SOKOUK HOLDING COMPANY K.S.C.P
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

Member of The International Accounting Group
P.O. Box 27387 Safat
13134 – State of Kuwait
Telephone: (965) 22423415
Facsimile : (965) 22423417

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOKOUK HOLDING COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

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' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's 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.

EY
Building a better working world

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOKOUK HOLDING COMPANY K.S.C.P. (continued)

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 its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the Company's Articles of Association and Memorandam of Incorporation, 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, as amended, or of the Company's Articles of Association and Memoramdon of Incorporation, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Company or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2014 that might have had a material effect on the business of the Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

ALI OWAID RUKHAEYES
LICENCE NO. 72A
MEMBER OF THE INTERNATIONAL
ACCOUNTING GROUP

28 January 2015
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
INCOME			
Income from investment properties	4	**403,177**	564,672
Net investment income	5	**205,534**	261,702
Share of results of associates	9	**4,454,299**	6,883,455
Foreign exchange gain		**78,470**	350,381
Gain on sale of non-current assets held for sale		**8,616**	-
Management fees income		**107,864**	108,120
Other income		**73,793**	162,070
		5,331,753	8,330,400
EXPENSES			
Staff costs		**(1,027,749)**	(665,948)
Administrative expenses		**(305,676)**	(288,226)
Reversal of impairment loss on property and equipment	10	**755,627**	978,213
Net write-back of provisions / impairment losses	6	**775,486**	10,667,368
Finance costs		**(424,673)**	(389,689)
		(226,985)	10,301,718
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), PROVISIONS FOR NLST, ZAKA AND BOARD OF DIRECTORS' REMUNERATION		**5,104,768**	18,632,118
KFAS		**(8,797)**	(77,394)
NLST		**(1,848)**	(17,715)
Zakat		**(739)**	(7,062)
Board of directors' remuneration	13	**(80,000)**	(130,000)
Reversal of board of directors' remuneration for 2012		**-**	35,000
PROFIT FOR THE YEAR		**5,013,384**	18,434,947
Attributable to:			
Equity holders of the Company		**5,012,348**	18,229,169
Non-controlling interests		**1,036**	205,778
		5,013,384	18,434,947
Basic and diluted earnings per share attributable to equity holders of the Company	3	**9 fils**	33 fils

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	*2014* *KD*	*2013* *KD*
PROFIT FOR THE YEAR		**5,013,384**	18,434,947
OTHER COMPREHENSIVE INCOME:			
Other comprehensive (loss) income to be reclassified to consolidated statement of income in subsequent periods:			
Change in fair value of financial assets available for sale		**(12,717)**	113,346
Foreign currency translation adjustments		**93,325**	(422)
Share of other comprehensive income of associate		**-**	4,597
Net other comprehensive income for the year to be reclassified to statement of income in subsequent periods		**80,608**	117,521
Other comprehensive income for the year reclassified to consolidated statement of income:			
Net gain recycled to consolidated statement of income on sale of financial assets available for sale	5	**(82,283)**	(78,392)
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(1,675)**	39,129
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,011,709**	18,474,076
Attributable to:			
Equity holders of the Company		**5,010,673**	18,268,298
Non-controlling interests		**1,036**	205,778
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,011,709**	18,474,076

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	*2014 KD*	*2013 KD*
ASSETS			
Cash and cash equivalents		**1,141,194**	1,100,439
Accounts receivables and prepayments	7	**9,191,168**	13,481,522
Sokouk utilization rights		**35,353**	140,842
Financial assets available for sale	8	**3,831,533**	6,011,861
Investment in associates	9	**57,447,977**	53,053,932
Property and equipment	10	**31,560,882**	27,392,747
Investment properties	11	**6,482,000**	2,161,000
Non-current assets held for sale	12	**1,500,022**	1,711,733
TOTAL ASSETS		**111,190,129**	105,054,076
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**56,490,000**	53,800,000
Statutory reserve	14	**2,895,475**	2,385,102
Voluntary reserve	14	**2,895,475**	2,385,102
Treasury shares	14	**(1,769,871)**	(1,769,871)
Effect of changes in other comprehensive income of associates		**(15,740)**	(15,740)
Foreign currency translation adjustments		**34,345**	(58,980)
Cumulative changes in fair value reserve		-	95,000
Retained earnings		**18,440,288**	17,138,686
Equity attributable to equity holders of the Company		**78,969,972**	73,959,299
Non-controlling interests		**1,158,999**	657,963
Total equity		**80,128,971**	74,617,262
Liabilities			
Islamic finance payables	15	**28,594,802**	27,001,663
Accounts payable and accruals	16	**2,233,031**	3,284,240
Employees' end of service benefits		**233,325**	150,911
Total liabilities		**31,061,158**	30,436,814
TOTAL EQUITY AND LIABILITIES		**111,190,129**	105,054,076

Mr. Ghanem Yousef Abdullah Al-Ghanem
Chairman

Mr. Feras Fahad Al Bahar
Chief Executive Officer

The attached notes 1 to 22 form part of these consolidated financial statements.

