الشـــركة الخليجيـــة المغاربيـــة القابضة

Gulf North Africa Holding Company

Annual Report 2014

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H.H. Sheikh
Nawaf Al-Ahmed Al-Jaber Al-Sabah
Crown Prince of The State of Kuwait

H.H. Sheikh
Sabah Al-Ahmed Al-Jaber Al-Sabah
Amir of The State of Kuwait

BOARD MEMBERS

Talal Jassim Al-Kharafi
Chairman

Dr. Foad Abdullah Al-Omar
Vice Chairman

Saud Abdullah Al-Osaimi
Member

Abdulrahman Hisham Al-Nesef
Member

Shaya Abdullah Al-Shaya
Member

Abdullah Ibrahim Al-Habib
Member

EXECUTIVE MANAGEMENT

Abdulaziz Jassem Al-Failakawi
Chief Executive Officer

Abdul Wahab Nabeel Al Oraifan
Head of Investment

May Sulaiman Al Fassam
Projects Department Head

Khalid G. Rabbani
Asst. Finance Manager

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of my fellow members of the Board of Directors of Gulf North Africa Holding Company, I am pleased to send you our regards and present to you the 9th Annual Report of the Company, highlighting the business operations and financial results for the year ending 31 December 2014.

The Company has continued over the past year to work on employing its strategy, which involved the restructuring of its investments and benefiting from its resources in order to fulfill its goal of making higher returns on capital. This in return has succeeded to year-on-year growth in revenue by 13.6% from KWD 913,794 in 2014 compared with KWD 803,852 in 2013. Net profit has reached KWD 409,567 in 2014 (2.82 fils per share) with a growth of 133% compared with KWD 176,502 in 2013 (1.21 fils per share). Total Assets have also seen a year-on-year growth of 9.6% to reach KWD 24,013,511. Total Shareholders' Equity has reached KWD 14,971,439 reporting a book value of 103 fils per share.

The Company has worked in consistence with the strategy and investment plan set out by its Board of Directors in order to achieve the best results possible. During 2014, the Company has exited from AlKhobar parcel in the Kingdom of Saudi Arabia as well as completing exit from Bati Sehir project in the Republic of Turkey.

As for the Company's current projects, works have commenced to develop a residential real estate project in the AlNada neighborhood in the heart of AlRiyadh. All related due diligence has been completed and it is expected that ground works will start in Quarter 2 of 2015. This will mark the Company's second real estate development in the Kingdom of Saudi Arabia. The Company has also invested in Emporia project in Turkey, which consists of a residential property on the Asian side of Istanbul.

In reference to Casablanca project in Syria, the Company has worked dedicatedly over the past few years to ensure the safety of the land plot as well as its proprietorship rights. In light of the current unfortunate market conditions, the Company continues to work closely with its legal advisor in order to guarantee the shareholders' rights until favorable security circumstances prevail. All developments are being followed in Syria, with the hope for improvement in the political and economic environment, which will pave the way for sale of land to interested potential investors for complete exit.

The Company is also acting on exiting Janzour real estate project in Libya by sale of land plot should the state of affairs improve in the country. Due to the current situation in Libya, real estate transactions have been restricted. Should the working environment improve, the Company aims to exit in the best possible opportunity.

As for Dream real estate project in Morocco, the Moroccan real estate market in 2014 has witnessed a significant depreciation in residential real estate assets due to the absent demand and decrease in transaction value for residential, investment and commercial properties across the country. Considering the state of the market, the Company has suggested that it is best to delay developing the project and further await when better market conditions prevail with the aim of exiting through sale of land should a suitable offer be present.

In conclusion, on behalf of the members of the Board of Directors, I express my sincere appreciation and gratitude to His Highness the Emir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Highness the Prime Minister Sheikh Jaber Mubarak Al-Hamad Al-Sabah on their patronage and ongoing support for the Kuwaiti economy.

I would also like to thank all the employees of the Company for their substantial efforts in the Company's growth and the implementation of its adopted strategy. We also appreciate our shareholders and investors for their continued support for the activities of the company and their contribution to investments in these difficult circumstances, which contributed to the preservation of the company's assets and its financial position. We ask Allah for reconciliation and success.

Best Regards,

Talal Jassim Al-Kharafi
Chairman

CURRENT PROJECTS

Al Nada Project
Riyadh - Kingdom of Saudi Arabia
Gulf Moroccan Company

The project idea is to purchase two plots of land in the area of AlNada in the heart of Riyadh in KSA on total area of 7,080 sqm and developing 24 residential villas. Each villa plot area will be 292 – 300 sqm with total built up area per villa to be 322 – 330 sqm. The Company will develop the project in partnership with Shumool Real Estate Company, given its proven track record in the real estate market in KSA.

CURRENT PROJECTS

Casablanca Project
Syria
Al-Sham Gulf Co Limited

The project comprises of developing a land area of 1.39 million sqm in Yabous, which lies 38 km west of the capital, Damascus and only 2 km from the Lebanese borders. The development objective is to provide a multi-use community with residential, commercial, and retail services serving both residents and travelers accessing the Damascus-Beirut Highway.

CURRENT PROJECTS

Janzour Project
Libya
Libyan General Trading Company

The project is a real estate development on a land plot of 17,575 sqm in the neighborhood of Janzour, which lies 16 km west of the heart of the capital, Tripoli. The development comprises of residential compound with retail space.

CURRENT PROJECTS

Dream Building Project
Bouznika - Morocco
Dream Building Company

The project idea revolves around developing a land area of 61,860 sqm in Bouznika, which lies between the cities of Casablanca and Rabat on the Atlantic Ocean into a touristic residential apartment compound with supporting amenities such as swimming pools, a fitness center and a hotel.

THE SHARIA REPORT
OF GULF NORTH AFRICA HOLDING CO.

Fatwa and Shariah Supervisory Board

For the period from 01/01/2014 to 31/12/2014

To: The Shareholders of Gulf North Africa Holding Co.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2014 to 31/12/2014. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

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

Our supervision included examining the contracts and procedures used by the

Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2014 to 31/12/2014. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

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

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

Peace, mercy and blessings of Allah be upon you.

