the profit realized from each segment without distributing the general and administrative expenses and other expenses according to the policy adopted in preparing and submitting the internal reports to the chairman and the managing director to take operating decision.

23. Operating segments (Continued)

	Revenues from operating segments		Operating segments profits/(losses)	
	2014	2013	2014	2013
	KD	KD	KD	KD
Real Estate Management	460,338	243,095	323,823	210,695
Supervision Management	53,367	55,250	17,192	16,692
Real estate investments	(413,966)	3,844,103	(413,966)	(3,882,655)
Financial investments	713,793	1,385,652	711,084	(2,346,078)
	813,532	5,528,100	638,133	(6,001,346)
Other	2,709	2,724	2,709	2,724
	816,241	5,530,824	640,842	(5,998,622)
General and administrative expenses			(953,635)	(908,224)
Write back of unclaimed finance charges/(finance charges)			1,037,144	(1,183,102)
Zakat and NLST			(23,924)	-
Net profit/(loss) for the year			700,427	(8,089,948)

The following is the analysis of assets and liabilities of operating segments for the purposes of monitoring segment performance and allocation of resources among them:

	As at 31 December	
	2014	2013
	KD	KD
Assets		
Real estate management	110,542	106,489
Supervision management	148,932	156,959
Real estate investments	13,187,948	13,955,082
Financial investments	19,957,440	24,070,457
	33,404,862	38,288,987

	As at 31 December	
	2014	2013
	KD	KD
Liabilities		
Real estate management	119,818	102,589
Supervision management	2,140	27,360
Real estate investments	8,644,476	8,789,500
Financial investments	14,158,192	18,604,072
	22,924,626	27,523,521

23. Operating segments (Continued)

Geographical segments:

	Assets		Profits/(losses)	
	2014	2013	2014	2013
	KD	KD	KD	KD
State of Kuwait	20,153,995	23,052,813	53,205	(1,660,978)
Outside the State of Kuwait	13,250,867	15,236,174	587,637	(4,337,644)
	33,404,862	38,288,987	640,842	(5,998,622)

24. Financial instruments

a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debt and or sell assets to reduce debt.

Consistent with the industry norm, the Group monitors capital on the basis of percentage of borrowing rate, which is calculated by net borrowing value divided by total invested capital. Net debt is calculated as total borrowings (murabaha payables) less cash and cash equivalents. Total invested capital is calculated by total equity and net borrowing.

Gearing ratio

	2014	2013
	KD	KD
Murabaha payables	18,528,501	23,171,462
Cash and cash equivalents	(3,434,909)	(3,060,685)
Net lending	15,093,592	20,110,777
Equity attributable to owners of the Parent Company	8,620,590	8,767,867
Capital invested	23,714,182	28,878,644
Gearing ratio	63.65%	69.64%

24. Financial instruments (Continued)

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk are monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate. The maximum credit risk exposure is not materially different from the carrying values in the consolidated statement of financial position.

c) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consists principally of investments at fair value through statement of income and available for sale investments. The Group manages this risk by diversifying its investments on the basis of the pre- determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	2014			2013		
	Change in equity price	Effect on consolidated statement of income	Effect on the consolidated statement of income and other comprehensive income	Change in equity price	Effect on consolidated statement of income	Effect on the consolidated statement of income and other comprehensive income
	%	KD	KD	%	KD	KD
Investments at fair value through statement of income	±5	81,754	-	±5	91,145	-
Available for sale investments	±5	-	720,660	±5	-	955,144

24. Financial instruments (Continued)

d) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management monitors the positions on a daily basis to ensure positions are maintained within established limits

The effect on profit (due to change in the fair value of net assets), as a result of change in currency rate, with all other variables held constant is shown below:

	2014	2013
	KD	KD
Saudi Riyal	9,213,053	10,330,444
United Arab Emirates Dirham	854,106	1,166,309
US Dollar	370,712	522,358
Bahrain Dinar	501,729	917,413
Omani Riyal	124,034	596,463

Assuming an increase in foreign exchange by 5%, the statement of income shall be affected by an amount of KD 553,182 for the year ended 31 December 2014 (KD 676,649 for the year ended 31 December 2013).

e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's undiscounted financial liabilities based on contractual undiscounted repayment obligations.

31 December 2014	Within months	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	-	-	18,528,501	-	-	18,528,501
Payables and other credit balances	-	-	1,521,173	-	-	1,521,173
Purchase of land payables	-	-	-	2,329,424	-	2,329,424
Provision for employees' end of service indemnity	-	-	-	-	545,528	545,528
Total liabilities	-	-	20,049,674	2,329,424	545,528	22,924,626

24. Financial instruments (Continued)

e) Liquidity risk (Continued)

31 December 2013	Within months	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	10,946	13,105	19,485,112	3,662,299	-	23,171,462
Payables and other credit balances	-	-	1,535,245	-	-	1,535,245
Purchase of land payables	-	-	-	2,329,424	-	2,329,424
Provision for employees' end of service indemnity	-	-	-	-	487,390	487,390
Total liabilities	10,946	13,105	21,020,357	5,991,723	487,390	27,523,521

f) Fair value of financial instruments

(i) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows.

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of financial assets (unquoted funds and bonds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with the acceptable pricing models.

(ii) Fair value measurements recognized in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

24. Financial instruments (Continued)

f) Fair value of financial instruments (Continued)

31 December 2014	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through profit or loss				
Unquoted equities	1,635,087	-	-	1,635,087
Available for sale investments				
Quoted equities	3,845,483	-	-	3,845,483
Unquoted equities	-	-	10,567,717	10,567,717
Total	5,480,570	-	10,567,717	16,048,287

31 December 2013	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through profit or loss				
Shares in quoted financial portfolios	1,822,897	-	-	1,822,897
Available for sale investments				
Quoted equities	5,184,548	-	-	5,184,548
Unquoted equities	-	-	13,918,326	13,918,326
Total	7,007,445	-	13,918,326	20,925,771

25. Shareholders general assembly

The board of directors has recommend to the Parent Company's General Assembly meeting of the shareholders to be held on 18 May 2015 not to distribute dividends for the year ended 31 December 2014.

On 11 May 2014, the Parent Company's General Assembly of shareholders approved the financial statements for the year ended 31 December 2013 and not distributing dividends for the this financial year.

26. Contingent commitments and liabilities

	2014	2013
	KD	KD
Capital commitments		
Bank guarantees	1.198,590	1,292,590

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