Sokouk Holding Company K.S.C.P and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity holders of the Company										
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Effect of changes in other comprehensive income of associates KD*	*Foreign currency translation adjustments KD*	*Cumulative changes in fair value reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
At 1 January 2014	53,800,000	2,385,102	2,385,102	(1,769,871)	(15,740)	(58,980)	95,000	17,138,686	73,959,299	657,963	74,617,262
Profit for the year	-	-	-	-	-	-	-	5,012,348	5,012,348	1,036	5,013,384
Other comprehensive income (loss) for the year	-	-	-	-	-	93,325	(95,000)	-	(1,675)	-	(1,675)
Total comprehensive income (loss) for the year	-	-	-	-	-	93,325	(95,000)	5,012,348	5,010,673	1,036	5,011,709
Non-controlling interest arising on increase in share capital of a subsidiary (Note 13)	-	-	-	-	-	-	-	-	-	500,000	500,000
Bonus shares (Note 13)	2,690,000	-	-	-	-	-	-	(2,690,000)	-	-	-
Transfer to reserves	-	510,373	510,373	-	-	-	-	(1,020,746)	-	-	-
At 31 December 2014	**56,490,000**	**2,895,475**	**2,895,475**	**(1,769,871)**	**(15,740)**	**34,345**	**-**	**18,440,288**	**78,969,972**	**1,158,999**	**80,128,971**
At 1 January 2013 (restated)	53,800,000	538,968	538,968	(1,769,871)	(20,337)	(58,558)	60,046	2,601,785	55,691,001	452,185	56,143,186
Profit for the year	-	-	-	-	-	-	-	18,229,169	18,229,169	205,778	18,434,947
Other comprehensive income (loss) for the year	-	-	-	-	4,597	(422)	34,954	-	39,129	-	39,129
Total comprehensive income (loss) for the year	-	-	-	-	4,597	(422)	34,954	18,229,169	18,268,298	205,778	18,474,076
Transfer to reserves	-	1,846,134	1,846,134	-	-	-	-	(3,692,268)	-	-	-
At 31 December 2013	53,800,000	2,385,102	2,385,102	(1,769,871)	(15,740)	(58,980)	95,000	17,138,686	73,959,299	657,963	74,617,262

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

OPERATING ACTIVITIES	Notes	*2014* *KD*	*2013* *KD*
Profit for the year before contribution to KFAS, NLST, Zakat and Board of Director's remuneration		**5,104,768**	18,632,118
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Change in fair value of investment properties	4	**(262,000)**	(161,450)
Net investment income	5	**(205,534)**	(261,702)
Share of results from associates	9	**(4,454,299)**	(6,883,455)
Reversal of impairment loss on property and equipment	10	**(755,627)**	(978,213)
Net write-back of provisions/ impairment losses	6	**(775,486)**	(10,667,368)
Finance costs		**424,673**	389,689
Gain on sale of non-current assets held for sale		**(8,616)**	-
Provision for employees' end of service benefits		**82,414**	33,633
Depreciation		**1,466**	-
		(848,241)	103,252
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		**3,758,077**	2,637,159
Sokouk utilisation rights		**102,965**	15,073
Investment properties		**(4,059,000)**	(2,584,550)
Accounts payable and accruals		**(642,593)**	(158,753)
Net cash flows (used in) from operating activities		**(1,688,792)**	12,181
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**-**	(279,768)
Proceeds from sale of financial assets available for sale		**1,243,504**	1,720,722
Proceeds from sale of non-current assets held for sale		**220,327**	-
Dividend received from associates		**445,471**	-
Additions to property and equipment	10	**(3,413,974)**	(5,463,639)
Dividends income received		**10,000**	77,650
Net cash flows used in investing activities		**(1,494,672)**	(3,945,035)
FINANCING ACTIVITIES			
Net movement in islamic finance payables		**3,648,892**	3,883,116
Finance costs paid		**(424,673)**	(389,689)
Net cash flows from financing activities		**3,224,219**	3,493,427
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**40,755**	(439,427)
Cash and cash equivalents at 1 January		**1,100,439**	1,539,866
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,141,194**	1,100,439

1 CORPORATE INFORMATION

The consolidated financial statements of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the board of directors on 28 January 2015.

The Company is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice - Real Estate Registration and Authentication Department on 23 August 1998 and registered in commercial register on 29 August 1998, and subsequent amendments there to. The Company's registered address is at P.O. Box 29110 Safat-Postal code 13152- State of Kuwait.

The Company is a subsidiary of Aref Investment Group S.A.K.P. ("Aref") ("the Parent Company"), a Kuwaiti share holding Company incorporated in the State of Kuwait and is listed on Kuwait Stock Exchange. Aref is a subsidiary of Kuwait Finance House K.S.C.P. ("the Ultimate Parent Company"), a registered Islamic Bank with Central Bank of Kuwait and its shares are listed on the Kuwait Stock Exchange.

The main activities of the Company are as follows:

- Ownership of shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% in such entities.
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
- Ownership of movable assets or real estates required to pursue the Company's activities within the limits acceptable by law.
- Utilizing available surplus funds by investing these funds in portfolios managed by specialized parties.