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

Dr. Essa Zaki Essa

Shaira Committee Member

Dr. Ali Ibrahim Al-Rashed

Shaira Committee Member

AFFLIATE COMPANIES

Gulf North Africa Holding Company has established several companies, which continually help in carrying its businesses. These companies include:

Libyan General Trading Company

Al-Sham Gulf Holding Co.

Al-Sham Gulf Co. Limited

Moroccon North Africa Holding Co.

Al-Janzour Real Estate Co.

Al-Awras Gulf

Dream Building Co.

Gulf Moroccan Company

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الشـــركة الخليجيـــة المغاربيـــة القابضة
Gulf North Africa Holding Company

Gulf North Africa Holding Co. – KPSC and Subsidiaries
Kuwait

Consolidated financial statements and Independent auditors' report

31 December 2014

Independent auditors' report

To the shareholders of
Gulf North Africa Holding Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf North Africa Holding Company – Kuwaiti Public Shareholding Company and its Subsidiaries ("the group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the 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 Parent Company 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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

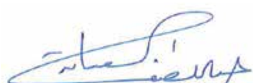
Opinion

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

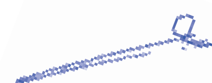
Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012 and its executive regulation, and by the Parent Company's articles and memorandum of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 nor of the Parent Company's and its executive regulation, articles and memorandum of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2014.



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



Rabea Saad Al-Muhanna
(Licence No. 152-A)
of Horwath Al-Muhanna & Co

Kuwait
11 March 2015

Consolidated statement of income

31 December 2014

	Notes	**Year ended 31 Dec. 2014 KD**	Year ended 31 Dec. 2013 KD
Revenue			
Management fees		**26,503**	49,134
Rental income-net		**183,159**	116,718
Gain on sale of investment properties		**-**	224,870
Gain on sale of properties under development	12	**306,036**	64,901
Gain on exchange of investment property	16	**93,463**	-
Change in fair value of investment properties		**136,125**	82,100
Change in fair value of investments at fair value through statement of income		**(9,010)**	(2,550)
Gain on redemption/sale of available for sale investments		**3,976**	231,053
Share of results of associate	14	**3,175**	(36,577)
Dividend income		**114,105**	41,825
Foreign exchange gain/(loss)		**43,902**	(30,756)
Profit from sukuks and other income		**12,360**	63,134
		913,794	803,852
Expenses and other charges			
General and administrative expenses	9	**(438,508)**	(447,902)
Depreciation		**(8,391)**	(15,804)
Finance costs		**(81,480)**	(27,866)
Impairment of available for sale investments	13	**-**	(161,695)
		(528,379)	(653,267)
Profit before NLST and ZAKAT		**385,415**	150,585
Provision for National Labour Support Tax (NLST)		**(10,611)**	(4,462)
Provision for Zakat		**(4,244)**	(1,785)
Profit for the year		**370,560**	144,338
Attributable to :			
Owners of the parent company		**409,567**	176,502
Non-controlling interests		**(39,007)**	(32,164)
Profit for the year		**370,560**	144,338
Basic and diluted earnings per share attributable to the owners of the parent company	10	**2.82 Fils**	1.21 Fils

The notes set out on pages 30 to 69 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

31 December 2014

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Profit for the year	**370,560**	144,338
Other comprehensive income:		
Items that will be reclassified subsequently to statement of income :		
Exchange differences arising on translation of foreign operations	**34,663**	(45,755)
Available for sale investments:		
- Net change in fair value arising during the year	**(61,758)**	(241,483)
- Transferred to consolidated statement of income on redemption/sale	**-**	(127,021)
- Transferred to consolidated statement of income on impairment	**-**	161,695
Total other comprehensive loss for the year	**(27,095)**	(252,564)
Total other comprehensive income /(loss) for the year	**343,465**	(108,226)
Total comprehensive income/(loss) attributable to:		
Owners of the parent company	**510,851**	448,481
Non-controlling interests	**(167,386)**	(556,707)
	343,465	(108,226)

The notes set out on pages 30 to 69 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

31 December 2014

	Notes	31 Dec. 2014 KD	31 Dec. 2013 KD
Assets			
Non-current assets			
Equipment		5,191	13,582
Investment properties	11	5,807,000	1,890,000
Properties under development	12	10,079,497	11,458,771
Advance for purchase of investment property	16	708,887	-
Available for sale investments	13	3,855,361	4,004,706
Investment in associate	14	954,116	950,941
		21,410,052	18,318,000
Current assets			
Due from related parties	15	209,091	194,300
Advance for purchase of investment property	16	-	603,977
Accounts receivable and other assets	17	228,586	189,604
Investments at fair value through statement income		39,300	48,310
Cash and cash equivalents	18	2,126,482	2,548,631
		2,603,459	3,584,822
Total assets		24,013,511	21,902,822
Equity and liabilities			
Equity			
Share capital	19	15,000,000	15,000,000
Treasury shares	20	(337,694)	(337,694)
Statutory reserve	21	751,821	751,821
Voluntary reserve	21	751,821	751,821
Foreign currency translation reserve		1,081,634	918,592
Fair value reserve		(288,897)	(227,139)
Accumulated losses		(1,987,246)	(2,485,720)
Total equity attributable to the owners of the parent company		14,971,439	14,371,681
Non-controlling interests	8.2	5,845,905	6,246,143
Total equity		20,817,344	20,617,824
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		24,925	24,902
Current liabilities			
Due to related parties	15	105,019	110,498
Ijara financing	22	2,858,000	895,000
Advances from customers		-	71,565
Accounts payable and other liabilities	23	208,223	183,033
		3,171,242	1,260,096
Total liabilities		3,196,167	1,284,998
Total equity and liabilities		24,013,511	21,902,822

Talal Jasem Mohammed Al-Khorafi
Chairman

Abdul Aziz Jassim Al-Failakawi
Chief Executive Officer

The notes set out on pages 30 to 69 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

