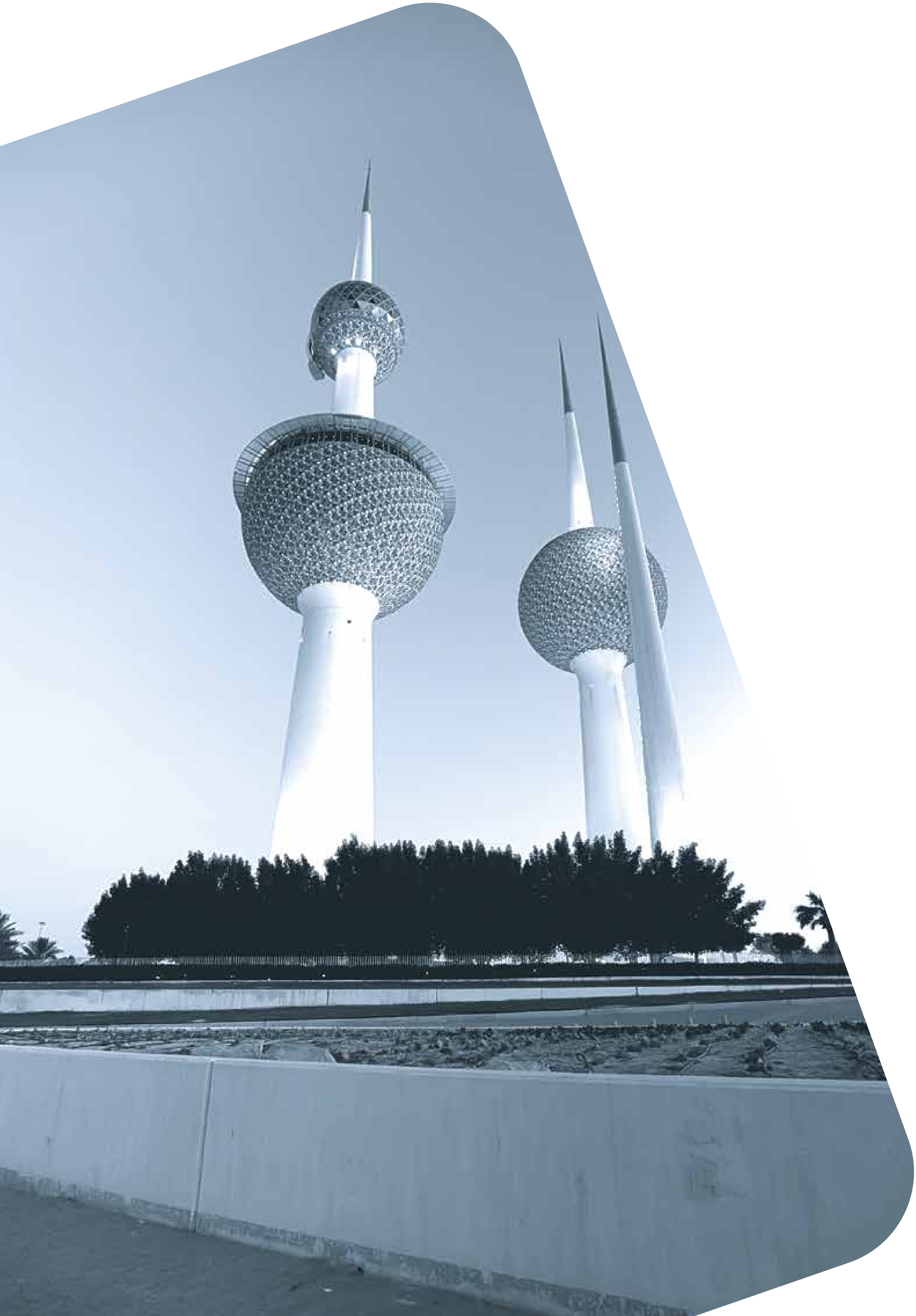
In The Name of Allah

The Most Gracious, The Most Merciful



His Highness Sheikh

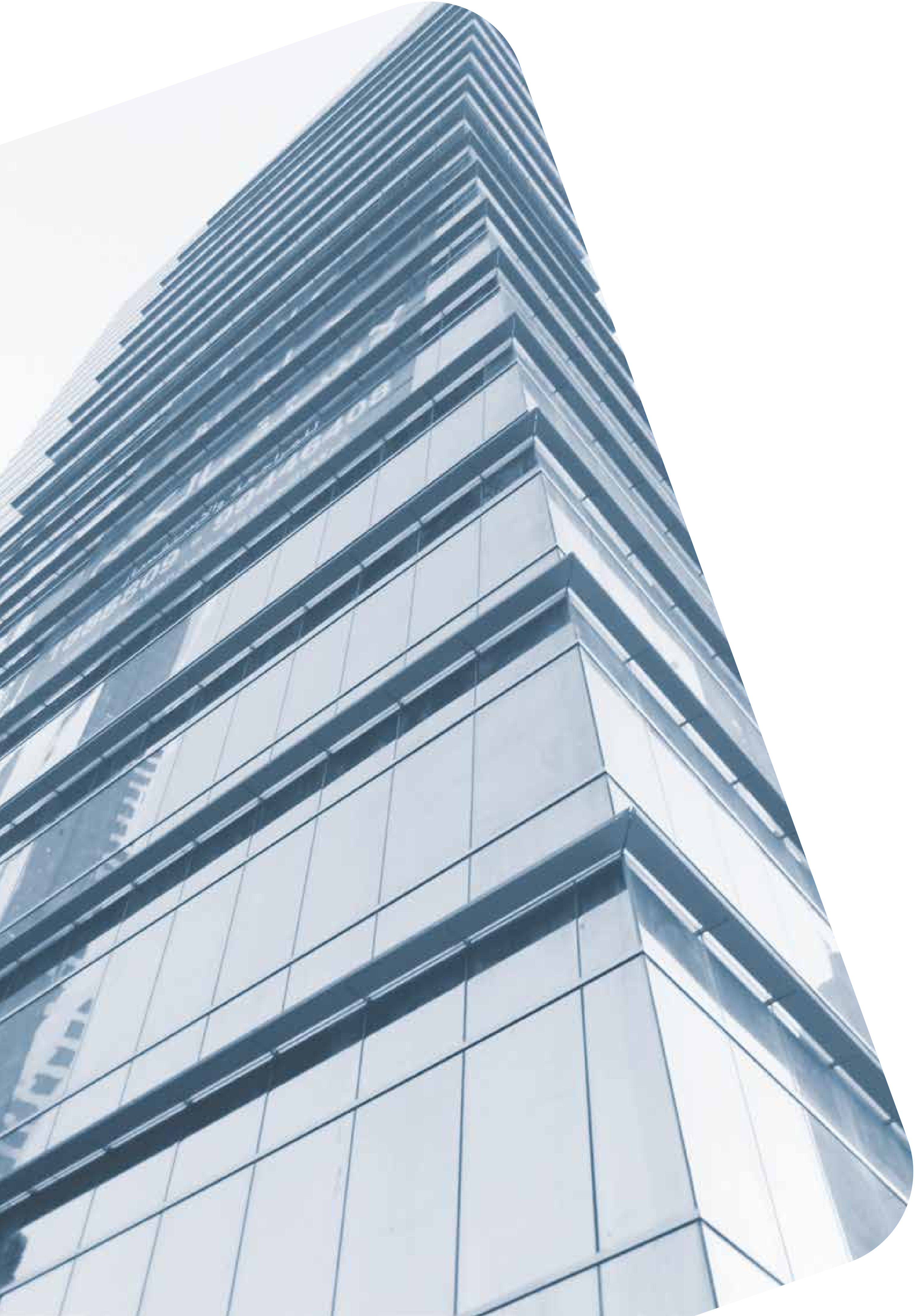
Sabah Al-Ahmed Al-Jaber Al-Sabah

Amir of Kuwait

His Highness Sheikh

Nawaf Al-Ahmed Al-Jaber Al-Sabah

Crown Prince



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Board of Director's Report For The Financial Year Ended 31/12/2014

Dear Shareholders,

In my name and on behalf of my colleagues Members of the Board of Directors, I have the pleasure and honor to present to you the annual report of Tijara & Real Estate Investment Co. for the fiscal year ended in 31/12/2014 and which contains a clear image of the company's performance and financial position during the last year.

Dear Shareholders,

One year has passed, with the consequences of various regional and international events which have cast a shadow on the political scene. The year ended with a crisis in oil market, raising many questions for the future after the price per barrel dropped to US $60.

The economic reports mentioned that the price of Kuwaiti oil in December amounted to US $58.5 per barrel, marking a decline of approximately US $15.3 per barrel compared with the average price of approximately US $73.8 per barrel in November.

Thus, the price of Kuwaiti oil per barrel for the first nine months of the current fiscal year registered at approximately US $92.3, approximately US $11.3 or 10.9% less than that of the first nine months of the previous fiscal year 2013/2014, which amounted to US $103.6.