All activities are conducted in accordance with Islamic shareea'a.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of certain financial assets available for sale, investment properties and non-current assets held for sale.

The consolidated financial statements have been presented in Kuwaiti Dinar (KD), which is also the Company's functional currency.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries (investees which are controlled by the Company) as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The subsidiaries of the Company are as follows:

	Country of incorporation	Equity Interest as at 31 December 2014	2013
Gulf Real Estate Development House Co. K.S.C. (Closed)	Kuwait	**75%**	75%
Sokouk Investment Advisory Co.	Cayman Island	**100%**	100%
Sokouk Real Estate Co.- K.S.C. (Closed)	Kuwait	**96.52%**	96.52%
Gulf Money House for Money Collection- W.L.L.	Kuwait	**99%**	99%
Sokouk AI Aqlemiya Trading Co.-W.L.L.*	Kuwait	**99%**	99%
Sokouk AI Arabia Trading Co.-W.L.L.*	Kuwait	**99%**	99%
Sokouk AI Oula Trading Co.-W.L.L.*	Kuwait	**99%**	99%
Sokouk AI Kuwaitia Trading Co.-W.L.L.*	Kuwait	**99%**	99%
Sokouk AI ls!amia Trading Co.-W.L.L.*	Kuwait	**99%**	99%

*The Company's effective holding in these subsidiaries is 100%

2.3 CHANGE IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended standards and interpretation, applicable to the Group, and which are effective as of 1 January 2014:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICIES (continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements
Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from July 2014 are not expected to have material impact on the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its consolidated financial position or performance.

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

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15: Revenue from Contracts with customers
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

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 Group has defined benefit plans with contributions from employees or third parties.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payments are being made. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that in most of the revenue arrangements it is acting as a principal. The following specific recognition criteria must also be met before revenue is recognised:

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Gain or loss on sale of investment properties and investment securities
Gain or loss on sale of investment properties and investment securities is recognised when the sale transaction is consummated.

Sale of sokouk
Sales of sokouk represent the total contracts' value of sokouk sold during the year. Revenue from sale of sokouk is recognized when significant risks and rewards of ownership of sokouk are transferred to the buyer.

Dividend income
Dividend income is recognized when the right to receive the payment is established.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing Costs (continued)
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of income in the period in which they are incurred.

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

National Labour Support Tax (NLST)
National Labor Support Tax is calculated at 2.5% of the profit of the Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration in accordance with Law No. 19/2000 and Ministerial resolution No. 24/2006 and their executive regulations.

Zakat
Zakat is calculated at 1% of the profit of the Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration in accordance with Law No. 46/2006 and Ministry of Finance resolution No. 58/2007 and their executive regulations.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, loans and receivables, financial assets available for sale, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The Group's financial assets include cash and cash equivalents, accounts receivable, amounts due from related parties and financial assets available for sale.

Cash and cash equivalents
For purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances, short term deposits and mudaraba deposits. Mudaraba deposits represents an agreement whereby the Group gives certain amount of cash to another party to be invested according to specific conditions in return for certain fee. Mudaraba deposits are stated at amortized cost using the effective yield method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)
Accounts receivable
Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

Financial assets available for sale
Financial assets available for sale include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the consolidated statement of income.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)
Financial assets available for sale
For available for sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include account's payable, due to financial institutions, murabaha payables and amounts due to related parties.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification, as described below:

Due to financial institutions and murabaha payables
Due to financial institution and murabaha payables represents financing agreements whereby the Company takes certain amount of cash from other parties, and invests it according to specific conditions in return for certain fee (percentage of the amount invested). Finance charges are accounted on a time proportion basis.

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

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on soukouk utilisation rights, are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidation statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Sokouk utilisation rights
Sokouk utilisation rights represent sokouks that are held by the Company either for trading purposes or to keep as long term investment, and are stated at cost less impairment (if any).

Investment in associates
The Group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement of income and represents profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Property and equipment
Property and equipment represent cost of free hold land and subsequent cost incurred. The costs are capitalised and included as part of property and equipment and will be depreciated over the useful life of the property and equipment when the property under construction is completed.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of items of property and equipment and will be depreciated over the useful life of the property and equipment when the property under construction is completed.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Investment properties
Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuers.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement

Leases where the Group is a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Operating lease payments are recognised as expense on straight line basis over the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Increase in fair valuation should be recorded to a revaluation surplus within the consolidated statement of comprehensive income. If a revaluation increase reverses a revaluation decrease that was previously recognised as an expense, it may be credited to the consolidated statement of income. Decreases in valuation should be charged to consolidated statement of income, except to the extent that they reverse an existing revaluation surplus.

Leases where the Group is a lessor
Leases where the Group doesn't transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they have earned.

Non-current assets held for sale
Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered 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.

In the consolidated statement of the income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the consolidated statement of income.