31 December 2014

	Equity attributable to the owners of the parent company									
	Share capital	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2014	**15,000,000**	**(337,694)**	**751,821**	**751,821**	**918,592**	**(227,139)**	**(2,485,720)**	**14,371,681**	**6,246,143**	**20,617,824**
Acquisition of non-controlling interests (note 7)	-	-	-	-	-	-	88,907	88,907	(232,852)	(143,945)
Transactions with the owners	-	-	-	-	-	-	88,907	88,907	(232,852)	(143,945)
Profit/(loss) for the year							409,567	409,567	(39,007)	370,560
Other comprehensive income/(loss):										
Exchange differences arising on translation of foreign operations	-	-	-	-	163,042	-	-	163,042	(128,379)	34,663
Available for sale investments:										
- Net change in fair value arising during the year	-	-	-	-	-	(61,758)	-	(61,758)	-	(61,758)
Total other comprehensive income /(loss) for the year	-	-	-	-	163,042	(61,758)	409,567	510,851	(167,386)	343,465
Balance at 31 December 2014	**15,000,000**	**(337,694)**	**751,821**	**751,821**	**1,081,634**	**(288,897)**	**(1,987,246)**	**14,971,439**	**5,845,905**	**20,817,344**

The notes set out on pages 30 to 69 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

31 December 2014

	Equity attributable to the owners of the parent company									
	Share capital KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2013 (as previously reported)	**15,000,000**	**(337,694)**	**751,821**	**751,821**	**(84,791)**	**(20,330)**	**(3,169,794)**	**12,891,033**	**-**	**12,891,033**
Effect of IFRS 10 adoption	-	-	-	-	524,595	-	507,572	1,032,167	6,802,850	7,835,017
Balance at 1 January 2013 (restated)	**15,000,000**	**(337,694)**	**751,821**	**751,821**	**439,804**	**(20,330)**	**(2,662,222)**	**13,923,200**	**6,802,850**	**20,726,050**
Profit/ (loss)for the year	-	-	-	-	-	-	176,502	176,502	(32,164)	144,338
Other comprehensive income/(loss):										
Exchange differences arising on translation of foreign operations	-	-	-	-	478,788	-	-	478,788	(524,543)	(45,755)
Available for sale investments:										
- Net change in fair value arising during the year	-	-	-	-	-	(241,483)	-	(241,483)	-	(241,483)
- Transferred to consolidated statement of income on redemption/sale	-	-	-	-	-	(127,021)	-	(127,021)	-	(127,021)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	161,695	-	161,695	-	161,695
Total other comprehensive income /(loss) for the year	-	-	-	-	478,788	(206,809)	176,502	448,481	(556,707)	(108,226)
Balance at 31 December 2013	**15,000,000**	**(337,694)**	**751,821**	**751,821**	**918,592**	**(227,139)**	**(2,485,720)**	**14,371,681**	**6,246,143**	**20,617,824**

The notes set out on pages 30 to 69 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

31 December 2014

	Notes	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
OPERATING ACTIVITIES			
Profit for the year		**370,560**	144,338
Adjustments for:			
Depreciation		**8,391**	15,804
Dividend income		**(114,105)**	(41,825)
Profit on sale of investment properties		**-**	(224,870)
Change in fair value of investment properties		**(136,125)**	(82,100)
Gain on sale of investment properties under development		**(306,036)**	(64,901)
Gain on exchange of investment property		**(93,463)**	-
Gain on redemption /sale of available for sale investments		**(3,976)**	(231,053)
Impairment of financial assets available for sale		**-**	161,695
Share of results of associate		**(3,175)**	36,577
Provision for employees' end of service benefits		**8,696**	11,040
		(269,233)	(275,295)
Changes in operating assets and liabilities:			
Due from related parties		**(14,791)**	34,664
Accounts receivable and other assets		**71,128**	146,441
Advance for purchase of investment property		**(11,447)**	(344,135)
Investments at fair value through statement of income		**9,010**	2,550
Advances from customers		**(71,565)**	71,565
Due to related parties		**(5,479)**	742
Accounts payable and other liabilities		**25,190**	74,137
Cash used in operations		**(267,187)**	(289,331)
Employees' end of service benefits paid		**(8,673)**	(15,325)
Net cash used in operating activities		**(275,860)**	(304,656)
INVESTING ACTIVITIES			
Proceeds from redemption/sale of available for sale investments		**352,063**	1,244,047
Purchase of available for sale investments		**(260,500)**	-
Property under development		**(37,472)**	(3,119,832)
Purchase of investment properties		**(3,780,875)**	(1,807,900)
Proceeds from sale of investment property and property under development		**1,929,951**	2,726,158
Purchase of equipment		**-**	(2,891)
Dividend income received		**3,995**	41,825
Net cash used investing activities		**(1,792,838)**	(918,593)
FINANCING ACTIVITIES			
Ijara financing		1,963,000	895,000
Dividend paid		**-**	(8,225)
Acquisition of non controlling interests	7	**(143,945)**	-
Net cash from financing activities		**1,819,055**	886,775
Net impact of foreign currency translation adjustments		**(172,506)**	20,723
Decrease in cash and cash equivalents		**(422,149)**	(315,751)
Cash and cash equivalents at the beginning of the year	18	**2,548,631**	2,864,382
Cash and cash equivalents at the end of the year	18	**2,126,482**	2,548,631
Non-cash transaction			
Advance for purchase of investment property	16	603,977	-
Advance for purchase of investment property	16	**(603,977)**	-

The notes set out on pages 30 to 69 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Incorporation and activities

Gulf North Africa Holding Co. – KPSC (the Parent Company) was incorporated on 3 December 2005 as a Kuwaiti Public Shareholding Company. The General Assembly meeting for establishment of the Parent Company was held at the Ministry of Commerce and Industry on 14 December 2005. The Parent Company's shares were listed on the Kuwait Stock Exchange on 23 March 2010.

The main objectives of the parent company are as follows:

- Extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or royalties and any other property related thereto, and renting such properties to the others whether inside Kuwait or abroad.
- Acquisition of properties and buildings necessary to carry out the business activities as allowable by the law.
- Ownership of shares in Kuwaiti and foreign shareholding companies in addition to ownership of shares in Kuwaiti and foreign limited liability companies and the participation in the share capital of both types of companies including management, lending and guaranteeing against third parties.
- Utilizing excess funds through investing in financial portfolios managed by specialized companies and institutions.

The parent company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The parent company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The parent company has the right to establish, participate in or acquire such institutions.