Kuwait Stock Exchange Market

Kuwait Stock Exchange market witnessed positive performance during the first year, and then suffered a series of sharp declines. Most dips in performance were due to the emerging regional crises up to the final quarter of 2014, when the oil price per barrel continued to decline as we mentioned above. These events have adversely impacted regional stock markets and the KSE is no exception. By the end of December trading, the total loss of the price index amounted more than 1,300 points, or 16.88% of the peak level registered last February of 7.863.0 points. The year ended at 6.535.72 points, whereas losses of the weighted index registered at 12.42% or approximately 62 points compared with its highest level of the year in April, as it fell from 501.10 points to end the year at 438.88 points. Such a decline caused the market to lose approximately KWD 1.73 billion over the entire year, as the trading values declined by 5.82% since the beginning of the year after reaching KWD 27.98 billion by the end of 2014.

The Real Estate Market

The outcome of 2014 was positive on the Real Estate Market, which acted as a safe haven for investment during this period. Market liquidity registered an increase of approximately KWD 4,992.4 million or 26.8% compared with that of 2013 where it reached approximately KWD 3,935.8 million. The liquidity of 2014 was the highest in 15 years (2000-2014) with it reaching KWD 2,847.2 million in the first half of 2014 before declining to KWD 2,145.2 million in the second half.