Non-current assets classified as held for sale are not depreciated or amortised.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
The Group's consolidated financial statements are presented in Kuwait Dinars, which is also the Company's functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the respective entity's income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies
The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Fair values measurement
The Group measures financial instruments and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values measurement (continued)

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

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

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

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

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

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

Employees' end of service benefits

The Group provides end of service benefits to its employees under the Kuwait labour law. The entitlement to these benefits is usually based upon the employees' length of service. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the government scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

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

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

The management classifies real estate as property under development if it is acquired with the intention of development.

The management classifies real estate as investment property or leasehold property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Provision for doubtful debts
The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

Classification of investments
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

Impairment of investments
The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

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

Fair value of unquoted equity investments
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provision for doubtful debts and sokouk utilisation rights
The extent of provision for doubtful debts and soukouk utilisation rights involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of sokouk utilisation rights is written down to their net realizable value when the sokouk utilisation rights are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and sokouk utilisation rights are subject to management approval.

Useful lives of property and equipment
Management of the Company assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Valuation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. For the investment property the valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

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

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

The Company did not have any diluted shares as at 31 December 2014 and 31 December 2013.

The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2014 ***KD***	*2013* *KD*
Profit for the year attributable to equity holders of the Company Company	**5,012,348**	18,229,169
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year	**544,424,685**	544,424,685
Basic and diluted earnings per share	**9 fils**	33 fils

Basic and diluted earnings per share for the year ended 31 December 2013 was 35 fils, before retrospective adjustment to the number of shares following the bonus issue (Note 14).

4 INCOME FROM INVESTMENT PROPERTIES

	2014 *KD*	*2013* *KD*
Rental income	**159,923**	129,684
Cost of rental income	**(18,746)**	(58,778)
Change in fair value of investment properties	**262,000**	161,450
Gain on sale of investment properties	**-**	332,316
	403,177	564,672

5 NET INVESTMENT INCOME

	2014 *KD*	*2013* *KD*
Realised gain on sale of financial assets available for sale – quoted	**82,283**	78,392
Realised gain on sale of financial assets available for sale – unquoted	**113,251**	105,660
Dividend income	**10,000**	77,650
	205,534	261,702

6 NET WRITEBACK OF PROVISIONS / IMPAIRMENT LOSSES

	2014 *KD*	*2013* *KD*
Write-back of provision on settlement of amounts due from related parties	**1,773,115**	12,464,906
Write-back of provision on receivables relating to sale of sokouk utilisation rights	**66,580**	-
Impairment loss on financial assets available for sale (Note 8)	**(672,358)**	(193,760)
Provision on amounts due from related parties	**-**	(1,000,000)
Provision on other accounts receivables	**(389,327)**	(573,033)
Provision on sokouk utilisation rights	**(2,524)**	(30,745)
	775,486	10,667,368

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 *KD*	*2013* *KD*
Accounts receivable	**1,041,006**	1,037,822
Receivable on sale of sokouk utilisation rights	**581,541**	651,669
Other receivables	**158,944**	86,644
Amounts due from related parties (Note 13)	**1,106,328**	3,931,471
Advance paid towards purchase of sokouk utilisation rights*	**7,284,200**	7,284,200
Advance paid to contractors for development of property and equipment	**2,789,079**	2,614,318
Receivables from sale of investment property	**-**	2,480,000
Receivables from redemption of financial assets available for sale	**-**	847,590
Less: Provisions	**(3,769,930)**	(5,452,192)
	9,191,168	13,481,522

* Advance paid towards purchase of sokouk utilisation rights represent amount paid by the Group for the purchase of real estate sokouks in a property located in the Kingdom of Saudi Arabia which is under development as at reporting date.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

The movement of provisions is as follows:

	2014 *KD*	*2013* *KD*
Balance at the beginning of the year	**5,452,192**	17,206,164
Charge for the year	**389,327**	1,573,034
Less: write back during the year (Note 6)	**(1,839,695)**	(12,464,906)
Less: Write-offs during the year	**(231,894)**	(862,100)
Balance at the end of the year	**3,769,930**	5,452,192

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	2014 *KD*	*2013* *KD*
Managed quoted portfolios	**-**	1,189,346
Unquoted equity securities	**3,831,533**	4,822,515
	3,831,533	6,011,861

Unquoted equity securities with a carrying value of KD 3,831,533 (2013: KD 4,822,515) are carried at cost because the fair value cannot be reliably determined. At the reporting date, the management has carried out a detail review of these investments, based on the guidance of investments classified in Level 3 of the fair value hierarchy, to assess whether there is objective evidence that these investments are impaired, and as a result, recorded an impairment loss amounting to KD 672,358 (2013: KD 193,760) in the consolidated statement of income (Note 6).

