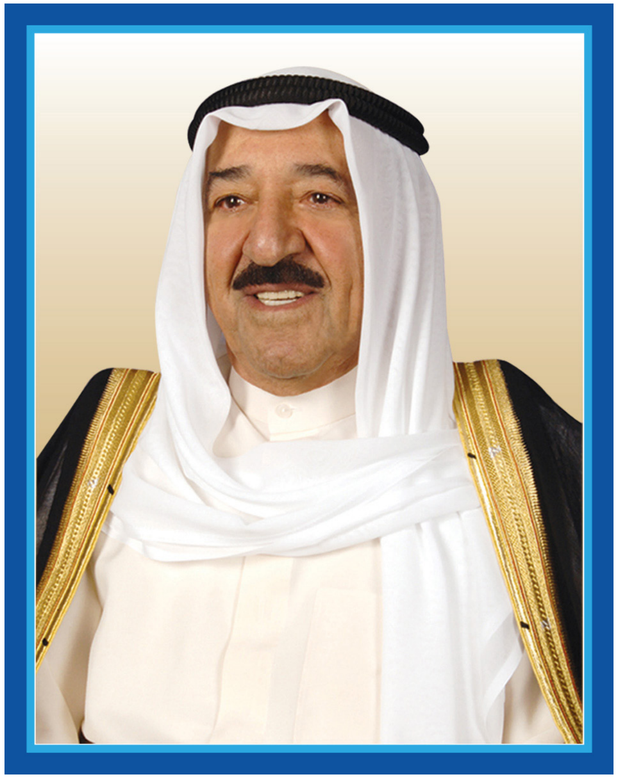
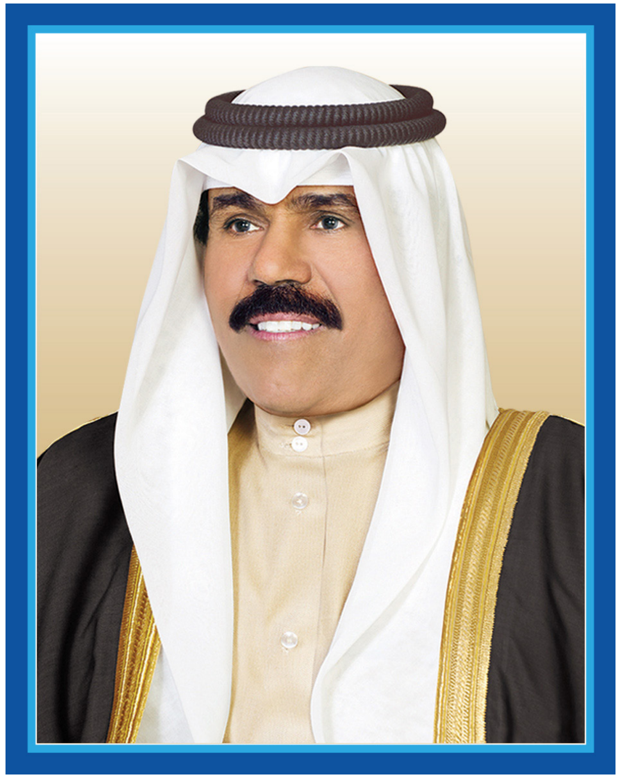


H.H. Sheikh
Sabah Al-Ahmed-Al-Jaber Al Sabah
Emir of State of Kuwait



H.H. Sheikh
Nawaf Al-Ahmed-Al-Jaber Al Sabah
Crown Prince

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Members of the Board

Laila A. A. Al-Ibrahim
Chairman

Nedhal K. Al- Masoud
Vice Chairman & Chief Executive Officer

Abdullah A. Al-Asfour
Board Member

Khaled A. M. Al-Attal
Board Member

Nabil A. Zeineddine
Board Member

Agenda of the Annual Ordinary General Assembly

Agenda of Annual Ordinary General Assembly

1. Review and approval of the Board of Directors' report of the company's activities and its financial performance for financial year ended 31/12/2014.
2. Review and approval of the Auditors (Mr. Abdullatif Al-Aiban of Grant Thornton-Al-Qatami, Al-Aiban& Partners and Mr. Qais Mohammed Al-Nesf (BDO) &Partners.
3. Discussion and approval of the company's Balance sheet and Profit and Loss Accounts for the financial year ended 31/12/2014.
4. Reviews the sanctions and penalties report imposed on the company by regulating authorities.
5. Approval of dealing with related parties.
6. Approval of Board of Directors to not distribute bonuses to board members for the fiscal year ended 31/12/2014.
7. Mandate of the Board of Directors to purchase or sell no more than 10 % of the share capital in accordance with the terms and conditions under article 175 of Law No. 25 of 2012, "and the instructions of Capital Markets Authority regarding the organization of shared companies for their shares (treasury stocks) and how to use and deal with them No. (2013/6/هـ.أ.م/ق.ت.أ/ت.ش)
8. Discharging the Members of the Board of Directors from their liabilities in terms of their legal and financial actions for year ended 31/12/2014.
9. Appointment or re-appointment of external auditors for financial year ending 31/12/2015 and authorized the Board of Directors to determine their fees.

Report to the Shareholders

Dear Shareholders,

I am pleased, for myself and on behalf of my colleagues on the Board Of Directors, to welcome you to the Ordinary General Meeting of the company and present to you the company's annual report for the fiscal year that ended on 31/12/2014.