The real estate market rose after 2000 for three consecutive years, and continued until it registered a new height of liquidity of KWD 4,447 million in 2007, the highest in the last 12 years at the time. Liquidity rapidly fell at the onset of the global financial crisis in 2008-2009 when it reached the second-lowest level since 2000. The recovery began in 2010 where it continued through 2014 to achieve the highest level in the last 15 years as previously mentioned.

The liquidity of private housing activity achieved an absolute rise in 2014; hence the share of the private housing sector registered a rise in market liquidity, agencies and contracts, to approximately KWD 2,272 million, while its contribution declined relatively to approximately 45.5% of the market liquidity, as its share stood at approximately 49.4% of the market liquidity in 2013. The rise in the liquidity of the private housing activity amounted to approximately 16.9% compared to 2013. The trading of the real estate housing activity registered a rise to approximately KWD 2,106 million with a rise in its contribution in market liquidity to approximately 42.2% in 2014, while its share was about 38.7% of the market liquidity in 2013. The rise in the liquidity of the real estate housing activity amounted about 38.4% compared with 2013.

The private and real estate housing activity acquired 87.7% of the liquidity of the real estate market in 2014 leaving about 12.3% of the liquidity for the commercial and logistics sectors, compared with approximately 11.9% in 2013. The average value per transaction registered a rise by the end of 2014 for the private housing to reach to approximately KWD 360.8 thousand from KWD 290.7 thousand in 2013, while the average per transaction of the investment housing registered a big rise to approximately KWD 1.189 million from approximately KWD 838.6 thousand. The average per transaction in commercial real estate registered a rise as well to approximately KWD 5.389 million from KWD 2.768 million in 2013. The general average per transaction registered a rise in the entire trading of the real estate sector in 2014 at 34.3%.

It is worth mentioning that the rise in the real estate prices, and the housing and investment sectors in particular, led the banks adopt a strict lending policy out of anticipation of future price declines. On the other hand, foreign real estate opportunities in countries such as Turkey, Dubai, Saudi Arabia, Oman and others were observed to have directed investment flows abroad, albeit without any effect on prices.

In other words, there was a clear decline in the quantities of trading and not in the value of prices through the end of 2014, which was apparent in the details of the real-estate trading statement. However, this data and others assist in forming a unanimous opinion across the real estate market that a recession in prices intimidates future real estate projections as follows:

1. Decline in prices in the residential sector, and particularly in certain residential areas, where the quantity of offers registered an increase due to a large quantitative offer of lands for the purpose of liquidation.

2. An expected rise in demand on commercial real estates (small and medium sized complexes) of medium prices after their prices became close to the prices of new investment buildings, which will certainly lead to a decline in the investment housing sector prices.

3. Relative and noticeable upcoming decline in the prices of the lands and old buildings in normal locations.

4. An expected quantitative direction for the handicrafts and commercial plots for their fixed revenues due to the increasing demand from the market on retail units on one hand and a rise in the values of key-money in the commercial complexes on the other hand.

Governance

Based on Tijara & Real Estate Co.'s commitment to implementing the principles of governance, and being keen to provide the highest levels of transparency for its shareholders, the Board of Directors has prepared and issued in 2014 a governance manual to act as a guide for all concerned parties, including, the Board of Directors, the Executive Management and the company's employees in respect to following the sound and proper governance principles. The Board of Directors has also formed the main committees emanating from the Board of Directors, such committees consist of the executive members and non-executive members. The company is expected to complete the implementation of all governance rules in 2015.

Dear Brothers,

The company's policy during the last five years to adopt a distinguished approach to maintain the company's ability to provide cash liquidity in order to complete its projects and transform them to incoming-generating and promising assets has proven effective. In doing so, the company resorted to recycle some of its real estates and the liquidation of some others, in addition to increasing the company's liquidity through searching for new sources for financing, also by heading to regional and Gulf horizons to increase investment in these countries since attractive investment opportunities are available, and where the company can achieve financial returns higher than the local market. The company has also continued dedicating its efforts to focus on real estate activity as the value of real estate assets amounted to 85% from total assets. A total of 92% of these assets are currently income-generating assets, with the remaining assets on the path to income generation within the next few years. On the other hand; the company has exited from all financial investments as well as the "Devon" project which amounted to KWD 1.8 million.

We are proud today to say that our company has resumed its upwards climb on the ladder of success having removed its largest burdens. Tijara & Real Estate Investment Co. has entered a new era to achieve the ambitions of those in charge and its shareholders.

Thus, at the local level, the company has completed leasing Tower 25 February in Sharq area, which is considered as one of the most important sources of fixed revenues for the company, and the company's headquarters have also been relocated to the tower.

In regards to the remaining of the company's real estate located in numerous areas throughout Kuwait, they still enjoy a high level of occupancy and they are income generating and promising properties. Moreover, they are under continuous development to increase the percentages of their revenues.

In regards to the real estate company's investments abroad, they are stable and progressing in accordance with their future projections. Currently, they are being studied for future development, sales and increased production.

The company was also able during 2014 to end outstanding issues. Therefore, a provision no longer required and a value of KWD 2,200,461, which will strengthen the company's financial position and property rights.