9 INVESTMENTS IN ASSOCIATES

Details of the Group's associates are as follow:

		Equity interest		*Carrying value*	
Name of company	***Country of Incorporation***	***2014 %***	*2013 %*	***2014 KD***	*2013 KD*
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")	Kuwait	**27.67**	27.67	**20,181,040**	17,423,274
Mas Holding Company - K.S.C.(Closed) ("MAS Holding")*	Kuwait	**-**	40	**-**	-
Joint Venture – Qitaf ("Qitaf JV")*	Kuwait	**36.43**	17.15	**3,887,240**	1,763,607
The Zamzam 2013 JV ("Zamzam JV")**	Kuwait	**23.61**	24.77	**33,379,697**	33,867,051
				57,447,977	53,053,932

The following table illustrates summarised financial information of the Group's investment in its associates:

	Munshaat ***KD***	**Qitaf JV** ***KD***	**ZamZam JV** ***KD***	***2014 KD***	*2013 KD*
Non-current assets	**104,935,057**	**11,481,537**	**128,149,600**	**244,566,194**	242,192,859
Current assets	**27,962,396**	**339,289**	**22,331,893**	**50,633,578**	48,496,795
Non-current liabilities	**(3,711,546)**	**(639,045)**	**-**	**(4,350,591)**	(5,495,258)
Current liabilities	**(43,836,955)**	**(513,527)**	**(5,376,674)**	**(49,727,156)**	(66,497,127)
Non-controlling interests	**(5,713,713)**	**-**	**-**	**(5,713,713)**	(4,736,546)
Net assets attributable to the share holders of the associates	**79,635,239**	**10,668,254**	**145,104,819**	**235,408,312**	213,960,723
Proportion of the Group's ownership	**27.67%**	**36.43%**	**24.77%**		
Group's share in the equity	**22,035,073**	**3,887,240**	**35,942,463**	**61,864,776**	53,053,932
Associates' results for the year					
Revenue	**8,064,735**	**1,327,246**	**23,511,443**	**32,903,424**	23,653,782
Results for the year	**11,576,571**	**(4,629)**	**4,858,446**	**16,291,684**	29,674,903
Group's share of results for the year	**3,203,237**	**47,625**	**1,203,437**	**4,454,299**	8,225,055
Other adjustments	**-**	**-**	**-**	**-**	(1,341,600)
Net share of results	**3,203,237**	**47,625**	**1,203,437**	**4,454,299**	6,883,455
Group's share of associates' other comprehensive income for the year	**-**	**-**	**-**	**-**	4,597

9 INVESTMENTS IN ASSOCIATES (continued)

The market value of investment in Munshaat Real Estate Projects Company- K.S.C.P. as at 31 December 2014 is KD 10,157,104 (2013: KD 13,899,194).

Other adjustments for the previous year represents the realised portion of gain on downstream transaction that was eliminated at the time of transfer of leasehold property to Zamzam.

*During the year ended 31 December 2014, the Company had entered into a settlement agreement with its associates (Mas Holding Company - K.S.C.(Closed) ("MAS Holding") and Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat") to settle amounts due from ("MAS Holding"), net of provision of KD 524,989. Pursuant to the settlement agreement, the Company transferred its equity interest of 40% in ("MAS Holding") which were fully impaired in prior years to Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat") and received cash of KD 315,459 in addition to equity interest of 19.28% in Joint Venture – Qitaf ("Qitaf JV") with total amount of KD 1,982,645 based on the net asset value of Qitaf fund which represents its fair value on 1 October 2014. Accordingly, the Company has reversed the provision of KD 1,773,115 on settlement of amounts due from associate in the consolidated statement of income (Note 6).

**On 31 December 2014, the Company has transferred 1.16% in Zamzam 2013 JV ("Zamzam JV") with carrying value of KD 1,690,753 representing the fair value of its equity interest as at 31 December 2014, to the Parent Company against settlement of murabaha payables to the Parent Company amounting to KD 1,690,753 (2013: KD Nil).

10 PROPERTY AND EQUIPMENT

	Land *KD*	*Furniture, fixtures and office equipment* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:				
At 1 January 2014	10,297,000	-	17,095,747	27,392,747
Additions	-	5,911	3,408,063	3,413,974
Reversal of impairment loss	-	-	755,627	755,627
At 31 December 2014	**10,297,000**	**5,911**	**21,259,437**	**31,562,348**
Depreciation:				
At 1 January 2014	-	-	-	-
Charge for the year	-	1,466	-	1,466
At 31 December 2014	**-**	**1,466**	**-**	**1,466**
Net carrying amount				
At 31 December 2014	**10,297,000**	**4,445**	**21,259,437**	**31,560,882**

10 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Furniture, fixtures and office equipment* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:				
At 1 January 2013	10,297,000	-	10,653,895	20,950,895
Additions	-	-	5,463,639	5,463,639
Reversal of impairment loss	-	-	978,213	978,213
At 31 December 2013	10,297,000	-	17,095,747	27,392,747
Depreciation:				
At 1 January 2013	-	-	-	-
Charge for the year	-	-	-	-
At 31 December 2013	-	-	-	-
Net carrying amount				
At 31 December 2013	10,297,000	-	17,095,747	27,392,747

Property and equipment represent cost of free hold land, subsequent costs incurred, payments to subcontractors to construct and payments for capital work in progress for a hotel in Kuwait.

Cumulative borrowing costs amounting to KD 2,703,197 (2013: KD 2,134,593) has been capitalised as additions to property and equipment.

Property and equipment of KD 31,556,437 (2013: KD 27,392,747) is mortgaged as collateral against Islamic finance payables (Note 15).