The Climate of the overall economy:

The economic landscape in our region has undergone, during the recent period, several rapid economic disorders and fluctuations, the most remarkable of which was the decline in oil prices and lower asset values, the thing which had a negative impact on all sectors of the economy, like the slowdown in the implementation of projects and hence the delay in achieving the targeted profit. This was coincided with the negative growth of the credit facilities granted by financial institutions since 2007 as a result of the global financial crisis and the strict credit policies imposed by the regulators and the compress of gross losses suffered by many companies that stalled in fulfilling their obligations such as the outstanding loans due premiums for banks. This caused the high rate of their allocations, and thus lowered the value of banks' portfolio of loans to companies. This led to the establishment of many companies to modify their business models and restructure their assets, schedule their commitments and focus on operational activities in order to achieve sustainability in the generation and growth of operating profits.

However, in the presence of negative indicators which are still hovering over the economic climate despite the improved performance of many companies, this confirms that the companies are not in need of public funds or subsidy from the state, but they are looking forward to the speed in the drafting of the required legislations in order to ease the development crippling restrictions and create a safe and suitable investment environment for the business within a general economic vision and a technical drafting of the economy for its reorganization in order to help in the flexibility of launching such financial instruments which the companies are willing to offer within a package of such policies which the government should adopt so as to arrive at a lofty vision for the Kuwait as being a pioneering financial and a commercial center.

International Resorts Company's performance:

During 2014, the management of the company has commenced the implementation of its contract with the Ministry of Finance - State Property Management regarding the management, development, operation and maintenance of Souk Al-Safat Real Estate. According to the results of the prepared studies in this regard, the company will incur operating losses during the first stages of the project, but those losses will be reduced gradually and will turn to rewarding operating profits upon the full completion of the development works, complete maintenance and renewal of all tenants contracts in order to arrive at the fair rental values applied in similar markets.

As a result, the company has suffered losses in 2014 amounted to KD (1,164,823) at the rate of (7.54) fils per share at a rate of return on equity of (9.7)% compared with a profit for the year 2013 of KD 185,071 at the rate of 1.20 fils per share at a rate of return on equity of 1.41%. Also, the total assets are increased by 10% at the end of 2014 to reach KD 24,542,270 compared with total assets in the year 2013 amounting to KD 22,279,361. Furthermore, the company's management has worked hard and strived to achieve a relative control of the expenses and other charges, which amounted to KD 701,683 by the end of 2014 compared with the amount of KD 482,648 for the year 2013.

Dear Shareholders ...

The company's management is working continuously and diligently hard in implementing its strategy which have been reviewed with you at the end of the year 2013, namely: to proceed on with the development of Souk Al-Safat Real Estate in order to achieve optimal exploitation of this property and then realize the highest return and profitability for the company and its shareholders. Also, the company's management has completed the studies related to the project for construction of Al-Dabayia Land which the company will carry out its management and implementation together with its strategic partners in the coming period, Inshaullah, as soon as securing the approvals and licenses.

In conclusion, I would like to extend my thanks and gratitude to all our shareholders for their trust in the company's management and I pray to almighty Allah to give success to the company and those who are in charge of it and enable them to achieve better results in the next years.

Wishing success to all,

Nedhal Khaled Al-Masoud
Vice Chairman and Chief Executive Officer

Financial Statements

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Independent auditors' report

To the shareholders of
International Resorts Company – KSPC and its subsidiary Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Resorts Company – Kuwaiti Shareholding Public Company and its subsidiary, 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 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of matter

Without modifying our opinion, we draw attention to note (11) to the accompanying consolidated financial statements in connection with the settlement agreement to re-cover a bank cheque of KD13.2 million representing the remaining amount of the sale consideration receivable from one of the buying parties on sale of right of use of leased land in a prior year.

Report on Other Legal and Regulatory Matters

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

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

Qais M. Al Nisf
(Licence No. 38 -A)
BDO Al Nisf & Partners

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

Kuwait
3 March 2015

Consolidated statement of Financial Position

31 December 2014

	Note	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Assets			
Non-current assets			
Equipment and work in progress	7	**199,579**	3
Investment properties	8	**-**	1,440,000
Investment in associates	9	**61,501**	2,616,135
Available for sale investments	10	**418,155**	408,682
		679,235	4,464,820
Current assets			
Accounts receivable and other assets	11	**19,969,411**	14,069,864
Investment in real estate portfolio	12	**1,025,025**	987,157
Investments at fair value through statement of income	13	**198,219**	414,387
Cash and cash equivalents	14	**2,670,380**	2,343,133
		23,863,035	17,814,541
Total assets		**24,542,270**	22,279,361
Equity and liabilities			
Equity			
Share capital	15	**15,448,210**	15,448,210
Legal reserve	16	**921,229**	921,229
Fair value reserve		**(89,169)**	(228,505)
Accumulated losses		**(4,242,248)**	(3,077,425)
Total equity		**12,038,022**	13,063,509
Non-current liabilities			
Provision for employees' end of service indemnity		**163,777**	117,854
		163,777	117,854
Current liabilities			
Ijara financing	17	**805,000**	805,000
Accounts payable and other liabilities	18	**11,535,471**	8,292,998
		12,340,471	9,097,998
Total liabilities		**12,504,248**	9,215,852
Total equity and liabilities		**24,542,270**	22,279,361