The parent company's shares are listed on Kuwait Stock Exchange. The group comprises the parent company and its subsidiaries. Details of subsidiaries are set out in note 8.

In all cases, the Parent Company is governed in all its activities by Islamic Sharia'a and all activities which are in compliance of Islamic Sharia'a board are obligatory to the Parent Company.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013. On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

The address of the Parent Company's registered office is PO Box 4425, Safat 13045, State of Kuwait.

The consolidated financial statements of the group for the year ended 31 December 2014 were authorised for issue by the Parent Company's board of directors on 11 March 2015 and are subject to the approval of the General Assembly of the shareholders.

Notes to the consolidated financial statements

2. Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through statement of income, financial assets available for sale and investment properties that have been measured at fair value.

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

3. Statement of compliance

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

4. Changes in accounting policies

The accounting policies adopted in the preparation of the group's consolidated financial statements are consistent with those used in previous year except as discussed below:

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below:

Standard or Interpretation	Effective for annual periods beginning
IAS 32 Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
IFRIC 21 Levies	1 January 2014

IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

4. Changes in accounting policies (continued)

4.1 New and amended standards adopted by the group (continued)

IAS 36 Impairment of Assets - Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

The amendments have been applied retrospectively in accordance with their transitional provisions.

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

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

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

The adoption of the amendments did not result into any material impact on the group's consolidated financial statements.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through statement of income .

The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

IFRIC 21 Levies

IFRIC 21 clarifies that:

a. the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date

b. the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 is required to be applied retrospectively in accordance with its transitional provisions and had no material effect on the consolidated financial statements for any period presented.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

Notes to the consolidated financial statements

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	Effective for annual periods beginning
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations -Amendments	1 January 2016
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 19 Defined Benefit Plans: Employee Contributions -Amendments	1 July 2014
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

IFRS 9 Financial Instruments

The IASB has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting.

The group's management have yet to assess the impact of this new standard on the group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 11 Revenues and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
    - non-cash consideration and asset exchanges
    - contract costs
    - rights of return and other customer options
    - supplier repurchase options
    - warranties
    - principal versus agent
    - licencing
    - breakage
    - non-refundable upfront fees, and
    - consignment and bill-and-hold arrangements.

The group's management has yet to assess the impact of IFRS 15 on these consolidated financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Notes to the consolidated financial statements

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- Materiality: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity›s share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

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

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The groups' management have yet to assess the impact of these new standard on the group's financial statements.

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment is not expected to have any material impact to the group's consolidated financial statements.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The groups' management have yet to assess the impact of these new standard on the group's financial statements.

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- Exemption from preparing consolidated financial statements. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary providing services that relate to the parent's investment activities. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- Application of the equity method by a non-investment entity investor to an investment entity investee. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- Disclosures required. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The groups' management have yet to assess the impact of these new standard on the group's financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

i. Amendments to IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

ii. Amendments to IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2012–2014 Cycle (continued)

v. Amendments to IAS 9 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

vi. Amendments to IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

Annual Improvements to IFRSs 2010–2012 Cycle:

i. Amendments to IFRS 3-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of income.

ii. Amendments to IFRS 13- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

iii. Amendments to IFRS 8- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

iv. Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

v. Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

Annual Improvements 2011-2013 Cycle

i. Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented.

ii. Amendments to IFRS 3- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

iii. Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

iv. Amendments to IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property.

Notes to the consolidated financial statements

5. Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

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

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

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

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

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

5.2 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 payment is made. Revenue arises from the rendering of the services and it is measured by reference to fair value of consideration received or receivable. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Management fees

Management fees are recognised in proportion to the stage of completion of the transaction at reporting date.

5.2.2 Dividend income

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

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.2 Revenue recognition (continued)

5.2.3 Rental income

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

5.3 Operating expenses

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

5.4 Finance cost

Finance cost is recognised in the consolidated statement of income on a time proportion basis over the period of related liabilities.

5.5 Taxation

5.5.1 National Labour Support Tax (NLST)

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

5.5.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that 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.

5.5.3 Zakat

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

For the year ended 31 December 2014 and 31 December 2013, the group has no liability towards KFAS due to carry forward losses. Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior years is permitted.

5.5.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.6 Segment reporting

The group has two operating segments: local and international segments. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

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

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.7 Business combinations

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

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

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

5.8 Equipment

Equipment (comprising furniture and fixtures and computers) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

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

- Furniture and fixtures: 5 years
- Computers: 2 - 5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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

5. Significant accounting policies (continued)

5.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in consolidated statement of income within change in fair value of investment property.

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

5.10 Properties under development

Properties under development represent properties held for future use as investment properties and are initially measured at cost. Subsequently, Properties under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of income.

If the group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

5.11 Investment in associates

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

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the group's share of the income and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

Unrealised gains and losses on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

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

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

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.12 Financial instruments

5.12.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through statement of income which are measured initially at fair value.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- 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 risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

5.12.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through statement of income (FVTSI)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTSI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

- **Loans and receivables (continued)**

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The group categorises loans and receivables into following categories:

Accounts receivable and other assets

Receivables are stated at original invoice amount based on contractual agreement less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and saving accounts that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

Due from related parties

Due from related parties are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- **Financial assets at FVTSI**

Classification of investments as financial assets at FVTSI depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are as designated at FVTSI upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- **AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of income. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in consolidated statement of income. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of income and presented as a reclassification adjustment within other comprehensive income.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.12 Financial instruments (continued)

5.12.2 Classification and subsequent measurement of financial assets (continued)

- **AFS financial assets (continued)**

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity 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. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of income.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of income only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.12.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include accounts payable and other liabilities, amount due to related parties and Ijara financing.

The subsequent measurement of financial liabilities depends on their classification as follows:

Accounts payable and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Due to related parties

Due to related parties are financial liabilities arising in the normal courses of the business and have no fixed or determinable repayments and are not quoted in an active market.

Ijara financing

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. The Ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

5.13 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.14 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5. Significant accounting policies (continued)

5.15 Offsetting of financial instruments

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

5.16 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

5.17 Impairment testing of non financial assets

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

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

5.18 Equity, reserves and dividend payments

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies Law and the Parent Company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Kuwaiti Dinars.
- Fair value reserve – comprises gains and losses relating to available for sale investments.

