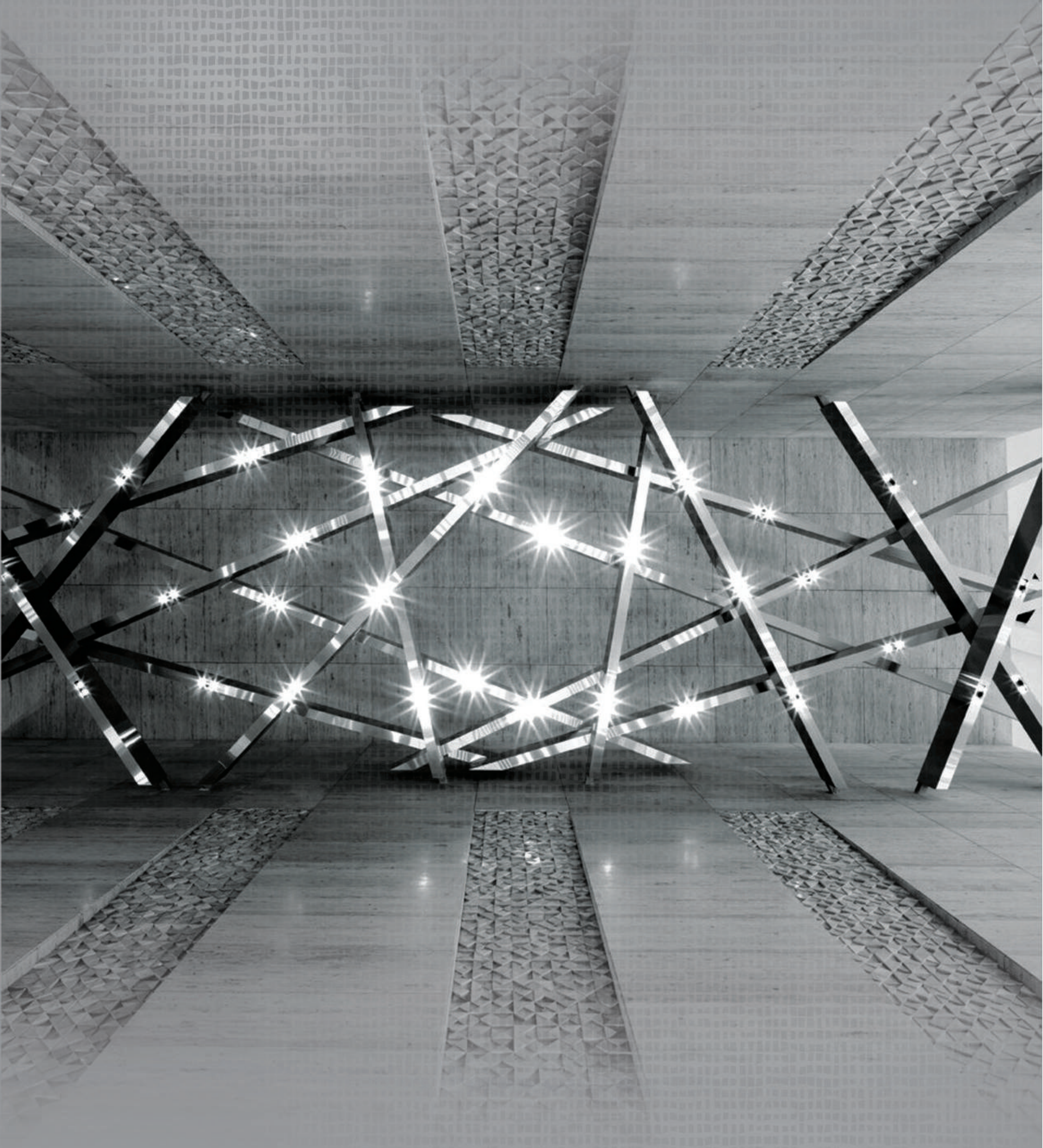
أجيال
العقارية
الترفيهية
AJIAL
REAL ESTATE &
ENTERTAINMENT

التقرير السنوي 2014
ANNUAL REPORT

H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir of The state of Kuwait

H.H. Sheikh Nawwaf Al-Ahmad Al-jaber Al-sabah
The Crown Prince of The state of Kuwait



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AJIAL

Executive Board of Directors and Executive Management

The Board of Directors and executive management

Board of Directors

Sheikh Ali Abdulla Al Khalifah Al Sabah	Chairman
Sheikh Hamad Mubarak Al Jaber Al Sabah	Vice Chairman
Ms. Tahani Muslett Al Ajmi	Board Member
Mr. Mohamed Abdulrazzak Al Kandary	Board Member
Mr. Abdulaziz Faisal Al Khatrash	Board Member

Executive Management

Mr. Ali Haider Khajah	Deputy General Manger
Mr. Mohamed Mahjub Al Kady	Financial Manger

Auditors

Mr. Waleed A. Al Osaimi	Al-Aiban, Al-Osaimi & Paptners Ernst & Young Member
Mr. Ali A. Al Hasawi	Rodl Middle East Burgan – International Accountants

Chairman's Message

Chairman's Message

Dear Shareholders - Ajial Real Estate & Entertainment Co.