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

Nedhal Khaled Al-Masoud
Vice Chairman and Chief Executive Officer

Consolidated statement income

31 December 2014

	Note	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Revenue			
Rental income	19	**2,323,565**	110,881
Real estate expenses		**(3,130,271)**	(4,318)
		(806,706)	106,563
Change in fair value of investment properties	8	**-**	190,000
Change in fair value of investment in real estate portfolio		**37,868**	-
Gain on sale of investment properties	8	**260,000**	179,040
Gain/ (loss) on sale of investments at fair value through statement of income		**3,185**	(12,264)
Change in fair value of investments at fair value through statement of income		**(61,713)**	(12,751)
Gain on sale of available for sale investments		**-**	144,804
Loss on disposal of investment in associate	9	**(14,911)**	-
Share of results of associates	9	**22,473**	19,242
Dividend income		**399**	4,008
Interest income		**69,517**	40,430
Foreign exchange gain		**976**	12,610
Other income		**25,772**	3,230
		(463,140)	674,912
Expenses and other charges			
Staff costs		**(343,401)**	(291,954)
General and administrative expenses		**(189,609)**	(149,225)
Finance costs		**(39,385)**	(41,469)
Impairment of available for sale investments		**(129,288)**	-
		(701,683)	(482,648)
(Loss)/ profit before contribution to National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration		**(1,164,823)**	192,264
Provision for NLST		**-**	(5,138)
Provision for Zakat		**-**	(2,055)
(Loss)/ profit for the year		**(1,164,823)**	185,071
Basic and diluted (loss)/ earnings per share	20	**(7.54) Fils**	1.20 Fils

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

31 December 2014

	31 Dec. 2014	31 Dec. 2013
	KD	KD
(Loss)/ profit for the year	**(1,164,823)**	185,071
Other comprehensive income/ (loss):		
Items that will be reclassified subsequently to the consolidated statement of income:		
Available for sale investments:		
- Net change in fair value arising during the year	**9,474**	(6,072)
- Impairment	**129,288**	-
Share of other comprehensive income/ (loss) of associates	**574**	(2,200)
Total other comprehensive income/ (loss)	**139,336**	(8,272)
Total comprehensive (loss)/ income for the year	**(1,025,487)**	176,799

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

31 December 2014

	Share capital KD	Legal reserve KD	Fair value reserve KD	Accumulated losses KD	Total equity KD
Balance at 1 January 2014	**15,448,210**	**921,229**	**(228,505)**	**(3,077,425)**	**13,063,509**
Loss for the year	-	-	-	(1,164,823)	(1,164,823)
Other comprehensive income					
Available for sale investments:					
- Net change in fair value arising during the year	-	-	9,474	-	9,474
- Impairment	-	-	129,288	-	129,288
Share of other comprehensive income of associates	-	-	574	-	574
Total comprehensive income/ (loss) for the year	-	-	139,336	(1,164,823)	(1,025,487)
Balance at 31 December 2014	**15,448,210**	**921,229**	**(89,169)**	**(4,242,248)**	**12,038,022**
Balance at 1 January 2013	**15,448,210**	**921,229**	**(220,233)**	**(3,262,496)**	**12,886,710**
Profit for the year	-	-	-	185,071	185,071
Other comprehensive income					
Available for sale investments:					
- Net change in fair value arising during the year	-	-	(6,072)	-	(6,072)
Share of other comprehensive loss of associates	-	-	(2,200)	-	(2,200)
Total comprehensive (loss)/ income for the year	-	-	(8,272)	185,071	176,799
Balance at 31 December 2013	**15,448,210**	**921,229**	**(228,505)**	**(3,077,425)**	**13,063,509**

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

31 December 2014

	Notes	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
OPERATING ACTIVITIES			
(Loss)/ profit for the year		**(1,164,823)**	185,071
Adjustments:			
Gain on sale of available for sale investments		**-**	(144,804)
Impairment of available for sale investments		**129,288**	
Change in fair value of investment properties		**-**	(190,000)
Loss on disposal of investment in associate		**14,911**	-
Gain on sale of investment properties		**(260,000)**	(179,040)
Gain on sale of investments at fair value through statement of income		**(3,185)**	12,264
Change in fair value of investments at fair value through statement of income		**61,713**	12,751
Change in fair value of investment in real estate portfolio		**(37,868)**	-
Provision for employees' end of service indemnity		**45,923**	17,262
Share of results of associates		**(22,473)**	(19,242)
Interest income		**(69,517)**	(40,430)
Dividend income		**(399)**	(4,008)
Finance costs		**39,385**	41,469
		(1,267,045)	(308,707)
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(1,804,135)**	(80,924)
Investments at fair value through statement of income		**157,643**	483,747
Accounts payable and other liabilities		**3,280,398**	488,741
Net cash generated from operating activities		**366,861**	582,857
INVESTING ACTIVITIES			
Purchase of available for sale investments		**-**	(457,205)
Proceeds from sale of available for sale investments		**-**	534,549
Proceeds from sale of investment properties		**170,000**	150,000
Purchase of equipment and work in progress		**(199,576)**	-
Interest income received		**29,963**	1,310
Dividend income received		**399**	4,008
Net cash generated from investing activities		**786**	232,662
FINANCING ACTIVITIES			
Finance costs paid		**(40,400)**	(2,956)
Net cash used in financing activities		**(40,400)**	(2,956)
Increase in cash and cash equivalents		**327,247**	812,563
Cash and cash equivalents at beginning of the year	13	**2,343,133**	1,530,570
Cash and cash equivalents at end of the year	13	**2,670,380**	2,343,133

The notes set out on pages 18 to 36 form an integral part of these consolidated financial statements.