11 INVESTMENT PROPERTIES

	2014 ***KD***	*2013* *KD*
Balance at the beginning of the year	**2,161,000**	-
Additions	**4,059,000**	4,147,234
Disposal	**-**	(2,147,684)
Change in fair value during the year	**262,000**	161,450
As at 31 December	**6,482,000**	2,161,000

Investment properties comprise of residential buildings located in Kuwait.

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who specialised in valuing these types of investment properties. One of these valuers is a local bank who has valued the investment properties using "Yield Method" and the other is a local reputable accredited valuer who has valued the investment properties using the combination of the market comparison approach for the land and cost approach for the construction work executed to date. For the valuation purpose, the Company has selected the lower of these two valuations, as required by the local regulatory requirements.

11 INVESTMENT PROPERTIES (continued)

Investment properties are mortgaged as collaterals against Islamic finance payables amounting to KD 3,012,162 (2013: KD 1,922,162) (Note 15).

Fair value hierarchy
The fair value measurement of investment properties has been categorised as level 3 fair value based on inputs to the valuation technique used.

The significant assumptions used in the valuations are set out below:

2014	*Kuwait*
Estimated market price for the land (per sqm) (KD)	**1,900**
Construction costs (per sqm) (KD)	**128**
Average monthly rent (per sqm) (KD)	**4**
Yield rate	**7.3%**
Occupancy rate	**100%**

2013	*Kuwait*
Estimated market price for the land (per sqm) (KD)	1,750
Construction costs (per sqm) (KD)	149
Average monthly rent (per sqm) (KD)	4
Yield rate	6.58%
Occupancy rate	100%

Based on 5% increase/decrease in average market prices (per sqm), the value of the investment properties would increase/decrease by KD 101 (2013: 95) per sqm which would impact the consolidated statement of income with total amount of KD 276,117 (2013: KD 91,205).

12 NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2012, the Group received joint ownership in lands as part of the final settlement of Wakala investment. The Group's share in the jointly owned lands is KD 1,500,022 (2013: KD 1,711,733). The joint ownership in lands has been accounted as non-current assets held for sale since the joint owners of the lands have decided to sell the lands.

Group was unable to complete the sale of the joint ownership in land within a period of one year from the date of classification as non-current assets held for sale due to lack of demand. However, the joint owners are committed to a plan to sell the land in its present location and condition and are actively engaged in a programme to locate a buyer and complete the sale within one year from the reporting date at a reasonable price. Accordingly management has continued to classify the joint ownership in land as non-current asset held for sale.

13 RELATED PARTY TRANSACTIONS

Related parties represent Parent Company, Ultimate Parent Company, major shareholders, associates, joint ventures, directors and key management personnel of the Group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Company's management.

13 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties included in the consolidated financial statements are as follows:

	Parent Company/Ultimate Parent Company KD	*Associates KD*	*Others KD*	***2014 KD***	*2013 KD*
Consolidated statement of income:					
Finance costs	370,019	-	-	**370,019**	389,689
Provision against amounts due from related parties	-	-	-	-	(1,000,000)
Writeback of provision against amounts due from related parties	-	1,773,115	-	**1,773,115**	12,464,906
Realised gain on sale of financial assets available for sale	140,000	-	-	**140,000**	
Other income	642	-	-	**642**	85,583

	Parent Company/Ultimate Parent Company KD	*Associates KD*	*Others KD*	***2014 KD***	*2013 KD*
Consolidated statement of financial position:					
Financial assets available for sale managed by related party	-	-	-	-	1,189,346
Amounts due from related parties	-	1,106,328	-	**1,106,328**	3,931,471
Amounts due to related parties	115,586	-	372,697	**488,283**	995,752
Islamic finance payables	26,594,802	-	-	**26,594,802**	25,079,501
Other transactions					
Acquisition of investment in an associate	-	-	-	-	33,925,130
Financial assets available for sale	-	-	-	-	337,500

Amounts due from/ due to related parties are receivables/ payables on demand and do not carry any profit.

Amounts due from related parties are stated net of provision amounting to KD 80,523 (2013: KD 2,162,919).

During the year ended 31 December 2014, a subsidiary of the Company has increased its share capital by KD 2,000,000 in kind against amounts due to the subsidiary's shareholders. The Group's participation in the share capital increase is KD 1,500,000, whereas participation of non-controlling interests (a related party) is KD 500,000. This has resulted in reduction in amounts due to related party and increase in non-controlling interests by KD 500,000.

During the year, the Company has settled Islamic finance payables to the Parent Company amounting to KD 2,055,753 (2013: KD Nil) by transferring 1.16% of its ownership in Zamzam 2013 JV amounting to KD 1,690,753 representing the fair value as at 31 December 2014 and transfer financial assets available for sale of KD 365,000.

13 RELATED PARTY TRANSACTIONS (continued)

Key management compensation

	2014 *KD*	*2013* *KD*
Salaries and other short term benefits	**260,682**	341,886
End of service benefits	**35,544**	17,567
	296,226	359,453

Board of directors' remuneration of KD 80,000 for the year ended 31 December 2014 is subject to approval by the ordinary general assembly of the shareholders of the Company. Board of directors remuneration of KD 130,000 for the year ended 31 December 2013 was approved by the ordinary general assembly of the shareholders held on 29 April 2014.