Accumulated losses include all current and prior period retained profit/(losses). All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in accounts payable and other liabilities when the dividends have been approved in a general meeting.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.19 Treasury shares

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

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

5.20 Employees' end of service benefits

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

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

5.21 Foreign currency translation

5.21.1 Functional and presentation currency

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.21.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.21.3 Foreign operations

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

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to consolidated statement of income and are recognised as part of the gain or loss on disposal.

Notes to the consolidated financial statements

5. Significant accounting policies (continued)

5.22 Provisions, contingent assets and contingent liabilities

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

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

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

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

5.23 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

6. Critical accounting judgements and key sources of estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through statement of income depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are classified as fair value through statement of income.

6. Critical accounting judgements and key sources of estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.1 Classification of financial instruments (continued)

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

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

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

The group classifies property as property under development if it is acquired with the intention of development.

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

6.1.3 Control assessment

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

6.2 Estimates uncertainty

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

6.2.1 Impairment of associates

After application of the equity method, the group determines whether it is necessary to recognise any impairment loss on the group's investment in its associated companies, at each reporting date based on existence of 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 .

6.2.2 Impairment of available for sale equity investments

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

Notes to the consolidated financial statements

6. Critical accounting judgements and key sources of estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.3 Impairment of receivables

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

6.2.4 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.5 Fair value measurement

Management uses valuation techniques to determine the fair value of financial instrument (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumption consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 29).

7. Acquisitions of additional interests in subsidiaries

During the year the group acquired an additional 3.724% interest in Dream Real Estate Co. Ltd, and 0.74% interest in Casablanca Real Estate Co. Ltd, increasing its ownership interests in the subsidiaries to 30.81% and 26.48%, respectively. Total cash consideration of KD143,945 was paid to non-controlling shareholders. The carrying value of the net assets of Dream Real Estate Co. Ltd and Casablanca Real Estate Co. Ltd were KD5,828,752 and KD2,133,876. The details of additional interests acquired are as follows:

	Dream Real Estate Co. Ltd KD	Casablanca Real Estate Co. Ltd KD	Total KD
Cash consideration paid to non-controlling shareholders	113,010	30,935	143,945
Carrying value of the additional interest in subsidiaries	(217,062)	(15,790)	(232,852)
Difference recognised in accumulated losses within equity	104,052	(15,145)	88,907

Notes to the consolidated financial statements

8. Subsidiaries

8.1 Composition of the group

Set out below details of the subsidiaries held by the group:

	Country of incorporation	Voting capital held		Activities
		31 Dec. 2014	31 Dec. 2013	
Morocco Mediterranean General Trading WLL	Kuwait	**99%**	99%	Real estate
Al-Janzour Real Estate Co. W.L.L.	Kuwait	**99%**	99%	Real estate
Gulf Morocco Co. W.L.L.	Saudi Arabia	**100%**	100%	Real estate
Casablanca Real Estate Co. Ltd	Cayman Islands	**26.48%**	25.74%	Real estate
Dream Real Estate Co. Ltd	Cayman Islands	**30.81%**	27.09%	Real estate
SARL EL Awras El Khalijia Promotion Immo	Algeria	**100%**	100%	Real estate
Morocco North Africa Holding Company Ltd.	Morocco	**100%**	100%	Real estate

8.2 Significant judgments and assumptions

The following subsidiaries were consolidated by the Group as a result of implementation of IFRS 10 Consolidated Financial Statements:

Company name	Country of incorporation	Voting capital held	Purpose
Casablanca Real Estate Co. Ltd	Cayman Islands	26.48%	Real Estate Services
Dream Real Estate Co. Ltd	Cayman Islands	30.81%	Real Estate Services

The Group considers that it controls the above mentioned companies even though it owns less than 50% of the voting rights. This is because the Group has significant equity shares in these companies and exercise control over these companies through contractual arrangement. When determining control, management considered whether the Group has the practical ability to direct the relevant activities of these companies on its own to generate returns for itself. Management concluded that it has the power based on its ability to appoint and remove the majority of the Board of Directors at any time, without restrictions. The Group, therefore, accounts for these investments as subsidiaries, consolidating their financial results for the reporting period.

Notes to the consolidated financial statements

8. Subsidiaries (cont.)

8.3 Subsidiaries with material non-controlling interests

The group includes the following subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Loss allocated to NCI		Accumulated NCI	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Casablanca Real Estate Co. Ltd	**73.52%**	74.26%	**(9,198)**	(9,839)	**1,553,197**	1,620,561
Dream Real Estate Co. Ltd	**69.19%**	72.91%	**(24,501)**	(16,493)	**3,958,846**	4,249,743

No dividends were paid to the NCI during the years 2014 and 2013.

a. Casablanca Real Estate Co. Ltd

Summarised consolidated financial information of Casablanca Real Estate Co. Ltd, before intragroup eliminations, is set out below:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Non-current assets	**4,200,384**	4,037,012
Current assets	**148,520**	143,466
Total assets	**4,348,904**	4,180,478
Current liabilities	**2,236,285**	1,998,199
Total liabilities	**2,236,285**	1,998,199
Total equity attributable to the owners of the parent company	**559,422**	561,718
Non-controlling interests	**1,553,197**	1,620,561
Total equity	**2,112,619**	2,182,279

Notes to the consolidated financial statements

8. Subsidiaries (continued)

8.3 Subsidiaries with material non-controlling interests (continued)

a. Casablanca Real Estate Co. Ltd (continued)

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Loss for the year attributable to the owners of the parent company	(3,313)	(3,410)
Loss for the year attributable to NCI	(9,198)	(9,839)
Loss for the year	(12,511)	(13,249)
Other comprehensive loss for the year attributable to the owners of the parent company	(15,262)	(174,187)
Other comprehensive loss for the year attributable to NCI	(42,374)	(502,530)
Total other comprehensive loss for the year	(57,636)	(676,717)
Total comprehensive loss for the year attributable to the owners of the parent company	(18,575)	(177,597)
Total comprehensive loss for the year attributable to NCI	(51,572)	(512,369)
Total comprehensive loss for the year	(70,147)	(689,966)