1. Incorporation and activities

International Resorts Company – KSC (Public) was incorporated on 10 February 1976 in accordance with the Commercial Companies Law under the name of Kuwait Projects Company for Reconstruction and Real Estate as a Kuwaiti Shareholding Public Company and is the group's ultimate parent company ('parent company'). The name of the company was officially amended on 7 February 1998 to International Resorts Company. The parent company's shares are listed on Kuwait Stock Exchange.

The group comprises the parent company and its subsidiary.

Name of subsidiary	Country of incorporation	Principal activity	Ownership %	
			31 Dec. 2014	31 Dec. 2013
Assjad Al-Kuwait General Trading and Contracting Co. W.L.L.	Kuwait	General Trading and Contracting	**99%**	99%

The group comprises the parent company and its wholly owned subsidiary, Assjad Al-Kuwait General Trading and Contracting Company – WLL, a Kuwaiti limited liability company.

The principal objectives of the parent company are:

- Acquiring, selling and purchasing real estate properties and lands and developing same in favour of the company inside and outside the State of Kuwait, in addition to managing others' properties in such a way that does not violate the provisions stipulated in the existing laws and what has been prohibited by these laws such as trading in the private residence plots as stated in these laws.
- Acquiring, selling and purchasing shares and bonds of the real estate companies only in favour of the company inside and outside Kuwait.
- Preparing studies and providing consultations in all kinds of real estate fields, provided the required terms and conditions are met by those who offer this service.
- Acquisition and management and rental of hotels, health clubs and touristic facilities.
- Doing maintenance works related to the buildings and properties owned by the company and others, including maintenance works and carrying out civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Managing, operating, investing, renting and sub-renting, hotels, clubs, motels, guest houses, rest areas, parks gardens, exhibitions, restaurants, cafeterias, and housing complexes whether for pleasures or sports and other shops at all levels.
- Organizing real estate exhibitions for the company's real estate projects in accordance with the regulations applied in the Ministry.
- Organizing real estate tenders.
- Acquisition and management of commercial and residential complexes.
- Using the financial surpluses available with the company by investing same in financial portfolios managed by specialized companies and entities.
- Establishing and management real estate funds (after getting the approval from Central Bank of Kuwait).
- Contributing directly to set out the basic structure of the residential, commercial and industrial areas and projects by "Building, Operation & Transfer" (BOT) system and managing the real estate utilities by BOT system.

The Company may practice the above activities inside the state of Kuwait and abroad either in its own name or by proxy.

The Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may also incorporate, purchase and/or participate in incorporation of such entities or affiliate them.

The company has regularized its affairs with Law No. 25 of 2012, its amendments and executive regulation in accordance with the extra-ordinary general assembly of the shareholders on 26 June 2014 This was registered in the commercial register under No. 23452 on 12 August 2014.

The address of the parent company's registered office is PO Box 4800, Safat 13048, State of Kuwait.

The board of directors authorised these consolidated financial statements for issue on 3 March 2015 and are subject to the approval of the general assembly of the shareholders.

2. Basis of preparation

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

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

3. Statement of compliance

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

4. Changes in accounting policies

4.1 Adoption of new IASB Standards and amendments during the period

The group has adopted the following new and amended IFRS during the year:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 32 Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014

IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:
• the meaning of 'currently has a legally enforceable right of set-off
• that some gross settlement systems may be considered equivalent to net settlement.

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

IAS 36 Impairment of Assets- Amendments

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

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

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

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

4.2 IASB Standards issued but not yet effective

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

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

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

IFRS 9 Financial Instruments

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

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

IFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:
• Identify the contract with the customer
• Identify the performance obligations in the contract
• Determine the transaction price
• Allocate the transaction price to the performance obligations in the contracts
• Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as
• Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
• timing – whether revenue is required to be recognized over time or at a single point in time
• variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
• time value – when to adjust a contract price for a financing component

4. Changes in accounting policies (continued)

4.1 Adoption of new IASB Standards and amendments during the period (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

• specific issues, including –
- non-cash consideration and asset exchanges
- contract costs
- rights of return and other customer options
- supplier repurchase options
- warranties
- principal versus agent
- licencing
- breakage
- non-refundable upfront fees, and
- consignment and bill-and-hold arrangements.

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

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

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

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

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

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

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

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

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

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

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

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

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

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

IAS 27 Equity Method in Separate Financial Statements - Amendments

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

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

4. Changes in accounting policies (continued)

4.1 Adoption of new IASB Standards and amendments during the period (continued)

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

The Amendments are aimed at clarifying the following aspects:

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

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

Annual Improvements to IFRSs 2012–2014 Cycle

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

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

(iii) Amendments to IAS 9 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be de nominated in the same currency as the benefits to be paid

(iv) Amendments to IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

Annual Improvements to IFRSs 2010–2012 Cycle:

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

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

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

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

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

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

Annual Improvements 2011-2013 Cycle

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

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

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

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

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

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

5. Significant accounting policies

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

5.1 Basis of consolidation

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

5. Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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

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

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

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

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

5.2 Financial instruments

5.2.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either.