14 EQUITY, RESERVES AND GENERAL ASSEMBLY

a) Share capital

Authorized, issued and fully paid-up capital amounting to KD 56,490,000 (2013: KD 53,800,000) consist of 564,900,000 (2013: 538,000,000) shares of 100 fils each, paid in cash.

The board of directors have recommended to distribute 5% bonus shares (2013: 5% bonus shares amounting to KD 2,690,000) for the financial year ended 31 December 2014 subject to being approved by the shareholders at the annual general meeting ("AGM"), the bonus shares shall be distributed to shareholders registered in the Company's recordsas of the AGM date.

The annual general assembly of the shareholders of the Company held on 29 April 2014 approved the consolidated financial statements for the year ended 31 December 2013, and approved the board of directors proposal for distribution of 5% bonus shares for the year ended 31 December 2013.

b) Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat should be transferred to the statutory reserve. The Company may discontinue such transfer when the reserve totals 50% of paid-up share capital. Distribution of the 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 dividend of that amount.

c) Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat should be transferred to voluntary reserve. The Company may resolve to discontinue such annual transfers in accordance with a resolution of the parent company's ordinary general meeting based on proposal submitted by the parent company's board of directors. The voluntary reserve is freely distributable except for the amount equivalent to the cost of treasury shares.

d) Treasury shares

	2014	*2013*
Number of treasury shares	**20,475,315**	19,500,152
Percentage of capital	**3.6%**	3.6%
Market value – KD	**1,248,994**	2,262,018
Weighted average market price – fils	**95**	117

An amount equal to the cost of treasury shares is not available for distribution from the voluntary reserve throughout the holding period of these treasury shares.

15 ISLAMIC FINANCE PAYABLES

Islamic finance payables represent facilities obtained from a local Islamic financial institutions and carry average profit rate ranging from 4.5% to 7.37% (2013: 4.5% to 7.37%) per annum.

Islamic finance payables amounting to KD 23,474,300 (2013: KD 18,989,038) are secured by the property and equipment of KD 31,556,437 (2013: KD 27,392,747) (Note 10) and investment properties of KD 6,482,000 (2013: KD 2,161,000) (Note 10).

During the year, the Company has settled Islamic finance payables to the Parent Company amounting to KD 2,055,753 (2013: KD Nil) by transferring 1.16% of its ownership in Zamzam 2013 JV amounting to KD 1,690,753 representing the fair value as at 31 December 2014 and transfer financial assets available for sale of KD 365,000.

As at 31 December 2014, Islamic finance payables are stated in the consolidated statement of financial position net of deferred profit amounting to KD 398,432 (2013: KD 2,705,212)

16 ACCOUNTS PAYABLE AND ACCRUALS

	2014 *KD*	*2013* *KD*
Due to contractors	**78,560**	309,379
Amounts due to related parties (Note 13)	**488,283**	995,752
Retention payable	**964,768**	1,370,137
Staff payables	**153,491**	89,619
Other payables	**547,929**	519,353
	2,233,031	3,284,240

17 SEGMENT INFORMATION

The Group primarily engages in real estate business activities and its primary basis for segmental reporting is geographical segments, which is subject to risks and rewards that are different from those of other segments.

The Group operates in three geographical markets: Domestic and International. The geographical analysis is as follows:

2014	*Real estate* *KD*	*Investment* *KD*	*Others* *KD*	*Total* *KD*
Segment revenue	411,793	4,659,833	260,127	5,331,753
Segment expenses	646,621	(988,025)	114,419	(226,985)
Segment results	1,058,414	3,671,808	374,546	5,104,768
Total assets	47,094,495	61,689,168	2,406,466	111,190,129
Total liabilities	21,505,466	8,132,664	1,423,028	31,061,158

17 SEGMENT INFORMATION (continued)

2013	*Real estate KD*	*Investment KD*	*Others KD*	*Total KD*
Segment revenue	564,672	7,145,157	620,571	8,330,400
Segment expenses	907,793	(543,774)	9,937,699	10,301,718
Segment results	1,472,465	6,601,383	10,558,270	18,632,118
Total assets	41,717,678	59,913,383	3,423,015	105,054,076
Total liabilities	20,775,876	8,012,625	1,648,313	30,436,814

18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity profile of undiscounted assets and undiscounted liabilities is as follows:

31 December 2014	***Within 1 year KD***	***1 to 5 years KD***	***Total KD***
ASSETS			
Cash and cash equivalents	**1,141,194**	-	**1,141,194**
Accounts receivable and prepayments	**4,439,096**	**4,752,072**	**9,191,168**
Sokouk utilization rights	-	**35,353**	**35,353**
Financial assets available for sale	-	**3,831,533**	**3,831,533**
Investment in associates	-	**57,447,977**	**57,447,977**
Property and equipment	-	**31,560,882**	**31,560,882**
Investment properties	-	**6,482,000**	**6,482,000**
Non-current assets held for sale	**1,500,022**	-	**1,500,022**
TOTAL ASSETS	**7,080,312**	**104,109,817**	**111,190,129**
LIABILITIES			
Islamic finance payables	**10,563,606**	**18,031,196**	**28,594,802**
Accounts payable and accruals	**2,233,031**	-	**2,233,031**
Employees' end of service benefits	-	**233,325**	**233,325**
TOTAL LIABILITIES	**12,796,637**	**18,264,521**	**31,061,158**