The net profit of 2014 amounted to KWD 1,820,801 relative to 2013 as the net profit amounted to KWD 1,617,813. The return on capital has achieved profits amounting to 4.75 fils per share in 2014 compared with the profit amounting to 4.22 fils per share in 2013.

The total revenues and expenses in 2014 amounted to KWD 4,341,427 and KWD 2,520,626, successively.

Finally,

We would like to extend our thanks and appreciation to the Company's Administrative and Executive staff as well as all officials and employees on their loyal efforts. Our thanks and appreciation is also extended to our kind brothers in the Shariah Supervisory Board and Auditors.

We also reiterate our thanks and appreciation to all the shareholders who gave us their confidence and support during the previous period, praying to ALLAH the Almighty to grant us success for the benefit and interest of the company.

Peace be upon you.

Best Regards,

Sheikha Yasmeen Mubarak Al Jaber Al Sabah
Chairman

Report of the Shariah Committee
For the period from 2014/01/01 till 2014/12/31

Praise be to Allah alone and peace and blessings be upon the Prophet and his family and companions.

To the shareholders of "Tijara & Real Estate Investment Company":

Peace and Allah›s mercy and blessings be upon you.

According to the Agreement contract signed with us, we have audited the contracts and transactions carried out by the company during the financial period ended 31/12/2014 to introduce our opinion on the company›s commitment to the provisions of Islamic law as described in the instructions and Islamic opinions and decisions that have been issued by us, however our responsibility is limited to introducing an independent opinion on the extent of company›s commitment to do so based on our audit.

We have conducted our audit on the basis of examination of samples of each type of contracts and transactions executed during the period and we believe that our audit provides a suitable basis for our opinion towards company's commitment to the provisions of Islamic law.

In our opinion:

During the prescribed financial period, the company was committed to implementing its obligations towards the carrying out of contracts and transactions according to the provisions of Islamic law (Sharia), also we would like to inform you that the Company is not empowered to pay Zakat as it falls within the responsibility of the shareholders.

Finally, we ask the almighty Allah to reconcile those in charge of the company to serve our religion as well as our dear country & to grant guidance for all.

Sharia Supervisory Board

Dr Abdulaziz Al-Qassar	Dr Eisa Zaki	Dr Ali Alrashed.
Chariman	Member	Member

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C. (Public)

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Rödl Middle East
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Report on Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An

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audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

Ali A. Al-Hasawi
License No.30-A
Rödl Middle East
Burgan – International accountants

9 March 2015 Kuwait

CONSOLIDATED INCOME STATEMENT
For the Year Ended 31 December 2014

	Notes	2014 KD	2013 KD
Rental income		**1,554,133**	1,822,233
Other services and operating income		**70,506**	34,561
Property operating expenses		**(449,556)**	(369,647)
Realised gain on sale of investment properties		**-**	3,198,000
Unrealised gain from re-measurement of investment properties to fair value	9	**28,559**	1,643,003
Net profit on investment properties		**1,203,642**	6,328,150
Realised gain on sale of inventory properties	7	**-**	1,246,305
Impairment loss on inventory properties	7	**-**	(168,428)
Net profit on inventory properties		**-**	1,077,877
Unrealised loss from financial assets carried at fair value through profit or loss		**-**	(78,960)
Realised gain on sale of financial assets carried at fair value through profit or loss		**-**	2,491
Realised gain on sale of financial assets available for sale		**147,975**	-
Impairment loss on financial assets available for sale	8	**(77,276)**	(532,023)
Gain on sale of a subsidiary	2.2	**393**	-
Income from real estate investment portfolio		**-**	6,830
Net investment income (loss)		**71,092**	(601,662)
Administrative expenses		**(1,170,210)**	(832,723)
Allowance for impairment of receivables		**(252,217)**	(197,152)
Provision for legal case Reversed (charged)	13	**2,200,461**	(2,700,461)
Operating profit		**2,052,768**	3,074,029
Finance costs		**(648,643)**	(1,492,636)
Foreign exchange gain		**389,200**	91,794
Other income		**12,476**	3,792
Gain on sale of property and equipment		**15,000**	-
PROFIT BEFORE NATIONAL SUPPORT TAX ("NLST") AND ZAKAT		**1,820,801**	1,676,979
National Labour Support Tax (NLST)		**-**	(41,924)
Zakat		**-**	(17,242)
PROFIT FOR THE YEAR		**1,820,801**	1,617,813
BASIC AND DILUTED EARNINGS PER SHARE	6	**4.75 fils**	4.22 fils

The attached notes 1 to 21 from part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Profit for the year		**1,820,801**	1,617,813
Other comprehensive income (loss) to be reclassified to the consolidated statement of income in subsequent period:			
Net movement in cumulative changes in fair value		**(163,990)**	(483,643)
Impairment loss transferred to consolidated statement of income	8	**77,276**	532,023
		(86,714)	48,380
Exchange difference on translation of foreign operations		**280,019**	(25,898)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**193,305**	22,482
TOTAL COMPERHENSIVE INCOME FOR THE YEAR		**2,014,106**	1,640,295