On behalf of my myself and my colleagues, the Board of Directors of Ajial Real Estate & Entertainment Co., we are delighted to submit the 18th Annual Report of Ajial Real Estate & Entertainment Co. for the financial year ending 31st December 2014, with a clear picture of the Companys performance and financial position for 2014.

Esteemed Shareholders,

The Companys performance in 2014 was a result of Ajial Real Estate & Entertainment Co. distinct financial and operational performance. Earnings for the year came as a result of the quality, stability and operational efficiency of the Company's real estate investments, as best demonstrated by the Ajial Retail & Entertainment Complex in Fahaheel, having reached an occupancy rate of 98.3%, which reflects the Complex's iconic status as well as the presence of the strong demand from investors.

As part of our continued efforts of increasing operational revenues and due to the increased real estate prices in Kuwait, taking into consideration the availability of lucrative real estate opportunities in the region, the company is moving towards geographically diversifying its assets as opposed to maintaining a concentrated position in the local Kuwaiti market, targeting higher yields while reducing overall risk. In 2014, the company successfully moved into the Saudi Arabian Real Estate market drawn by its attractive yields. This brings us to highlight another important aspect of our future outlook; the company aims to concentrate its investments in its main activity, real estate, and plans to restructure its assets accordingly. This move comes in light of the Board of Directors' concern over the erratic impact of the Company's listed and unlisted financial investments on its unrealized earnings and losses, which may portray a false image of the company's performance and direction.

Financial Report

The financial report of Ajial Real Estate & Entertainment Co. clearly highlights the financial position of the Parent company "Ajial" and its subsidiary (Al Hamra Cinema Co.) for the financial year ending on 31st December 2014. The consolidated statement of income shows a net profit of KD 636,393/- against KD 1,730,191/- in

2013, down 63%, as a result of changes in the value of the companys listed and non-listed investments as stated above. Whilst leasing and services income increased by 6.5%, net investment income fell by 93%.

Administrative and overhead costs fell from KD 580,530/- in 2013 down to KD 469,123/- (-19%) in 2014, with earning per share (EPS) of 3.63 fils.

The consolidated statement of financial position depicts an increase in assets by 3.79%, from KD 129,070,407/- in 2013 to KD 133,920,341/- in 2014.

In the end, I would like to take this opportunity to extend sincerely our deep gratitude to all Shareholders, Board Members for your ongoing support and all those standing behind this deep rooted company, as well as the company staff and employees.

We look forward to a promising future with even greater achievements towards steady growth and prosperity.

Best wishes and kindest regards,

Sheikh / Ali Abdullah Al Khalifah Al Sabah

Chairman

Auditors Report

Building a better working world
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Al Aiban, Al Osaimi & Partners
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Burgan – International Accountants
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AJIAL REAL ESTATE ENTERTAINMENT COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, 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 is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 polices 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AJIAL REAL ESTATE ENTERTAINMENT COMPANY K.S.C.P. (continued)

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the 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, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

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

ALI A. AL HASAWI
LICENCE NO. 30 A
RÖDL MIDDLE EAST
BURGAN – INTERNATIONAL ACCOUNTANTS

16 February 2015
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

	Notes	*2014* *KD*	*2013* *KD*
Rental and services income		**2,432,503**	2,283,333
Property operating expenses		**(969,156)**	(967,186)
Net rental income		**1,463,347**	1,316,147
Change in fair value of investment properties	4	**1,069,055**	(922,000)
Gain on sale of investment properties		**-**	295,456
Share of results of an associate	5	**507,260**	403,710
Realised loss on sale of financial assets available for sale		**(4,476)**	-
Impairment loss on financial assets available for sale	6	**(1,072,452)**	(25,793)
Unrealised (loss) gain on financial assets at fair value through profit or loss	7	**(658,599)**	1,259,440
Realised gain on sale of financial assets at fair value through profit or loss	7	**76,529**	211,523
Dividend income		**186,634**	269,850
Net investment income		**103,951**	1,492,186
Total operating income		**1,567,298**	2,808,333
Administrative expenses		**(469,123)**	(580,530)
Net operating income		**1,098,175**	2,227,803
Other income		**25,433**	35,221
Finance costs		**(471,269)**	(426,713)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		**652,339**	1,836,311
Contribution to KFAS		**(683)**	(12,116)
NLST		**(14,580)**	(12,443)
Zakat		**(683)**	(6,561)
Board of Directors' remuneration	10	**-**	(75,000)
PROFIT FOR THE YEAR		**636,393**	1,730,191
BASIC AND DILUTED EARNINGS PER SHARE	3	**3.63 fils**	9.86 fils

The attached notes 1 to 19 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	***2014*** ***KD***	*2013* *KD*
Profit for the year		**636,393**	1,730,191
Other comprehensive income:			
Financial assets available for sale:			
- Net change in fair values		**(689,604)**	182,352
- Transferred to consolidated statement of income on sale		**4,476**	-
- Transferred to consolidated statement of income on impairment	6	**1,072,452**	25,793
Other comprehensive income for the year		**387,324**	208,145
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,023,717**	1,938,336