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Net cash flow from operating activities	(239)	(1,145)
Net cash outflow	(239)	(1,145)

b. Dream Real Estate Co. Ltd

Summarised consolidated financial information of Dream Real Estate Co. Ltd, before intragroup eliminations, is set out below:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Non-current assets	5,090,315	5,112,506
Current assets	1,156,228	1,210,346
Total assets	6,246,543	6,322,852
Current liabilities	524,509	494,100
Total liabilities	524,509	494,100
Total equity attributable to the owners of the parent company	1,763,187	1,579,009
Non-controlling interests	3,958,846	4,249,743
Total equity	5,722,033	5,828,752

Notes to the consolidated financial statements

8. Subsidiaries (continued)

8.3 Subsidiaries with material non-controlling interests (continued)

b. Dream Real Estate Co. Ltd (continued)

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Loss for the year attributable to the owners of the parent company	**(10,911)**	(6,128)
Loss for the year attributable to NCI	**(24,501)**	(16,494)
Loss for the year	**(35,412)**	(22,622)
Other comprehensive loss for the year attributable to the owners of the parent company	**(21,968)**	(10,627)
Other comprehensive loss for the year attributable to NCI	**(49,335)**	(28,602)
Total other comprehensive loss for the year	**(71,303)**	(39,229)
Total comprehensive loss for the year attributable to the owners of the parent company	**(32,879)**	(16,755)
Total comprehensive loss for the year attributable to NCI	**(73,836)**	(45,096)
Total comprehensive loss for the year	**(106,715)**	(61,851)

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Net cash flow from operating activities	**(67,933)**	(35,122)
Net cash outflow	**(67,933)**	(35,122)

8.4 Interests in unconsolidated structured entities

The group has no interests in unconsolidated structured entities.

9. General and administrative expenses

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Staff costs	**301,782**	277,131
Administrative expenses	**136,726**	170,771
	438,508	447,902

Notes to the consolidated financial statements

10. Basic and diluted earnings per share attributable to owners of the parent company

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

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
Profit for the year attributable to the owners of the parent company (KD)	**409,567**	176,502
Weighted average number of shares (excluding treasury shares)	**145,413,548**	145,435,452
Basic and diluted earnings per share	**2.82 Fils**	1.21 Fils

11. Investment properties

	31 Dec. 2014 KD	31 Dec. 2013 KD
Properties in Kuwait	**5,807,000**	1,890,000
	5,807,000	1,890,000

The movement in investment properties is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
At 1 January	**1,890,000**	1,625,130
Purchase during the year	**3,780,875**	1,807,900
Disposal during the year	**-**	(1,625,130)
Change in fair value	**136,125**	82,100
	5,807,000	1,890,000

The investment properties are secured against Ijara financing (note 22). The group has earned rental income from investment properties of KD183,159 (2013: KD116,718).

Notes to the consolidated financial statements

12. Properties under development

	31 Dec. 2014 KD	31 Dec. 2013 KD
Properties in Saudi Arabia	**788,798**	2,309,253
Properties in Syria	**4,200,384**	4,037,012
Properties in Morocco	**5,090,315**	5,112,506
	10,079,497	11,458,771

The movement in properties under development is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
At 1 January	**11,458,771**	9,216,674
Purchase/addition during the year	**37,472**	3,119,832
Sale during the year	**(1,623,915)**	(811,257)
Foreign currency translation	**207,169**	(66,478)
	10,079,497	11,458,771

The carrying value of properties under development includes cost of land, construction and development costs.

During the year, group sold land and certain properties under development in Saudi Arabia for aggregate sale consideration of KD1,929,951 (2013: KD876,158) and realised a gain on sale of KD306,036 (2013:KD64,901).

13. Available for sale investments

	31 Dec. 2014 KD	31 Dec. 2013 KD
Local quoted equity securities	**225,000**	-
Local unquoted equity securities	**568,280**	578,280
Foreign unquoted equity securities	**3,062,081**	3,426,426
	3,855,361	4,004,706

Financial assets amounting to KD822,707 (2013: KD1,108,437) are stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.

Investments in local and foreign unquoted equity securities amounting to KD634,554 (2013: KD634,554) are managed by a related party.

During the year, the group recognised an impairment loss of KD Nil (2013: KD161,695) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

Notes to the consolidated financial statements

14. Investment in associate

The group holds 20% (2013: 20%) equity interest in Libya General Trading Company - WLL, Kuwait. The movement during the year is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Balance at beginning of the year	**950,941**	987,518
Share of results	**3,175**	(36,577)
Balance at end of the year	**954,116**	950,941

Summarised financial information of group's associate is set out below:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Non-current assets	**3,105,181**	3,086,735
Current assets	**1,701,533**	1,698,291
Total assets	**4,806,714**	4,785,026
Current liabilities	**36,134**	30,321
Total liabilities	**36,134**	30,321
Net assets	**4,770,580**	4,754,705

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Revenue	**25,831**	37,842
Profit/(loss) for the year	**15,873**	(182,885)
Other comprehensive income for the year	**-**	-
Total comprehensive profit/(loss) for the year	**15,873**	(182,885)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Group's ownership interest (%)	**20**	20
Net assets of the associate	**4,770,580**	4,754,705
Group's share of net assets	**954,116**	950,941
Carrying amount	**954,116**	950,941

Notes to the consolidated financial statements

15. Due from/to related parties

	31 Dec. 2014 KD	31 Dec. 2013 KD
Due from:		
Libya General Trading Company – WLL (associate)	**49,532**	43,718
Mena Real Estate Company KPSC	**144,509**	139,127
Other related parties	**15,050**	11,455
	209,091	194,300
Due to:		
Tafiq Bin Sawda (Non-controlling interests)	**105,019**	110,498
	105,019	110,498

16. Advance for purchase of investment property

On 15 October 2014, the group entered into an agreement to exchange the advance paid to purchase an investment property in Turkey amounting to KD603,977 for another investment property in Turkey. The exchange was made at fair value which resulted into a gain of KD93,463. The sale consideration of the old property amounting to US$2,400,000 (equivalent to KD697,440) is the purchase consideration of the new property.

In accordance with the agreement, the group has the right at its sole discretion to either sell back, fully or partially, the rights to the investment property to the seller at an agreed price, after thirty months from the date of the agreement, or request delivery of the investment property.