The attached notes 1 to 21 from part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Notes	2014 KD	2013 KD
ASSETS			
Bank balances and cash		**910,425**	2,214,372
Accounts receivable and prepayments	5	**7,384,232**	3,222,400
Inventory properties	7	**3,817,102**	4,480,973
Financial assets available for sale	8	**-**	250,391
Investment properties	9	**44,165,598**	37,421,129
Property and equipment		**143,217**	3,909
TOTAL ASSETS		**56,420,574**	47,593,174
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**38,446,256**	38,446,256
Share premium		**47,418**	47,418
Statutory reserve	11	**3,640,756**	3,640,756
General reserve	11	**2,793,231**	2,793,231
Share options reserve		**142,253**	142,253
Cumulative changes in fair values		**-**	86,714
Foreign currency translation reserve		**137,498**	(142,521)
Treasury shares	12	**-**	(52,984)
Treasury shares reserve		**18,132**	-
Accumulated losses		**(8,718,873)**	(10,539,674)
Total equity		**36,506,671**	34,421,449
Liabilities			
Accounts payable and accruals	13	**1,455,232**	4,613,427
Islamic financing payables	14	**18,006,107**	8,168,507
Employees' end of service benefits		**452,564**	389,791
Total liabilities		**19,913,903**	13,171,725
TOTAL EQUITY AND LIABILITIES		**56,420,574**	47,593,174

Sheikha / Yasmin Mubarak Jaber Al-Ahmad Al-Sabah
Chairman

Tareq Fareed Al Othman
Vice Chairman and Executive President

The attached notes 1 to 21 from part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Treasury Shares KD	Treasury Shares reserve KD	Accumulated losses KD	Total KD
Balance as at 1 January 2014	38,446,256	47,418	3,640,756	2,793,231	142,253	86,714	(142,521)	(52,984)	-	(10,539,674)	34,421,449
Profit for the year	-	-	-	-	-	-	-	-	-	1,820,801	1,820,801
Other comprehensive (loss) income	-	-	-	-	-	(86,714)	280,019	-	-	-	193,305
Total comprehensive (loss) income for the year	-	-	-	-	-	(86,714)	280,019	-	-	1,820,801	2,014,106
Sale of treasury shares	-	-	-	-	-	-	-	52,984	18,132	-	71,116
Balance at 31 December 2014	38,446,256	47,418	3,640,756	2,793,231	142,253	-	137,498	-	18,132	(8,718,873)	36,506,671
Balance as at 1 January 2013	38,446,256	47,418	3,640,756	2,793,231	142,253	38,334	(116,623)	(52,984)	-	(12,157,487)	32,781,154
Profit for the year	-	-	-	-	-	-	-	-	-	1,617,813	1,617,813
Other comprehensive income (loss)	-	-	-	-	-	48,380	(25,898)	-	-	-	22,482
Total comprehensive income (loss) for the year	-	-	-	-	-	48,380	(25,898)	-	-	1,617,813	1,640,295
Balance at 31 December 2013	38,446,256	47,418	3,640,756	2,793,231	142,253	86,714	(142,521)	(52,984)	-	(10,539,674)	34,421,449

The attached notes 1 to 21 from part of these consolidated financial statements

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

	Notes	2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the year		**1,820,801**	1,617,813
Non-cash adjustments to reconcile profit for the year to net cash flows			
Depreciation		**17,566**	6,783
Provision for employees' end of service benefits		**68,656**	59,810
Impairment loss on inventory properties	7	**-**	168,428
Realised gain on sale of inventory properties	7	**-**	(1,246,305)
Unrealised gain from re-measurement of investment properties to fair value	9	**(28,559)**	(1,643,003)
Realised gain from sale of investment properties to fair value		**-**	(3,198,000)
Income from real estate investment portfolio		**-**	(6,830)
Gain on sale of financial assets carried at fair value through profit or loss		**-**	(2,491)
Impairment loss from financial assets carried at fair value through profit or loss		**-**	78,960
Gain on sale of financial assets available for sale		**(147,975)**	-
Impairment loss on financial assets available for sale	8	**77,276**	532,023
Gain on sale of a subsidiary		**(393)**	-
Finance costs		**648,643**	1,492,636
Allowance for impairment of receivables		**252,217**	197,152
Legal case provision (reversed)/charged	13	**(2,200,461)**	2,700,461
Foreign exchange gain		**(389,200)**	(91,794)
		118,571	665,643
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		**(4,350,233)**	(3,126,281)
Inventory properties		**(1,170,000)**	2,851,599
Financial assets carried at fair value through profit or loss		**-**	78,626
Accounts payable and accruals		**(804,246)**	(632,196)
Cash flows used in operations		**(6,205,908)**	(162,609)
Employees' end of service benefits paid		**(5,883)**	(12,636)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**(6,211,791)**	(175,245)
INVESTMENT ACTIVITIES			
Purchase of property and equipment		**(156,874)**	(3,696)
Proceeds from sale of financial assets available for sale		**234,376**	-
Additions to investment properties	9	**(6,156,796)**	-
Proceeds from sale of investment properties		**-**	27,810,000
Proceeds from sale of a subsidiary		**1,871,721**	-
Net cash flows (used in) from investment activities		**(4,207,573)**	27,806,304
FINANCING ACTIVITIES			
Proceeds from sale of treasury shares		**71,116**	-
Islamic financing		**10,250,000**	-
Repayment of Islamic financing payables		**(573,149)**	(25,700,000)
Finance costs paid		**(786,469)**	(1,640,499)
Net cash flows from (used in) financing activities		**8,961,498**	(27,340,499)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(1,457,866)**	290,560
Net foreign exchange difference		**153,919**	71,359
Bank balances and cash at the beginning of the year		**2,214,372**	1,852,453
BANK BALANCES AND CASH AT THE END OF THE YEAR		**910,425**	2,214,372

The attached notes 1 to 21 from part of these consolidated financial statements

1. CORPORATE INFORMATION

The consolidated financial statements of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 9 March 2015.