The attached notes 1 to 19 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	*2014* *KD*	*2013* *KD*
ASSETS			
Non-current assets			
Furniture and equipment		**131,717**	69,324
Investment properties	4	**64,089,400**	63,007,345
Investment in an associate	5	**52,423,883**	51,916,623
Financial assets available for sale	6	**11,789,432**	6,797,488
		128,434,432	121,790,780
Current assets			
Accounts receivable and prepayments		**75,555**	51,334
Financial assets at fair value through profit or loss	7	**4,614,843**	6,665,271
Bank balances and cash		**795,511**	563,022
		5,485,909	7,279,627
TOTAL ASSETS		**133,920,341**	129,070,407
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**17,640,000**	17,640,000
Share premium	8	**5,199,430**	5,199,430
Capital surplus	9	**2,562,298**	2,562,298
Treasury shares	12	**(319,250)**	(319,250)
Reserves and retained earnings		**91,130,245**	91,685,495
Total equity		**116,212,723**	116,767,973
Non-current liabilities			
Employees' end of service benefits		**102,573**	86,260
Term loans	13	**5,786,777**	-
Accounts payable and accruals	14	**241,105**	243,269
		6,130,455	329,529
Current liabilities			
Term loans	13	**8,798,480**	8,800,000
Accounts payable and accruals	14	**2,778,683**	3,172,905
		11,577,163	11,972,905
Total liabilities		**17,707,618**	12,302,434
TOTAL EQUITY AND LIABILITIES		**133,920,341**	129,070,407

Sheikh\ Ali Al-Abdullah Al Khalifah Al Sabah
Chairman

Sheikh\ Hamad Mubarak Jaber Al Ahmad Al Sabah
Vice Chairman

The attached notes 1 to 19 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

					Reserves and retained earnings				
	Share capital KD	*Share premium KD*	*Capital surplus KD*	*Treasury shares KD*	*Other reserves (Note 11) KD*	*Effect of change in accounting policy of investment property KD*	*Retained earnings KD*	*Sub-total KD*	*Total equity KD*
As at 1 January 2014	17,640,000	5,199,430	2,562,298	(319,250)	528,086	46,118,487	45,038,922	91,685,495	116,767,973
Profit for the year	-	-	-	-	-	-	636,393	636,393	636,393
Other comprehensive income for the year	-	-	-	-	387,324	-	-	387,324	387,324
Total comprehensive income for the year	-	-	-	-	387,324	-	636,393	1,023,717	1,023,717
Transfer to reserves	-	-	-	-	130,468	-	(130,468)	-	-
Cash dividend (Note 10)	-	-	-	-	-	-	(1,578,967)	(1,578,967)	(1,578,967)
As at 31 December 2014	**17,640,000**	**5,199,430**	**2,562,298**	**(319,250)**	**1,045,878**	**46,118,487**	**43,965,880**	**91,130,245**	**116,212,723**
As at 1 January 2013	17,640,000	5,199,430	2,562,298	(319,250)	136,310	46,118,487	43,492,362	89,747,159	114,829,637
Profit for the year	-	-	-	-	-	-	1,730,191	1,730,191	1,730,191
Other comprehensive income for the year	-	-	-	-	208,145	-	-	208,145	208,145
Total comprehensive income for the year	-	-	-	-	208,145	-	1,730,191	1,938,336	1,938,336
Transfer to reserves	-	-	-	-	183,631	-	(183,631)	-	-
As at 31 December 2013	17,640,000	5,199,430	2,562,298	(319,250)	528,086	46,118,487	45,038,922	91,685,495	116,767,973

The attached notes 1 to 19 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the year		**636,393**	1,730,191
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Change in fair value of investment properties	4	**(1,069,055)**	922,000
Gain on sale of investment properties		**-**	(295,456)
Share of results of an associate	5	**(507,260)**	(403,710)
Realised loss on sale of financial assets available for sale		**4,476**	-
Impairment loss on financial assets available for sale	6	**1,072,452**	25,793
Unrealised loss (gain) on investments at fair value through profit or loss		**658,599**	(1,259,440)
Realised gain on sale of investment at fair value through profit or loss		**(76,529)**	(211,523)
Dividend income		**(186,634)**	(269,850)
Depreciation		**26,575**	22,680
Provision for employees' end of service benefits		**62,257**	24,537
Interest income		**(2,878)**	(1,835)
Finance costs		**471,269**	426,713
		1,089,665	710,100
Working capital adjustments:			
Accounts receivable and prepayments		**(24,221)**	233,306
Financial assets at fair value through profit or loss		**1,468,358**	(266,843)
Accounts payable and accruals		**(1,007,626)**	(365,800)
Cash flows used in operations		**1,526,176**	310,763
End of services benefits paid		**(110,194)**	(490,836)
Net cash flows from (used in) operating activities		**1,415,982**	(180,073)
INVESTING ACTIVITIES			
Additions to furniture and equipment		**(15,167)**	(75,015)
Additions to investment properties	4	**(13,000)**	-
Proceeds from sale of investment properties		**-**	348,206
Purchase of financial asset available for sale		**(5,735,041)**	-
Proceeds from sale of financial asset available for sale		**47,915**	11,050
Dividend income received		**186,634**	269,850
Interest income received		**2,878**	1,835
Net cash flows (used in) from investing activities		**(5,525,781)**	555,926
FINANCING ACTIVITIES			
Dividend paid		**(1,442,969)**	-
Net movement in term loans		**6,271,704**	(273,500)
Finance costs paid		**(486,447)**	(426,713)
Net cash flows from (used in) financing activities		**4,342,288**	(700,213)
NET INCREASE (DECREASE) INCREASE IN BANK BALANCES AND CASH		**232,489**	(324,360)
Bank balances and cash at 1 January		**563,022**	887,382
BANK BALANCES AND CASH AT 31 DECEMBER		**795,511**	563,022

The attached notes 1 to 19 form part of these consolidated financial statements

Notes to the Consolidated Financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

1 CORPORATE INFORMATION

The consolidated financial statements of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, the "Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 16 February 2015. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after their issuance.