(a) the group has transferred substantially all the risks and rewards of the asset or
(b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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

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

5.2.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

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

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

- ***Loans and receivables***

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

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

The group categorises loans and receivables into following categories:

- **Receivables and other assets and due from related parties**
  Receivables are stated at original invoice amount less allowance for any uncollectible amounts. Amounts due from transactions with related parties and cash advances to related parties are included under due from related parties. An estimate for doubt ful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and bank balances, together with time deposit that are readily convertible into known amounts of cash within 90 days and which are subject to an insignificant risk of changes in value.

5. Significant accounting policies (continued)

5.2 Financial instruments (continued)

5.2.2 Classification and subsequent measurement of financial assets(continued)

• ***Financial assets at FVTSI***

Classification of investments as financial assets at FVTSI depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are as designated at FVTSI upon initial recognition.

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

• ***AFS financial assets***

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

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

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

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

5.2.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include ijara finance payable and accounts payable and other liabilities.

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

• **Ijara finance payable**

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

• **Accounts payables and other liabilities and due to related parties**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

5.3 Investment properties

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

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

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

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

5.4 Investment in associates

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

5 Significant accounting policies (continued)

5.4 Investment in associates (continued)

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

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

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

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

5.5 Equipment and work in progress

Equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

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

- Vehicles: 5 years
- Furniture: 5 years

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

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

5.6 Investments in real estate portfolios

Investments in real estate portfolios represents group's participation in real estate investments with other parties and is initially recognised at cost of contribution. Subsequent to initial recognition, these investments are remeasured to market value based on the advice of the portfolio managers.

5.7 Trade and settlement date accounting

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

5.8 Offsetting of financial instruments

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

5.9 Amortised cost of financial instruments

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

5.10 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

5.11 Impairment testing of non financial assets

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

5 Significant accounting policies (continued)

5.11 Impairment testing of non financial assets (continued)

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

5.12 Equity, reserves and dividend payments

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

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Other components of equity include the following:

- Fair value reserve – comprises gain and losses relating to available for sale financial assets Retained earnings includes all current and prior period retained profits and losses. All transaction with owners of the parent company are recorded separately within equity.

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

5.13 Related party transactions

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

5.14 End of service indemnity

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

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

5.15 Foreign currency translation

5.15.1 Functional and presentation currency

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

5.15.2 Foreign currency transactions and balances

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

5.16 Provisions, contingent assets and contingent liabilities

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

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

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

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

5.17 Segment reporting

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

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

5 Significant accounting policies (continued)

5.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.18.1 Rental income

The group earns rental income from operating lease of its investments properties. Rental income is recognised on a straight-line basis over the term of the lease.

5.18.2 Dividend income

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

5.18.3 Interest income

Interest income are reported on an accrual basis using the effective interest method.

5.19 Operating expenses

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

5.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.21 Taxation

5.21.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.21.2 National Labour Support Tax (NLST)

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

5.21.3 Zakat

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

For the year ended 31 December 2014 and 31 December 2013, the parent company has no liability towards KFAS due to losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

6. Critical accounting judgements and key sources of estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

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

6.1 Significant management judgments (continued)

6.1.2 Classification of real estate

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

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

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

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

6.1.3 Control assessment

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

6.2 Estimates uncertainty

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

6.2.1 Impairment of associates

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

6.2.2 Impairment of available for sale equity investments

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

6.2.3 Impairment of receivables

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

6.2.4 Useful lives of depreciable assets

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

6.2.5 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 27).

7 Equipment and work in progress

During the year the group incurred payments of KD 199,576 for maintenance and renovation of the new agreement with government for a real estate management.

8 Investment properties

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
At 1 January	**1,440,000**	1,554,454
Change in fair value	**-**	190,000
Gain on sale of investment properties	**260,000**	179,040
Proceeds from sale of investment properties	**(1,700,000)**	(483,494)
	-	1,440,000

The group sold its investment property during the year. In accordance with the contract, the group received KD170,000 as down payment and the remaining balance KD 1,530,000 will be received after completion of transfer of the deed to the buyer.

9. Investment in associates

9.1 Details of the group's investment in associates are given below:

Name	Country of incorporation	Ownership %		Purpose
		31 Dec. 2014	31 Dec. 2013	
Suhail Telecom Services Company – KSCC	Kuwait	**-**	25	Telecommunication services
Zamzam for Religious Tourism Company – KSCC	Kuwait	**32.5**	32.5	Religious tourism
Al-Marwa For Haj and Umra Services Company – KSCC	Kuwait	**-**	20	Religious tourism

All the above associates are unquoted.

9. Investment in associates (continued)

During the year the group sold its associate Suhail Telecom Services Company KSCC to a related party amounting to KD 11,000 and resulted in a loss of KD 14,911.