17. Accounts receivable and other assets

	31 Dec. 2014 KD	31 Dec. 2013 KD
Accounts receivable	**329,675**	390,281
Provision for doubtful debts	**(299,490)**	(299,490)
	30,185	90,791
Accrued revenue	**110,115**	20,786
Prepaid expenses	**7,810**	5,802
Other receivables	**80,476**	72,225
	228,586	189,604

The carrying values of the financial assets included above approximate their fair values and are due within one year. The accounts receivable and other assets have been reviewed for impairment, which indicate no provision is required.

Notes to the consolidated financial statements

18. Cash and cash equivalents

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

	31 Dec. 2014 KD	31 Dec. 2013 KD
Saving accounts	1,235,738	1,847,389
Cash in hand	1,339	1,116
Bank balances	889,405	700,126
	2,126,482	2,548,631

Bank balances and saving accounts yield average profit rate of 1% (2013: 1%).

19. Share capital

	Authorised		Issued and fully paid	
	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Shares of KD0.100 each	15,000,000	15,000,000	15,000,000	15,000,000

All the share capital paid in cash.

20. Treasury shares

	31 Dec. 2014	31 Dec. 2013
Number of shares	4,586,452	4,586,452
Percentage of issued shares	3.05%	3.05%
Cost (KD)	337,694	337,694
Market value (KD)	165,112	270,600

Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non distributable.

21. Reserves

The Companies Law and the Parent Company's articles of association require that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the statutory reserve. The shareholders of Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

21. Reserves (continued)

The Parent Company's articles of association and the Companies Law requires that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

There are no restrictions on distribution of voluntary reserve.

No such transfers are required when the group incurred loss or accumulated losses exist.

22. Ijara financing

Ijara financing represent Islamic financing obtained from a local financial institution to finance the purchase of an investment properties (note 11). The investment properties are pledged against the Ijara financing which carry an effective profit rate of 5.25% and mature within one year.

23. Accounts payable and other liabilities

	31 Dec. 2014 KD	31 Dec. 2013 KD
Accounts payable	**750**	4,484
Accrued expenses	**161,623**	141,192
Staff leave provision	**34,266**	24,273
Dividend payable	**11,584**	13,084
	208,223	183,033

24. Annual general assembly

The directors did not propose dividend for the year ended 31 December 2014.

The Annual General Assembly of the shareholders held on 20 May 2014 approved the consolidated financial statements of the group for the year ended 31 December 2013 without dividend.

25. Related party transactions

These represent transactions with certain related parties (directors and executive officers of the Parent Company and their related concerns) entered into by the group and key management compensation.

Amounts due from/to related parties are shown separately in note 15.

Notes to the consolidated financial statements

25. Related party transactions (continued)

Details of significant related party transactions and balances are as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Transactions included in consolidated statement of income :		
Management fees	**26,503**	49,134
Compensation of key management personnel:		
Salaries and short term benefits	**91,242**	87,939
End of service benefits	**2,284**	2,284
	93,526	90,223

26. Capital commitments

At the financial position date, the group was committed to purchase investments amounting to KD Nil (31 December 2013: KD962,000).

27. Segmental information

The group's reportable segments under IFRS 8 are as follows:

- Local
- International

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

	Local KD	**International KD**	**Total KD**
31 December 2014			
Revenue	**356,303**	**513,589**	**869,892**
Segment (loss)/profit	**(120,041)**	**461,554**	**341,513**
Foreign exchange gain			**43,902**
Unallocated expenses			**(14,855)**
Profit for the year			**370,560**
Total assets	**9,021,458**	**14,992,053**	**24,013,511**
Total liabilities	**(3,058,818)**	**(137,349)**	**(3,196,167)**
	5,962,640	**14,854,704**	**20,817,344**
Share of results of associate	**3,175**	**-**	**3,175**
Depreciation	**8,391**	**-**	**8,391**
Purchase of investment property	**3,780,875**	**-**	**3,780,875**

Notes to the consolidated financial statements

27. Segmental information (continued)

	Local KD	International KD	Total KD
31 December 2013			
Revenue	435,712	398,896	834,608
Segment (loss)/profit	(473,611)	292,270	181,341
Foreign exchange loss			(30,756)
Unallocated expenses			(6,247)
Profit for the year			144,338
Total assets	5,633,914	16,268,908	21,902,822
Total liabilities	(1,091,357)	(193,641)	(1,284,998)
	4,542,557	16,075,267	20,617,824
Share of results of associate	(36,577)	-	(36,577)
Capital expenditure	(2,891)	-	(2,891)
Depreciation	(15,804)	-	(15,804)
Impairment of available for sale investments	(75,625)	(86,070)	(161,695)
Purchase of investment property	1,807,900	-	1,807,900

28. Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risk (including currency risk , price risk and profit rate risk), credit risk and liquidity risk.

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The most significant financial risks to which the group is exposed to are described below.

28.1 Market risk

a. Foreign currency risk

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

The group mainly operates in Kuwait, the Middle East and North Africa countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Syrian Pound, Saudi Riyal and Morocco Dirham. The group's financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

Notes to the consolidated financial statements

28. Risk management objectives and policies (continued)

28.1 Market risk (continued)

a. Foreign currency risk (continued)

	31 Dec. 2014 KD	31 Dec. 2013 KD
US Dollar	**168,922**	512,401
Syrian Pound	**976**	1,216
Saudi Riyal	**27,385**	75,905
Morocco Dirham	**452,878**	520,811

The foreign currency sensitivity is determined based on US Dollar 3% (2013: 3%), Syrian Pound 50% (2013: 50%), Saudi Riyal 5% (2013:5%) and Morocco Dirham 5% (2013:5%) increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/(weakened) against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	Profit for the year	
	31 Dec. 2014 KD	31 Dec. 2013 KD
US Dollar	**±5,067**	±15,372
Syrian Pound	**±488**	±608
Saudi Riyal	**±1,370**	±3,795
Morocco Dirham	**±22,644**	±26,040

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b. Price risk

The group is exposed to price risk with respect to its investments. Investments are classified either as financial assets at fair value through statement income or available for sale investments.