The Parent Company is a Kuwaiti public shareholding company registered and incorporated in Kuwait on 26 October 1996. The Group is engaged in real estate, contracting and entertainment activities and all related real estate trading activities, which includes renting, purchasing and selling lands and buildings. The Parent Company's shares are listed on the Kuwait Stock Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2013 were approved by the General Assembly of the Parent Company's shareholders during the Annual General Assembly meeting held on 21 May 2014.

The registered head office of the Parent Company is located at Al Hamra Tower, 26th Floor, Office No. 2, P.O. Box 22448, Safat 13085, Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis modified to include the measurement at fair value of investment properties, financial assets available for sale and financial assets at fair value through profit or loss.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards recently issued by the IASB effective for annual periods beginning on or after 1 January 2014:

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

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

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments did not impact the Group's financial position or performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 had no impact on the Group.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the Group, since the Group is an existing IFRS preparer.

Other new or amended standards which are effective on or after 1 January 2014 are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

Amendments to IAS 27 Equity Method in Separate Financial Statements
These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. These amendments will not have any impact on the Group's consolidated financial statements.

Annual improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

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

Annual improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

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

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

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

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

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2014.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BASIS OF CONSOLIDATION (continued)

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises assets (including goodwill), liabilities, non-controlling interests, and other components of equity while any resultant gain or loss is recognized in the consolidated statement of income. Consideration received and any investment retained are recognized in the consolidated statement of financial position at fair value. It also reclassifies any share of components previously recognised in OCI to the consolidated statement of comprehensive income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Details of the subsidiary included in the consolidated financial statements are set out below:

Name of the company	*Country of incorporation*	*Effective interest in equity*		*Principal activities*
		2014	*2013*	
Al Hamra Cinema Company K.S.C. (Closed)	Kuwait	81%	81%	Real Estate

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

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

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividend from listed companies which are subjected to NLST have been deducted from the profit for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Zakat

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognizing impairment loss in the consolidated statement of income.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Foreign currency translation

Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to Kuwaiti Dinars at rates of exchange prevailing at the reporting date. Exchange differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties comprise properties under development and developed properties that are held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment properties when they are held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include professional fees for legal services, commissions and other costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Transfers are made to or from investment properties 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 Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the investment property would result in either gains or losses on the retirement or disposal of the investment property. Any gains or losses are recognised in the consolidated statement of income in the period of derecognition.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment in the consolidated statement of financial position is adjusted to recognise changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group’s share of the results of the associate’s operations. Where there is a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. In addition, when there is a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group’s share of profit or loss of an associate is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group and in case of different reporting date of associate, which are not more than three months, from that of the Group, 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. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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

Details of the Group's associate are set out below:

Name of company	*Country of incorporation*	*Effective interest in equity*		*Principal activities*
		2014	*2013*	
Al Hamra Real Estate Company K.S.C. (Closed)	Kuwait	35.53%	35.53%	Real estate

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) Financial assets

Initial recognition and measurement

Financial assets within scope of IAS 39 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity, available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets on initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

The Group's financial assets include financial assets available for sale, accounts receivable, financial assets at fair value through profit or loss and bank balances and cash.

At the reporting date, the Group did not have any financial assets held to maturity or as derivatives designated as hedging instruments.

Subsequent measurement

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

Financial assets available for sale

Financial assets available for sale 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.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values reserve and recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any. Impairment charges are recognized in consolidated statement of income.

The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(i) Financial assets (continued)
Subsequent measurement (continued)
Financial assets available for sale (continued)
For a financial asset reclassified from the available for sale category, the fair value of the financial asset at the date of reclassification becomes its new amortised cost. Any difference between the new amortised cost and the maturity amount and also any gain or loss on the asset that was previously recognised in other comprehensive income are amortised in the consolidated statement of income over the remaining life of the financial asset using the effective interest rate "EIR" method.

Accounts receivable
Accounts receivable are shown at the balance due, net of allowance for doubtful debts. Where the time value of money is material, receivables are carried at amortised cost. An estimate for doubtful debts is made, when collection of full amount is no longer probable. Bad debts are written off when the probability of recovery is assessed as being remote.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in the consolidated statement of income. Financial assets are designated at fair value through profit or loss if they are managed, and their performance is evaluated on reliable fair value basis in accordance with a documented investment strategy.

After initial recognition financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derecognition
A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive the cash flows from the asset have expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

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

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

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

In the case of debt instruments classified as financial assets available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(iii) Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified, at initial recognition, as financial liabilities at fair value through profit or loss. loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include term loan and accounts payable and accruals.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

At the reporting date, the Group did not have any financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments.