The movement in the investment in associates is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Balance at 1 January	**2,616,135**	2,599,093
Share of results of associates	**22,473**	19,242
Disposal of associate	**(25,912)**	-
Reclassified to accounts receivable (Note 11.3)	**(2,551,769)**	-
Share of other comprehensive income of associates	**574**	(2,200)
Balance at 31 December	**61,501**	2,616,135

10 Available for sale investments

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Foreign unquoted	**1**	1
Local unquoted	**418,154**	408,681
	418,155	408,682

The local unquoted investments are carried at net asset value provided by the management due to the nature of these investments. Management believes the net assets value represents the best estimate of fair value available for these investments.

During the year, the parent company recognised an impairment loss of KD129,288 (2012: KD Nil) against certain investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

11 Accounts receivable and other assets

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Due from sale of right of use of leased land (11.1)	**13,200,000**	13,200,000
Rent receivable	**1,263,002**	-
Receivable from sale of investment property (8)	**1,530,000**	-
Receivable on liquidation of an associate (11.3)	**2,551,769**	-
Prepaid expenses	**84,230**	76,466
Due from related parties (11.2)	**1,200,126**	750,881
Notes receivables	**96,517**	-
Other assets	**43,767**	42,517
	19,969,411	14,069,864

11.1 During a prior year, the parent company agreed to sell the right of use of land jointly owned by the parent company and other related parties against a total consideration of KD22 million. The parent company's share of this land amounted to 53%. The buying parties were Al-Safat Investment Company (Al-Safat) and Jeezan Holding Company (Jeezan). The details of the transaction are as follows:

	Al – Safat	Jeezan	31 Dec. 2014	31 Dec. 2013
	KD	KD	KD	KD
Sale value	**17,600,000**	**4,400,000**	**22,000,000**	22,000,000
Less: Payments received	**(4,400,000)**	**(4,400,000)**	**(8,800,000)**	(8,800,000)
Balance receivable	**13,200,000**	**-**	**13,200,000**	13,200,000
Due to related parties (note 18 & 22)	**(6,460,419)**	**-**	**(6,460,419)**	(5,713,147)
Net balance due to the parent company	**6,739,581**	**-**	**6,739,581**	7,486,853

The parent company received from Al-Safat a bank cheque for KD 13,200,000 to settle payment when the parent company has completed the relevant transfer procedures.

During the prior year, the parent company obtained approval of the Government authorities, including the Municipal Council, to register the right of use in the name of the buying parties. The parent company informed the buying parties thereof and presented the above cheque for collection, which was not settled. The management filed legal cases against Al Safat to recover the balance amount under the sale contract.

On 15 March 2013, the parent company and Al-Safat reached an out of court settlement whereby the parent company exchanged for 60% ownership in the company that acquired the land (including on behalf of related parties) against the receivable of KD13.2 million and withdrawal of legal cases. The legal formalities to give effect to this settlement are currently in progress.

11.2 Due from related parties include balance amounting to KD 164,778 (31 December 2013: KD 158,852) which carries interest rate of 2% over Central Bank of Kuwait discount rate and has no specific repayment date.

Due from related parties include balance amounting to KD959,493 (31 December 2013: KD 183,327) which carries interest rate of 2% over Central Bank of Kuwait discount rate and is due on 30 September 2015.The loan is secured by certain investments.

11.3 During the year, the shareholders Al Marwa For Haj and Umra Services Company-KSCC , agree to liquidate the company and appointed a liquidator in accordance with the companies law. Hence, the group reclassified the carrying amount of its investment in associate to accounts receivable and other assets since the group lost significant influence of the investee. The fair value on the date of reclassification was not materially different from its carrying amount. Further, management believes that there is no indication of impairment of carrying amount as of 31 December 2014.

12 Investment in real estate portfolio

	31 Dec. 2014 KD	31 Dec. 2013 KD
Outside Kuwait	**1,025,025**	987,157

13 Investments at fair value through statement of income

	31 Dec. 2014 KD	31 Dec. 2013 KD
Trading:		
Local quoted securities	**150,511**	200,175
Local managed portfolio	**46,253**	212,857
	196,764	413,032
Designated on initial recognition:		
Local unquoted securities	**1,455**	1,355
	1,455	1,355
	198,219	414,387

Local managed portfolio is managed by a related party.

14 Cash and cash equivalents

	31 Dec. 2014 KD	31 Dec. 2013 KD
Time deposit maturing within three months	**2,243,409**	2,215,862
Cash in hand	**1,330**	2,525
Bank balances	**425,641**	124,746
	2,670,380	2,343,133

The time deposit carries an effective interest rate as of 31 December 2014 of 1.25% (31 December 2013: 1.25%).

The time deposit is secured against letter of guarantee in favour of ministry of finance.

15 Share capital

The company's authorized, issued, and fully paid up capital is KD 15,448,210 divided into 154,482,100 shares, each of a nominal value of 100 fils. All share capital was paid in cash.

16 Reserves

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

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

According to the parent company's articles of association and the Companies Law require that 10% of the profit for the year before KFAS, NLST and Zakat is transferred to the voluntary reserve.

No transfers are required in a year when losses are incurred or where cumulative losses exist.

17 Ijara financing

Ijara financing carries average effective profit payable rate of 5.018% (2013: 5.018%) per annum and matures on 26 January 2016.