To manage its price risk arising from investments in equity and debt securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If prices had been 5% higher/lower, the effect on the changes in profit for the years ended 31 December 2014 and 2013 would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Investments at fair value through statement of income	**1,965**	2,415	**-**	-
Available for sale investments	**-**	-	**77,407**	76,332

Notes to the consolidated financial statements

28. Risk management objectives and policies (continued)

28.1 Market risk (continued)

c. Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The group is exposed to profit rate risk with respect to Ijara financing and saving accounts.

The following table illustrates the sensitivity of the profit for the year and equity to a reasonable possible change in profit rates of +1% and -1% (2013: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on the group's equity:

	31 Dec. 2014		31 Dec. 2013	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Profit for the year	16,223	(16,223)	9,523	(9,523)

There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis

28.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue 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 financial position date, as summarized below:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Due from related parties	209,091	194,300
Accounts receivable and other assets	220,776	183,802
Saving accounts	1,235,738	1,847,389
Bank balances	889,405	700,126
	2,555,010	2,925,617

Bank balances and saving accounts are maintained with high credit quality financial institutions. Accounts receivable and due from related parties are presented net of provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

Concentration of financial assets

The group has investments and other assets amounting to KD11,599,095 (31 December 2013: KD11,497,989) in the Middle East and North Africa (MENA) region representing 48% of total assets as at 31 December 2014 (31 December 2013: 53%) including KD5,352,552 (31 December 2013:

Notes to the consolidated financial statements

28. Risk management objectives and policies (continued)

28.2 Credit risk (continued)

Concentration of financial assets (continued)

KD5,175,138) in Libya and Syria. In addition, the group is managing real estate construction projects in the region including projects in Libya and Syria. Management is closely monitoring the current political changes the region is witnessing and is taking all the necessary actions to safeguard its assets and activities in the region.

28.3 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

Maturity profile of liabilities at 31 December 2014:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities					
Ijara financing	-	-	3,015,190	-	3,015,190
Due to related parties	-	-	105,019	-	105,019
Accounts payable and other liabilities	-	208,223	-	-	208,223
	-	208,223	3,120,209	-	3,328,432

Maturity profile of liabilities at 31 December 2013:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities					
Ijara Financing	-	-	944,225	-	944,225
Due to related parties	-	-	110,498	-	110,498
Accounts payable and other liabilities	-	183,033	-	-	183,033
	-	183,033	1,054,723	-	1,237,756

Notes to the consolidated financial statements

29. Fair value measurement

29.1 Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

29.2 Fair value measurement of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Cash and cash equivalents	**2,126,482**	2,548,631
- Due from related parties	**209,091**	194,300
- Accounts receivable and other assets	**220,776**	183,802
Investments at fair value through statement of income at fair value:		
Investments at fair value through statement of income	**39,300**	48,310
Available for sale investments:		
Available for sale investment at cost	**822,707**	1,108,437
Available for sale investments at fair value	**3,032,654**	2,896,269
	6,451,010	6,979,749
Financial liabilities:		
Financial liabilities at amortised cost:		
Due to related parties	**105,019**	110,498
Accounts payable and other liabilities	**208,223**	183,033
Ijara financing	**2,858,000**	895,000
	3,171,242	1,188,531

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.2 Fair value measurement of financial instruments

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

31 December 2014

		Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Investments at fair value through statement of income					
Local managed funds	(b)	-	39,300	-	39,300
Available for sale investments					
Quoted securities	(a)	225,000	-	-	225,000
Unquoted securities	(c)	-	-	2,807,654	2,807,654
		225,000	39,300	2,807,654	3,071,954

31 December 2013

		Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Investments at fair value through statement of income					
Local managed funds	(b)	-	48,310	-	48,310
Available for sale investments					
Unquoted securities	(c)	-	-	2,896,269	2,896,269
		-	48,310	2,896,269	2,944,579

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

Measurement at fair value

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

a. Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b. Local managed funds

The underlying investments in local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

c. Unquoted securities

Unlisted securities are measured at fair value estimated -using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

d. Financial liabilities

The group does not have any financial liabilities at fair value.

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.2 Fair value measurement of financial instruments (continued)

Measurement at fair value (continued)

d. Financial liabilities (continued)

Level 3 fair value measurements

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

Level 3 fair value measurements (continued)

	Financial assets available for sale	
	Unquoted investments 31 Dec. 2014 KD	Unquoted investments 31 Dec. 2013 KD
Opening balances	**2,896,269**	3,051,684
Redemption	**(57,570)**	-
Gains or losses recognised in:		
Consolidated statement of income	**(4,787)**	(75,627)
Other comprehensive income	**(26,258)**	(79,788)
Closing balance	**2,807,654**	2,896,269
Total amount included in income for unrealised gains on Level 3 assets	**Nil**	Nil

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Available for sale investments and investment at fair value through statement of income:

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

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

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

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.3 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2014 and 31 December 2013:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
- Properties in Kuwait	-	-	**5,807,000**	**5,807,000**

Fair value of the group's main property assets is estimated based on appraisals performed by independent, qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Buildings in Kuwait

The buildings in Kuwait represent buildings catergorised as "Investment Buildings". The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuers is a local bank who has valued the investment properties using the Yield Method. The other valuer who is a local reputable valuer has valued the investment properties primarily by using market comparison. When the market comparison approach is used adjustments have been incorporated for factors such as plot size, location and current use. For the valuation purpose, the group has selected the lower value of the two valuations (2013: lower of two valuations).

Further information regarding the fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in Kuwait	Yield method and Market comparison approach	Average monthly rent	KD 10,240	Higher the rent ,higher the fair value

Notes to the consolidated financial statements

29. Fair value measurement (continued)

29.3 Fair value measurement of non-financial assets (continued)

The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investment Properties 2014 KD	Investment Properties 2013 KD
Opening balance	**1,890,000**	1,625,130
Purchases	**3,780,875**	1,807,900
Sales	**-**	(1,914,901)
Gains or losses recognised in consolidated statement of income :		
Change in fair value of investment property	**136,125**	82,100
On disposal	**-**	289,771
Closing balance	**5,807,000**	1,890,000
Total amount included in consolidated statement of income for unrealised gains on Level 3 assets	**136,125**	82,100

30. Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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