Subsequent measurement
Subsequent measurement of financial liabilities depends on their classification as follows:

Term loan
Term loan represents interest bearing loan and borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

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

Derecognition
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 the consolidated statement of income.

(iv) 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.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19.

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-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 reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividend are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees in accordance with Kuwait Labour Law. 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 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.

Provisions

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

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies
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 financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Classification of financial assets
Management decides on acquisition of a financial asset whether it should be classified as "at fair value through profit or loss" or "available for sale".

Classification of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets. When they have readily available reliable fair values and the changes in fair values are reported in the consolidated statement of income, they are classified as at fair value through profit or loss.

All other financial assets are classified as financial assets available for sale.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties
The fair value of investment properties under development and developed investment properties is determined based on valuation performed annually by independent professional real estate valuation experts who have the required qualifications and experience in valuing such types of properties using recognised valuation techniques recommended by the International Valuation Standards Committee, except if such value cannot be reliably determined in the case of investment properties under development.

The fair value of investment properties under development is determined using a combination of the market approach for the land and cost approach for the construction work. The fair value of developed investment properties which generate rental income is determiní using the income capitalization approach; whereas, the fair value of developed investment properties which do not generate rental income is determined using the market approach based on recent transactions for properties with characteristics and location similar to those of the Group's properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)
Impairment of investment in an associate
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If such evidence exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value, then recognises the loss in the consolidated statement of income.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

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

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

Impairment of financial assets available for sale
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" is evaluated against the period in which the fair value has been below its original cost. The determination of what is "significant" or "prolonged" requires considerable judgment. When such evidence exists, the cumulative loss is removed from other comprehensive income and is recognized in the consolidated statement of income. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in consolidated statement of income only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Impairment of accounts receivable
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.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at the reporting date, the Group had no outstanding dilutive potential shares.

	2014	*2013*
Profit for the year (KD)	**636,393**	1,730,191
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**175,440,825**	175,440,825
Basic and diluted earnings per share	**3.63 fils**	9.86 fils

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4 INVESTMENT PROPERTIES

	2014 ***KD***	*2013* *KD*
At 1 January	**63,007,345**	63,982,095
Additions	**13,000**	-
Change in fair value	**1,069,055**	(922,000)
Disposal	**-**	(52,750)
At 31 December	**64,089,400**	63,007,345

Investment properties are categorised as follows:

	2014 ***KD***	*2013* *KD*
Properties under development	**37,283,400**	38,237,345
Developed property	**26,806,000**	24,770,000
	64,089,400	63,007,345

As at 31 December 2014, an investment property with a carrying value of KD 37,283,400 (2013: KD Nil) is pledged as a security against a term loan (Note 13).

The fair value of investment properties has been determined based on valuations performed by two independent professional real estate valuers, who are industry specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. Both valuers have used the following methods:

- Properties under development have been valued using the combination of the market approach for the land and the cost approach for the construction works.
- Developed properties which generate rental income have been valued using the income capitalization approach;
- Developed properties which do not generate rental income have been valued using the market approach based on recent transactions for properties with characteristics and location similar to those of the Group's properties;

For valuation purpose, the Group has selected the lower of these two valuations (2013: the lower of two valuations) as required by the Capital Market Authority (CMA). Based on these valuations, the Group has recorded an unrealized gain of KD 1,069,055 (2013: loss of KD 922,000) in the consolidated statement of income.

The significant assumptions made relating to valuation of the developed property, that has been valued using the income capitalization approach, are set out below:

	2014	*2013*
Average rent (per sqm) (KD)	**9.4**	9.1
Yield rate	**6.75%**	6.85%
Vacancy rate	**10%**	10%

Sensitivity analysis
The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties.

	Changes in valuation assumptions	*Impact on profit for the year*	
		2014 ***KD***	*2013* *KD*
Average rent	± 1%	**210,651**	190,305
Yield rate	± 50 BP	**154,890**	139,930
Vacancy rate	± 1%	**31,013**	40,877

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5 INVESTMENT IN AN ASSOCIATE

Movement in the carrying amount of investment in an associate during the year is as follows:

	2014 KD	*2013 KD*
As at 1 January	**51,916,623**	51,512,913
Share of results	**507,260**	403,710
As at 31 December	**52,423,883**	51,916,623

The following table illustrates the summarized financial information of the Group's investment in an associate:

	2014 KD	*2013 KD*
Share of the associate's statement of financial position:		
Non-current assets	**94,227,912**	93,141,553
Current assets	**1,463,422**	1,935,710
Non-current liabilities	**(36,344,928)**	(38,696,318)
Current liabilities	**(6,922,523)**	(4,464,322)
Equity	**52,423,883**	51,916,623
Share of the associate's revenues and results:		
Revenues	**3,789,888**	2,530,215
Results	**507,260**	403,710

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	2014 KD	*2013 KD*
Local quoted equity securities	**729,076**	653,829
Local unquoted equity securities	**3,773,315**	3,680,125
Foreign unquoted equity securities	**7,287,041**	2,463,534
	11,789,432	6,797,488

During the year ended 31 December 2014, an impairment loss of KD Nil (2013: KD 25,793) has been recorded against the local quoted equity securities on which there has been a significant or prolonged decline in their value.