18 Accounts payable and other liabilities

	31 Dec. 2014 KD	31 Dec. 2013 KD
Share of related parties on sale of right of use of leased lands (note 11.1)	**6,460,419**	5,713,147
Accounts payable	**149,756**	42,166
Due to related parties	**99,321**	500,091
Accrued rental expenses (18.1)	**2,786,674**	-
Accrued leave and expenses	**115,452**	113,745
Provision for National Labour Support Tax	**14,083**	14,083
Zakat	**3,350**	3,350
Provision for legal cases	**1,906,416**	1,906,416
	11,535,471	8,292,998

18.1 Accrued rental expenses represents amount payable to the government under the real estate management contract. The group entered into a real estate management agreement with government whereby it will manages a property for eleven years and three months beginning February 2014. The group is required to pay KD 3,420,000 to the government annually for 10 years beginning May 2015. However, from February 2014 and up to 15 months the government has waived this payment in order for the group to carryout renovations and maintenance work for the property. However, the group is recognising their yearly cost over the entire contract period to match with the related revenue. The rent collected by the group from the property is shown as rental income (note 19).

19 Rental income

	31 Dec. 2014 KD	31 Dec. 2013 KD
Rental income from investment properties	**97,857**	110,881
Rental income from managed real estate (note 18.1)	**2,225,798**	-
	2,323,565	110,881

20 Basic and diluted (loss)/ earnings per share

Basic and diluted (loss)/ earnings per share is computed by dividing the (loss)/ profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
(Loss)/ profit for the year (KD)	**(1,164,823)**	185,071
Weighted average number of ordinary shares outstanding during the year	**154,482,100**	154,482,100
Basic and diluted (loss)/ earnings per share	**Fils (7.54)**	Fils 1.20

21 General assembly of shareholders

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

The general assembly of the shareholders held on 13 May 2014 approved the consolidated financial statements for the year ended 31 December 2013, and the directors' proposal not to distribute any dividends for the year then ended.

22 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiary which is related party of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

	31 Dec. 2014 KD	31 Dec. 2013 KD
Amounts included in the consolidated statement of financial position:		
Due from related parties	**1,200,126**	750,881
Share of related parties on sale of right of use of leased land	**6,460,419**	5,713,147
Due to related parties	**99,321**	500,091
Investments at fair value through statement of income	**46,253**	212,857
Sale of associate	**25,911**	-
Transactions included in the consolidated statement of income:		
Loss on disposal of investment in associate	**(14,911)**	-
Gain on sale of available for sale investments	**-**	116,514
Gain on sale of investment properties	**-**	179,040
Consultancy fees	**59,828**	45,000
Interest income	**39,554**	39,120
Key management compensation:		
Salaries and other short term benefits	**200,363**	173,304

23 Capital commitments

At 31 December 2014, the group had commitments amounting to KD 242,571 (2013: KD242,571) for purchase of investments.

In 2013 the group entered into a real estate management agreement. Based on the agreement the group is expected to incur renovation work. The group has estimated the costs of such improvements and renovation work to be KD 1,327,790 (31 December 2013: KD 1,529,290).

24 Contingent liabilities

Contingent liabilities at the year end in respect of outstanding letters of guarantee amounted to KD 4,431,724 (31 December 2013: 4,431,724).

25 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss.

25 Segmental information (continued)

The group's operating segments are real estate and investment. The information relating to these segments are as follows:

At 31 December 2014	Real Estat	Investment	Total
	KD	KD	KD
Operating loss	(457,210)	(135,218)	(592,428)
Segment loss	(526,819)	(638,004)	(1,164,823)
Loss for the year			(1,164,823)
Total assets	17,189,549	7,352,721	24,542,270
Total liabilities	(12,189,745)	(314,503)	(12,504,248)
Net assets employed	4,999,804	7,038,218	12,038,022
Share of results of associates	-	22,473	22,473
At 31 December 2013			
Operating income	508,862	166,050	674,912
Segment profit/ (loss)	451,472	(259,208)	192,264
Unallocated expenses			(7,193)
Profit for the year			185,071
Total assets	16,007,293	6,272,068	22,279,361
Total liabilities	(6,704,474)	(2,511,378)	(9,215,852)
Net assets employed	9,302,819	3,760,690	13,063,509
Share of results of associates	-	19,242	19,242

26 Risk management objectives and policies

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

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

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed are described below.

26.1 Market risk

a) Foreign currency risk

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

The group is not exposed to any foreign currency.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets other than due from related parties and time deposits. The group is exposed to interest rate risk with respect to its ijara financing. The board monitors the interest rate risk by setting limits.

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

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

	31 Dec. 2014		31 Dec. 2013	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Profit/ (loss) for the year	23,180	(23,180)	22,898	(22,898)

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

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of in come and available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis.

26 Risk management objectives and policies (continued)
26.1 Market risk (continued)
26.1.C Price risk (continued)

If equity prices had been 2% (2013: 2%) higher/ lower, the effect on the (loss)/ profit for the year and equity would have been as follows:

	(Loss) / Profit for the year		Equity	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	KD	KD	KD	KD
Available for sale investments	-	-	± 8,363	± 8,173
Trading securities	± 3,935	± 8,261	-	-
Investments designated at fair value through statement of income	± 29	± 27	-	-

26.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

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

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Accounts receivable and other assets	19,885,181	13,993,398
Cash and cash equivalents	2,669,050	2,340,608
	22,554,231	16,334,006

Bank balances are maintained with high credit quality financial institutions.