The consolidated financial statements of the Group for the year ended 31 December 2013 approved by the shareholders of the Parent Company during annual general assembly meeting held on 17 April 2014.

The Parent Company is a closed Kuwaiti shareholding company registered and incorporated in Kuwait on 18 April 1983. The Group operates in accordance with the Islamic Share'a and is engaged in the following activities:

- Purchase and sale of land and real estate and exchange thereof; constructing buildings, commercial and residential complexes, and lease and rental thereof.
- Management of own properties and of third parties both inside and outside Kuwait.
- Sale and purchase of securities of companies carrying on similar activities.
- Development and building of real estate properties for the Group and for third parties.
- Maintenance works of buildings and real estate properties owned by the Group, including civil, mechanical, air-conditioning works to preserve all buildings and properties.
- Investing in equities and other investments.

The registered office of the Parent Company is P.O. Box 5655, Safat, 13057 Kuwait. The Parent Company was listed on the Kuwait Stock Exchange on 26 September 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets at fair value through profit or loss, financial assets available for sale and investment properties.

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

2. SIGNIFICANT ACCOUNTING POLICIES(continued)

2.2 BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

Name of company	Equity interest 2014	Equity interest 2013	Country of incorporation	Activities
Madar Al Kuwait Trading and Contracting Company W.L.L.	**98%**	98%	Kuwait	General trading
Tilal Real Estate Company W.L.L.	**95%**	95%	Saudi Arabia	Real Estate
Tijara France Company S.A.L	**-**	100%	France	Real Estate

The remaining shares in the subsidiary are held by related parties who have confirmed in writing that the Parent Company is the beneficial owner.

During the year, 100% equity interest in the Group's subsidiary "Tijara France Company S.A.L." with a carrying value of KD 1,963,315 has been sold for net consideration of KD 1,963,708 resulting in KD 393 gain recognised in the consolidated statement of income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquired. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue recogntion

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of consolidated income due to its operating nature.

Income from real estate investment portfolio

Income from real estate investment portfolio is recognised when the Group's right to receive payment is established.

Sale of inventory properties

Sale from inventory properties is recognised when risk and rewards of ownership have passed to the buyer, usually on delivery of the properties.

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year (net of accumulated losses brought) after accounting for the transfer to statutory reserve.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

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.

Bank balances and cash

Bank balances and cash in the statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value.

Financial instruments – initial recognition and subsequent measurement

(1) Financial assets

Initial recognition and measurement

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

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(1) Financial assets (continued)

Subsequent measurement

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

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 measurement, such financial assets are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any. Losses arising from impairment are recognised in the consolidated statement of income.

Financial assets at fair value through profit or loss

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

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

Financial assets available for sale

Financial assets available for sale include equity and debt securities. Equity and debt investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(1) Financial assets (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Derecognition

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

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

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

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

(2) Impairment of financial assets

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

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(2) Impairment of financial assets (continued)

Financial assets available for sale (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to consolidated statement of income.

Financial assets available for sale

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.
The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the consolidated statement of income.

(3) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Parent Company determines the classification of its financial liabilities at initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(3) Financial liabilities (continued)

Initial recognition and measurement (continued)

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

The Group's financial liabilities include payables and Islamic financing payables.

Subsequent measurement

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

Payables

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

Islamic financing payables

Ijara payable represents the amount payable on a deferred settlement basis for assets purchased under ijara and leasing arrangements. Ijara payable is stated at the aggregate of the minimum lease payment due, net of any deferred costs.

Tawarruq payables represent amounts payable on a deferred settlement basis for commodities purchased under Sukuk arrangements. Tawarruq payables are stated at the gross amount of the payables, less deferred profit payables.

Murabaha payable is stated at the gross amount payable, net of deferred profit payable. Murabaha profit payable and Ijara costs are recognised on a time proportion basis so as to yield a constant periodic rate of return.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of consolidated 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.

Inventory properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost comprises the purchase cost of the property and other costs incurred in association with the construction or development of property to bring it to the condition necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(4) Offsetting of financial instruments (continued)

Inventory properties (continued)

Net realisable value is the estimated selling price in the ordinary course of the business, less costs to completion and the estimated costs necessary to make the sale.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and 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 and equipment up to the date of change in use.

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of finance costs and other costs that an entity incurs in connection with the borrowing of funds.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

Treasury shares

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

Employees' end of service benefits

The Group provides end of service benefits to its 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. The expected costs of these benefits are accrued over the period of employment.