As at 31 December 2014, local and foreign unquoted equity securities with a carrying value amounting to KD 9,508,356 (2013: KD 6,143,659) are carried at cost because fair value could not be reliably measured on a regular basis, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term. At 31 December 2014, management has reviewed these investments to assess whether impairment has occurred in their value; accordingly, an impairment loss amounting to KD 160,925 (2013: KD Nil) has been recorded in the consolidated statement of income on these investments.

As at 31 December 2014, foreign unquoted equity securities with a carrying value amounting to KD 1,552,000 (2013: KD Nil) are carried at fair value. Information for such investments is restricted to periodic investment performance reports provided by the respective investment manager. During the year ended 31 December 2014, an impairment loss amounting to KD 911,527 (2013: KD Nil) has been recorded in the consolidated statement of income on these investments on which there has been a significant or prolonged decline in their value.

Management is not aware of any circumstances that would indicate any further impairment in the value of the Group's financial assets available for sale at the reporting date.

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7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	*2013*
	KD	*KD*
Held for trading:		
Managed portfolios (local quoted equity securities)	**2,251,418**	3,189,120
Local quoted equity securities	**-**	612,150
	2,251,418	3,801,270
Designated at fair value through profit or loss:		
Managed portfolio (local quoted equity securities)	**2,091,768**	2,611,918
Managed funds	**271,657**	252,083
	2,363,425	2,864,001
	4,614,843	6,665,271

As at 31 December 2014, a managed portfolio with a carrying value of KD 2,091,768 (2013: KD 2,611,918) is pledged as a security against term loans (Note 13).

Details of unrealised gains (losses) on financial assets carried at fair value through profit or loss and realised gain included in the consolidated statement of income are as follows:

	Unrealised gains (losses)		*Realised gains (losses)*	
	2014	*2013*	***2014***	*2013*
	KD	*KD*	***KD***	*KD*
Held for trading:				
Managed portfolios (local quoted equity securities)	**(173,602)**	101,162	**123,325**	206,839
Local quoted equity securities	**-**	(34,875)	**(46,297)**	-
	(173,602)	66,287	**77,028**	206,839
Designated as fair value through profit or loss:				
Managed portfolio (local quoted equity securities)	**(520,150)**	1,196,910	**-**	-
Managed funds	**35,153**	(3,757)	**(499)**	4,684
	(484,997)	1,193,153	**(499)**	4,684
	(658,599)	1,259,440	**76,529**	211,523

8 SHARE CAPITAL AND SHAER PREMIUM

The share capital of the Parent Company consists of:

	Authorised, issued and fully paid up share capital			
	2014	*2013*	***2014***	*2013*
	KD	*KD*	***Shares***	*Shares*
176,400,000 shares of 100 fils each , fully paid in cash	**17,640,000**	17,640,000	**176,400,000**	176,400,000

The share premium is not available for distribution.

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9 CAPITAL SURPLUS

Capital surplus represents an amount due to the previous shareholders of the Parent Company, which was forfeited during 1996 and transferred to the Parent Company's shareholders' equity. The amount is freely distributable.

10 CASH DIVIDEND

On 16 February 2015, the Board of Directors of the Parent Company proposed no dividend or Board of Directors' remuneration for the year ended 31 December 2014.

On 30 March 2014, the Board of Directors of the Parent Company proposed cash dividend of KD 1,578,967 representing 9% of the paid up share capital (9 fils per share) to the Parent Company's shareholders on records as of the date of the Annual Ordinary General Assembly Meeting and Board of Directors' remuneration of KD 75,000 for the year ended 31 December 2013. These proposals are subject to the approval of the Annual Ordinary General Assembly Meeting of the Parent Company's shareholders.

Board of Directors' remuneration for the year ended 31 December 2013 exceed the amount permissible under local regulations. On 21 May 2014, the Annual Ordinary General Assembly Meeting of the Parent Company's shareholders was held and approved the earlier mentioned cash dividend and Board of Directors' remuneration for the year ended 31 December 2013.

11 OTHER RESERVES

	2014 ***KD***	*2013* *KD*
Statutory reserve (11.a)	**276,538**	211,304
General reserve (11.b)	**92,907**	27,673
Share options reserve	**37,213**	37,213
Cumulative changes in fair values reserve	**639,220**	251,896
	1,045,878	528,086

11.a Statutory reserve
As required by the Kuwait Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration has been transferred to statutory reserve.

The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

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

11.b General reserve
As required by the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration has been transferred to general reserve based on recommendation of the Board of Directors and subject to the approval of the General Assembly of the Parent Company's shareholders. Such annual transfer may be increased or discontinued by a resolution of the General Assembly of the Parent Company's shareholders upon recommendation from the Parent Company's Board of Directors.