26.3 Liquidity risk

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

Maturity profile of liabilities at 31 December 2014 and 2013:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
2014					
Liabilities					
Ijara financing	805,000	-	-	-	805,000
Accounts payable and other liabilities	-	36,449	11,499,022	-	11,535,471
	805,000	36,449	11,499,022	-	12,340,471
2013					
Liabilities					
Ijara financing	805,000	-	-	-	805,000
Accounts payable and other liabilities	38,426	72,731	8,181,841	-	8,292,998
	843,426	72,731	8,181,841	-	9,097,998

27 Fair value measurement
27.1 Fair value hierarchy

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e.derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that in clude inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27 Fair value measurement (continued)

27.2 Fair value measurement of financial instruments

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

	31 Dec. 2014 KD	31 Dec. 2013 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Cash and cash equivalents	**2,670,380**	2,343,133
- Accounts receivable and other assets	**19,969,411**	14,069,864
Investments at fair value through statement of income:		
Investments at fair value through statement of income	**198,219**	414,387
Available for sale investments at fair value:		
Available for sale investments	**418,155**	408,682
	23,256,165	17,236,066
Financial liabilities:		
Financial liabilities at amortised cost:		
Accounts payable and other liabilities	**11,535,471**	8,292,998
Ijara financing	**805,000**	805,000
	12,340,471	9,097,998

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

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

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

31 December 2014	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income:				
Local quoted securities	150,511	-	-	150,511
Local managed portfolio	46,253	-	-	46,253
Local unquoted securities	-	-	1,455	1,455
Available for sale investments:				
Local unquoted investments	-	-	418,155	418,155
	196,764	-	419,610	616,374

31 December 2013	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income:				
Local quoted securities	200,175	-	-	200,175
Local managed portfolio	212,857	-	-	212,857
Local unquoted securities	-	-	1,355	1,355
Available for sale investments:				
local unquoted investments	-	-	408,682	408,682
	413,032	-	410,037	823,069

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

Measurement at fair value

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

a) Quoted Securities

All the listed equity securities are publicly traded on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

b) Local managed portfolio

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

c) Unquoted securities

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

27 Fair value measurement (continued)
27.2 Fair value measurement of financial statement (continued)

Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data.

	Investments at fair value through statement of income KD	Available for sale Investments KD	Total KD
31 December 2014			
Opening balance	1,355	408,682	410,037
Transfer	100	-	100
Gains or losses recognised in:			
- Consolidated statement of income	-	(129,288)	(129,288)
- Other comprehensive income	-	138,761	138,761
Closing balance	1,455	418,155	419,610
31 December 2013			
Opening balance	1,355	414,754	416,109
Gains or losses recognised in:			
- Other comprehensive income	-	(6,072)	(6,072)
Closing balance	1,355	408,682	410,037

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

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

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

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

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

Gains or losses recognized in the consolidated statement of income for the year are included in loss on sale of investments at fair value through statement of income, change in fair value of investments at fair value through statement of income and gain on sale of available for sale investments.

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

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

27.3 Fair value measurement of non-financial assets

The following table shows the fair value hierarchy of non-financial assets measured at fair value on a recurring basis at:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2014				
Real estate portfolio	-	-	1,025,025	1,025,025
	-	-	1,025,025	1,025,025
31 December 2013				
Investment properties: Building in Kuwait	-	-	1,440,000	1,440,000
Real estate portfolio	-	-	987,157	987,157
	-	-	2,427,157	2,427,157

27 Fair value measurement (continued)

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

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

Real estate portfolio

The real estate portfolio represents a land catergorised as "Investment Land". The fair value of the land has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of properties. The significant inputs and assumptions are developed in close consultation with management. The valuers have valued the land using the market comparison. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location and current use. For the valuation purpose, the group has selected the lower value of the two valuations (2013: lower of two valuations).

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

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Real estate portfolio	Market comparison approach	Estimated market price for land (per sqm)	AED30 to AED35	Higher the price per square meter, higher the fair value

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

	Investment property KD	Real Estate portfolio KD	Total KD
31 December 2014			
Opening balance	**1,440,000**	**987,157**	**2,427,157**
Sales	**(1,700,000)**	**-**	**(1,700,000)**
Gains or losses recognised in consolidated statement of income:			
- Change in fair value of investment property	**-**	**37,868**	**37,868**
- Disposal	**260,000**	**-**	**260,000**
Closing balance	**-**	**1,025,025**	**1,025,025**
Total amount included in profit or loss for unrealised gains on Level 3 assets	**-**	**37,868**	**37,868**
31 December 2013			
Opening balance	1,554,454	987,157	2,541,611
Sales	(483,494)	-	(483,494)
Gains or losses recognised in consolidated statement of income:			
- Change in fair value of investment property	190,000	-	190,000
- Disposal	179,040	-	179,040
Closing balance	1,440,000	987,157	2,427,157
Total amount included in profit or loss for unrealised gains on Level 3 assets	190,000	-	190,000

28 Capital management objectives

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

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

The group monitors its capital by way of return on equity. This is calculated by reference to loss for the year divided by total equity as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
(Loss)/ profit for the year	**(1,164,823)**	185,071
Total equity	**12,038,022**	13,063,509
Return on equity	**(9.7)%**	1.4%