31 December 2013	*Within 1 year KD*	*1 to 5 years KD*	*Total KD*
ASSETS			
Cash and cash equivalents	1,100,439	-	1,100,439
Accounts receivable and prepayments	7,308,194	6,173,328	13,481,522
Sokouk utilization rights	-	140,842	140,842
Financial assets available for sale	-	6,011,861	6,011,861
Investment in associates	-	53,053,932	53,053,932
Property and equipment	-	27,392,747	27,392,747
Investment properties	-	2,161,000	2,161,000
Non-current assets held for sale	1,711,733	-	1,711,733
TOTAL ASSETS	10,120,366	94,933,710	105,054,076
LIABILITIES			
Islamic finance payables	5,784,829	21,216,834	27,001,663
Accounts payable and accruals	1,914,103	1,370,137	3,284,240
Employees' end of service benefits	-	150,911	150,911
TOTAL LIABILITIES	7,698,932	22,737,882	30,436,814

19 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

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 credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	2014 *KD*	*2013* *KD*
Cash and cash equivalents	**1,141,194**	1,100,439
Accounts receivables	**4,439,096**	8,340,122
	5,580,290	9,440,561

The figures above show the maximum exposure to credit risk before the effect of mitigation through the use of master netting and collateral agreements, if any.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the treasury department of the Company. To manage this risk, the Group periodically assesses the financial viability of customers and 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 liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities is as follows:

	Within 3 months KD	***3 to 12 months KD***	***1 to 5 Years KD***	***Total KD***
31 December 2014				
Islamic finance payables	**1,020,501**	**5,841,537**	**22,131,196**	**28,993,234**
Accounts payable and accruals	**895,250**	**363,013**	**974,768**	**2,233,031**
TOTAL LIABILITIES	**1,915,751**	**6,204,550**	**23,105,964**	**31,226,265**
31 December 2013				
Islamic finance payables	-	2,749,629	26,957,246	29,706,875
Accounts payable and accruals	995,752	918,351	1,370,137	3,284,240
TOTAL LIABILITIES	995,752	3,667,980	28,327,383	32,991,115

19 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as foreign exchange rates, interest rates and equity prices.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rates movements. The Group does not engage in foreign exchange trading and does not use derivative financial instruments. Where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate against Kuwaiti dinar, with all other variables held constant, on the Group's profit.

	2014			2013		
Currency	***Change in currency rate %***	***Effect on profit KD***	***Effect on other comprehensive income KD***	*Change in currency rate %*	*Effect on profit KD*	*Effect on other comprehensive income KD*
US Dollar	**+/-5**	**53,576**	**-**	+/-5	106,284	-

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk as financial assets and liabilities are Islamic financial instruments with fixed profit rates.

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Company. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on equity (as a result of a change in the fair value of non impaired financial assets available-for-sale at 31 December 2014) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2014		*2013*	
Market indices	***Change in equity price %***	***Effect on other comprehensive income KD***	*Change in equity price %*	*Effect on other comprehensive income KD*
Kuwait Stock Exchange	+/-5	-	+/-5	59,467

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not exposed to significant prepayment risk.

20 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This level also includes items whose fair values have been provided by reputable external fund managers; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2014	***Level 1 KD***	***Level 2 KD***	***Level 3 KD***	***Total KD***
Financial assets available for sale	-	-	-	-

2013	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Financial assets available for sale	1,189,346	-	-	1,189,346

There have not been any transfers between the levels of fair value hierarchy during the year.

Unquoted equity securities with a carrying value of KD 3,831,533 (2013: KD 4,822,515) are carried at cost because the fair value cannot be reliably determined.

Fair value of other financial instruments is not materially different for their carrying values at the reporting date.

21 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and financial position of the Group.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, due to financial institutions, murabaha payables, accounts payable and accruals, amounts due to related parties less cash and bank balances. Capital includes equity attributable to the equity holders of the Parent Company.

21 CAPITAL MANAGEMENT (continued)

	2014	*2013*
	KD	*KD*
Islamic finance payables	**28,594,802**	27,001,663
Accounts payable and accruals	**2,233,031**	3,284,240
Less: Cash and cash equivalents	**(1,141,194)**	(1,100,439)
Net debt	**29,686,639**	29,185,464
Equity attributable to the equity holders of the Parent Company	**78,969,972**	73,959,299
Capital and net debt	**108,656,611**	103,144,763
Gearing ratio	**27%**	28%

22 COMMITMENTS AND CONTINGENCIES

The Group had capital commitments towards construction contracts relating to property and equipment amounting to KD 174,689 (2013: 1,290,112).