For the year ended 31 December 2013, no transfer was made to general reserve based on recommendation by the Parent Company's Board of Directors. This proposal is subject to the approval of the Annual Ordinary General Assembly Meeting of the Parent Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

12 TREASURY SHARES

	2014	*2013*
Number of shares	**959,175**	959,175
Percentage of issued shares	**0.54%**	0.54%
Market value (KD)	**209,100**	195,672

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

13 TERM LOANS

	Effective interest rate	*Maturity date*	***2014 KD***	*2013 KD*
(a)	2.5% above Central Bank of Kuwait discount rate	1 October 2015	**8,798,480**	8,800,000
(b)	3% above Central Bank of Kuwait discount rate	31 December 2019	**5,786,777**	-
			14,585,257	8,800,000

(a) This loan is denominated in Kuwaiti Dinar with a local bank and is secured by a pledge over a managed investment portfolio with a carrying value of KD 2,091,768 as at 31 December 2014 (2013: KD 2,611,918) (Note 7).

(b) This loan is denominated in Kuwaiti Dinar with a local bank and is secured by a pledge over an investment property with a carrying value of KD 37,283,400 as at 31 December 2014 (2013: KD Nil) (Note 4).

Term loans are disclosed in the consolidated statement of financial position as follows:

	2014 KD	*2013 KD*
Non-current	**5,786,777**	-
Current	**8,798,480**	8,800,000
	14,585,257	8,800,000

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At 31 December 2014

14 ACCOUNTS PAYABLE AND ACCRUALS

	2014 ***KD***	*2013* *KD*
Amounts due to contractors and suppliers	**100,120**	207,245
Rent received in advance from tenants	**117,833**	133,869
Deposits from tenants	**241,105**	243,269
Accrued expenses	**42,850**	324,243
Dividend payable (Note 15)	**230,603**	102,160
Amounts due to related parties (Note 15)	**1,437**	3,896
Other payables	**2,285,840**	2,401,492
	3,019,788	3,416,174

Accounts payable and accruals are disclosed in the consolidated statement of financial position as follows:

	2014 ***KD***	*2013* *KD*
Non-current	**241,105**	243,269
Current	**2,778,683**	3,172,905
	3,019,788	3,416,174

15 RELATED PARTY TRANSACTIONS

These represent transactions with i.e. major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

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

	2014 ***KD***	*2013* *KD*
Consolidated statement of income		
Rent expense (included in property operating expenses) (an associate)	**740,964**	740,964
Consolidated statement of financial position		
Dividend payable (Note 14)	**230,603**	102,160
Amounts due to related parties (an associate) (Note 14)	**1,437**	3,896
Compensation of key management personnel		
Salaries and short-term benefits	**69,351**	323,085
Employees' end of service benefits	**13,951**	31,730

Amounts due to related parties do not carry any interest and are payable within one year from the reporting date.

16 CONTINGENT LIABILITIES

As at 31 December 2014, the Group has contingent liabilities representing a letter of guarantee amounting to KD 24,188 (2013: 24,188) issued to the Ministry of Finance in respect of its investment properties, from which it is anticipated that no material liability will arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing activities comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Equities and other investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

Segment reporting information is illustrated as follows:

	Equities and other investing activities KD	*Real estate activities KD*	*Unallocated KD*	*Total KD*
Year ended 31 December 2014				
Segment revenue	**765,947**	**2,432,503**	**25,433**	**3,223,883**
Change in fair value of investment properties	**-**	**1,069,055**	**-**	**1,069,055**
Impairment loss on financial assets available for sale	**(1,072,452)**	**-**	**-**	**(1,072,452)**
Unrealised loss on financial assets at fair value through profit or loss	**(658,599)**	**-**	**-**	**(658,599)**
Finance costs	**(68,882)**	**(402,387)**	**-**	**(471,269)**
Other expenses, net	**-**	**(969,156)**	**(485,069)**	**(1,454,225)**
Segment results	**(1,033,986)**	**2,130,015**	**(459,636)**	**636,393**
As at 31 December 2014				
Segment assets	**68,828,158**	**64,089,400**	**1,002,783**	**133,920,341**
Segment liabilities	**5,786,777**	**9,257,538**	**2,663,303**	**17,707,618**
Year ended 31 December 2013				
Segment revenue	885,083	2,578,789	35,221	3,499,093
Change in fair value of investment properties	-	(922,000)	-	(922,000)
Impairment loss on financial assets available for sale	(25,793)	-	-	(25,793)
Unrealised gain on financial assets at fair value through profit or loss	1,259,440	-	-	1,259,440
Finance costs	-	(426,713)	-	(426,713)
Other expenses, net	-	(967,186)	(686,650)	(1,653,836)
Segment results	2,118,730	262,890	(651,429)	1,730,191
As at 31 December 2013				
Segment assets	65,379,382	63,007,345	683,680	129,070,407
Segment liabilities	-	9,384,383	2,918,051	12,302,434

The majority of the Group's business is conducted inside Kuwait.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process. The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

18.1 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. Management of the Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to the carrying values of financial assets appearing on the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to tenants of its investment properties by monitoring outstanding receivables. The Group limits credit risk with regard to its bank balances by only dealing with reputable banks.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

18.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The table below summarises the maturity profile of the Group's undiscounted financial liabilities as at 31 December based on contractual undiscounted repayment obligations:

	Less than 3 months KD	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
2014				
Term loans	**-**	**9,095,429**	**7,233,471**	**16,328,900**
Accounts payables and accruals	**100,120**	**2,678,563**	**241,105**	**3,019,788**
Total	**100,120**	**11,773,992**	**7,474,576**	**19,348,688**
2013				
Term loans	-	9,227,856	-	9,227,856
Accounts payables and accruals	207,245	2,965,660	243,269	3,416,174
Total	207,245	12,193,516	243,269	12,644,030

18.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.3 Market risk (continued)

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

18.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its term loans.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant:

	Increase/ decrease in basis points	*Effect on profit for the year before taxes KD*
2014	**+ 100**	**92,822**
2013	± 100	88,087

18.3.2 Foreign currency risk

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

The Group is not significantly exposed to foreign currency risk as the majority of the Group's assets and liabilities are dominated in Kuwaiti Dinars.