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

Foreign currencies translation

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

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

Group companies

As at the reporting date, the carrying amount of foreign subsidiaries is translated into the Parent Company's presentation currency at the rate of exchange ruling at the reporting date. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to the particular foreign subsidiary is the recognized in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

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

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

Leases

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are financial leases.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as lease rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Segment information

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

2.4 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new/amendments to IFRS.

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

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

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

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

Annual Improvements 2010-2012 Cycle

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is

not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values are determined.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

Amendments to IAS 27: Equity Method in Separate Financial Statements

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

The application of the above standards is not expected to have a material impact on the financial position or performance of the Group as and when they become effective, except for IFRS 9 which will result in amendments and/or additional disclosures relating to classification, measurement and associated risks of financial instruments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management Note 19
- Financial risk management and policies Note 18
- Sensitivity analysis disclosures Note 9.

Judgements

In the process of applying the Group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Classification of real estate

Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment.

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

The Group classifies property as property and equipment when it is acquired for owner occupation.

Classification of equity investments

All investments are classified as available for sale.

Impairment of financial assets available for sale

The Group treats financial assets available for sale 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 judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of receivables

An estimate of the collectible amount of receivables 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.

Estimates and assumptions

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

Valuation of unquoted equity instruments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Fair value measurements

The Group measures certain financial instruments, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

An analysis of fair values of financial instruments and further are provided in Note 9.

5. RECEIVABLE AND PREPAYMENTS

Accounts receivables and prepayments includes advance payment for investment will be acquired in the Kingdom of Saudi Arabia amounting to SAR 73,680,000 equivalent to KD 5,756,066 (2013: KD Nil).

6. BASIC AND DILUTED EARNINGS PER SHARE

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

Diluted earnings per share are computed by dividing the profit for the year, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employee share option plan as at 31 December 2014.

6. BASIC AND DILUTED EARNINGS PER SHARE (continued)

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

	2014 KD	2013 KD
Profit for the year	**1,820,801**	1,617,813
Weighted average number of shares outstanding (excluding treasury shares)	**383,718,427**	383,442,560
Basic and diluted earnings per share	**4.75 fils**	4.22 fils

7. INVENTORY PROPERTIES

	2014 KD	2013 KD
Carrying value at 1 January	**4,480,973**	6,460,571
Addition	**1,170,000**	309,032
Disposals	**(1,833,871)**	(2,200,100)
Impairment loss	**-**	(168,428)
Net foreign exchange gain	**-**	79,898
Carrying value at 31 December	**3,817,102**	4,480,973

During the year ended 31 December 2014, the Group disposed Tijara France Subsidiary, which include Divon land with carrying value KD 1,833,871. (Note 2.2).

During the year ended 31 December 2013, the Group has disposed inventory properties with a carrying value of KD 2,200,100 for a consideration of KD 3,446,405 which resulted in a gain on sale of inventory property of KD 1,246,305.

For certain properties, the Group recognised an impairment loss of KD Nil (2013: KD 168,428) in the consolidated statement of income for which there has been a decline in fair value below cost.

8. FINANCIAL ASSETS AVAILABLE FOR SALE

	2014 KD	2013 KD
Quoted local equity securities	**-**	172,800
Unquoted local equity securities	**-**	77,591
	-	250,391

8. FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

Unquoted local equity securities of KD Nil (2013: KD 77,591) are carried at cost because fair value could not be reliably measured. Management has reviewed its unquoted securities for impairment and has recorded impairment loss of KD 77,276 (2013: KD 50,000) on these investments.

Unquoted foreign equity securities and unquoted foreign real estate investment portfolio of KD Nil (2013: KD Nil) are carried at fair value based on periodic reports from related investment manager. An impairment loss of KD Nil (2013: KD 482,023) has been recognized in the consolidated statement of income.

9. INVESTMENT PROPERTIES

	2014 KD	2013 KD
Carrying value at 1 January	**37,421,129**	60,459,231
Additions	**6,156,796**	-
Disposals	**-**	(24,612,000)
Unrealised gain from re-measurement to fair value	**28,559**	1,643,003
Net foreign exchange gain (loss)	**559,114**	(69,105)
Carrying value at 31 December	**44,165,598**	37,421,129

During the year, the Group acquired two buildings located in the Kingdom of Saudi Arabia for a cash consideration of KD 6,156,796 (equivalent to SAR 82,000,000).

As at 31 December 2014, part of the investment property of KD 19,984,165 (2013: KD Nil) is held under Ijara payable agreement.

The fair value measurement of investment properties of KD 44,165,598 (2013: KD 37,421,129) has been categorised as level 3 fair value based on inputs to the valuation technique used and the movement in the fair value of the investment property is shown in the table above.

The fair value of the investment property has been determined based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of investment properties. One of these valuers is a local bank who has valued the investment properties using the Yield Method for some properties, and the combination of the market comparison approach for the land and cost minus depreciation approach of the building for the investment properties. The other is a local reputable accredited who has valued the investment properties using the Yield Method. For the valuation purpose, the Group has selected the lower value of these two valuations as required by the Capital Market Authority (CMA).