18.3.3 Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of industry concentration.

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

The effect on the Group's results (as a result of a change in the fair value of financial assets at fair value through profit or loss at 31 December) and other comprehensive income (as a result of a change in the fair value of financial assets available for sale at 31 December) due to a 5% change in market indices, with all other variables held constant is as follows:

	Effect on profit for the year before taxes		*Effect on other comprehensive income*	
	2014 KD	*2013 KD*	***2014 KD***	*2013 KD*
Market indices				
Kuwait	**217,159**	320,659	**36,454**	32,691

In respect of unquoted financial assets available for sale carried at cost (Note 6), the impact of changes in equity prices cannot be reliably determined due to unavailability of reliable fair value of these investments.

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. Capital comprises total equity excluding cumulative changes in fair values reserve, and is measured at KD 115,573,503 as at 31 December 2014 (2013: KD 116,516,077).

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19 FAIR VALUE MEASUREMENT

The following table shows an analysis of the Group's assets recorded at fair value by level of the fair value hierarchy at 31 December:

	Level 1 *KD*	*Level 2* *KD*	*Level 3* *KD*	*Total* *KD*
2014				
Investment properties	**-**	**64,089,400**	**-**	**64,089,400**
Financial assets available for sale				
Local quoted equity securities	**729,076**	**-**	**-**	**729,076**
Foreign unquoted equity securities	**-**	**-**	**1,552,000**	**1,552,000**
	729,076	**-**	**1,552,000**	**2,281,076**
Financial assets at fair value through profit or loss				
Held for trading:				
Managed portfolios (local quoted equity securities)	**2,251,418**	**-**	**-**	**2,251,418**
Designated at fair value through profit or loss:				
Managed portfolio (local quoted equity securities)	**2,091,768**	**-**	**-**	**2,091,768**
Managed funds	**-**	**-**	**271,657**	**271,657**
	2,091,768	**-**	**271,657**	**2,363,425**
	4,343,186	**-**	**271,657**	**4,614,843**
2013				
Investment properties	-	63,007,345	-	63,007,345
Financial assets available for sale				
Local quoted equity securities	653,829	-	-	653,829
Financial assets at fair value through profit or loss				
Held for trading:				
Managed portfolios (local quoted equity securities)	3,189,120	-	-	3,189,120
Quoted local equity securities	612,150	-	-	612,150
	3,801,270	-	-	3,801,270
Designated at fair value through profit or loss:				
Managed portfolio (local quoted equity securities)	2,611,918	-	-	2,611,918
Managed funds	-	-	252,083	252,083
	2,611,918	-	252,083	2,864,001
	6,413,188	-	252,083	6,665,271

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19 FAIR VALUE MEASUREMENT (continued)

During the years ended 31 December 2014 and 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers out of level 3 fair value measurements. However, the fair value of foreign unquoted equity securities amounting to KD 1,552,000 was available at 31 December 2014; accordingly, the Group transferred these investments, which was carried at cost at 31 December 2013, into level 3.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value at 31 December.

	At the beginning of the year KD	*Net gains (losses) recorded in the consolidated statement of income KD*	*Net purchases, transfers, sales and settlements KD*	*At the end of the year KD*
2014				
Financial assets available for sale				
Foreign unquoted equity securities	**-**	**(911,527)**	**2,463,527**	**1,552,000**
Financial assets at fair value through profit or loss				
Managed funds	**252,083**	**34,654**	**(15,080)**	**271,657**
	252,083	**(876,873)**	**2,448,447**	**1,823,657**
2013				
Financial assets at fair value through profit or loss				
Managed funds	296,090	927	(44,934)	252,083

Description of valuation methods:

Investment properties

Properties under development

Properties under development are valued using the combination of the market approach and the cost approach. Market approach is based on a comparison of active market prices for similar properties and recent arm's length market transactions, adjusted for difference in the nature, location or condition of the specific property. Cost approach is based on a comparison of the cost of constructing a similar property taking into consideration depreciation of the construction costs, adjusted for difference in the nature, location or condition of the specific property.

Developed property

Developed property is valued using the income capitalization approach. Income capitalization approach is based on capitalization of the discounted annual cash flows from the property which is calculated by discounting rental income generated annually by the property using the current market discount rate. Details of inputs to the valuation and sensitivity analysis are provided in Note 4.

Financial assets available for sale

Foreign unquoted equity securities

Foreign unquoted equity securities are valued based on fair value reported by the respective investment manager where it is determined based on a fair assessment of current projected returns.

Financial assets at fair value through profit or loss

Managed funds

Managed funds are valued based on fair value reported by the respective investment manager where it is determined through the valuation of the underlying assets.

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