During the year ended 31 December 2014, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

9. INVESTMENT PROPERTIES (continued)

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

2014	**Kuwait**	**GCC**
Estimated market price for the land (per sqm) (KD)	**1,913**	**701**
Construction costs (per sqm) (KD)	**1,066**	**743**
Average monthly rent (per sqm) (KD)	**17**	**9**
Yield rate	**6.8%**	**7.2%**
Vacancy rate	**10%**	**52%**

2013	Kuwait	GCC
Estimated market price for the land (per sqm) (KD)	1,701	825
Construction costs (per sqm) (KD)	1,272	912
Average monthly rent (per sqm) (KD)	17	9
Yield rate	6.9%	6.4%
Vacancy rate	10%	-

Sensitivity analysis

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

	Changes in valuation assumptions	**Kuwait KD**	**GCC KD**
2014			
Estimated market price for the land	**+/-5 %**	**937,700**	**363,257**
Average rent	**+/-5 %**	**1,460,150**	**748,130**
Yield rate	**+/-5 %**	**1,390,619**	**712,505**
Vacancy rate	**+/-5 %**	**1,460,150**	**748,130**
2013			
Estimated market price for the land	+/-5 %	833,650	192,737
Average rent	+/-5 %	1,457,200	405,762
Yield rate	+/-5 %	1,387,810	386,440
Vacancy rate	+/-5 %	1,457,200	405,762

10. SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At 31 December 2014, the authorised, issued and fully paid share capital in cash of the Parent Company comprised 384,462,560 shares of 100 fils each (2013: 384,462,560 shares of 100 fils each).

At the annual general assembly of the shareholders of the Parent Company held on 17 April 2014, the shareholders approved the distribution of cash dividends of Nil per share for the year ended 31 Dec 2013 (2012:Nil per share).
The Board of Directors' meeting held on 9 March 2015 recommended not to distribute cash dividends for the year ended 31 December 2014. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

11. RESERVES

As required by the Companies Law and the Parent Company's articles of association,10% of profit of the Group for the year before contribution to KFAS, NLST and Zakat and after offsetting accumulated losses brought forward, is required to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of paid-up share capital.

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

In accordance with the Parent Company's articles of association, 5% of the profit of the Group before contribution to KFAS, Zakat and NLST and after offsetting accumulated losses brought forward is to be transferred to voluntary reserve. The Group may resolve to discontinue such transfers by a resolution of the Group's board of directors. There are no restrictions on distribution of voluntary reserve provided the distribution is approved by the shareholders general assembly.
In accordance with the Law of Companies and the Parent Company's articles of association, no transfers have been made to reserves since accumulated losses brought forward have not yet been fully recovered.

12. TREASURY SHARES

	2014	2013
Number of shares	-	1,020,000
Percentage of issued shares	0%	0.27%
Market value (KD)	-	72,420

During the year ended 31 December 2014, the Group has disposed treasury shares with a carrying value of KD 52,984 for a consideration of KD 71,116 which resulted in a gain credited to treasury shares reserve amounting to KD 18,132.
Reserves of the Parent Company equivalent to the cost of purchase of the treasury shares have been ear-marked as non-distributable in the Parent Company.

13. ACCOUNTS PAYABLE AND ACCRUALS

	2014 KD	2013 KD
Payable and retention to contractors	241,316	862,352
Accrued expenses	338,985	482,548
Payable towards acquisition of investment properties	37,747	123,113
Advances & refundable deposit	451,195	246,854
Payable against legal case	-	2,700,461
Other payables	385,989	198,099
	1,455,232	4,613,427

In 2006, the Appeal Court ruled in a legal claim of KD 2,700,461 in favour of the Group and KD 1,946,750 against the Group. Accordingly a net off was made and the Group collected KD 753,711 at that date, subsequently both parties went to the Court of Cassation. On 22 January 2014, the Court of Cassation ruled in the matter of appeals against the Group and cancelled the appeal court ruling that was in the favour of the Group. Consequently, the Group has become liable to repay the initial claimed amount of KD 2,700,461 which has been recorded in the consolidated statement of income for the year ended 31 December 2013.

On 18 December 2014, The group did a settlement and final Clearance agreement with the other party stating that they resolve all the conflicts mentioned against each other and the group paid amount of KD 500,000 to the other party.

Consequently the group recognised a gain amounting to KD 2,200,461 on the consolidated income statement, due to reversal of provision recorded against law suit last year.

14. ISLAMIC FINANCING PAYABLES

2014	Ijara KD	Tawaruq KD	Total KD
Gross amount	14,452,906	7,262,340	21,715,246
Less: deferred profit	(3,202,906)	(506,233)	(3,709,139)
	11,250,000	6,756,107	18,006,107

14. ISLAMIC FINANCING PAYABLES (continued)

2013	Ijara KD	Tawaruq KD	Total KD
Gross amount	1,160,548	7,389,074	8,549,622
Less: deferred profit	(160,548)	(220,567)	(381,115)
	1,000,000	7,168,507	8,168,507

During the year ended 31 December 2014. The group entered into Ijara agreements amounting to KD10,250,000 represent sale and finance lease back agreements related to certain investment properties (Note 9) with maturity date of 5 years from the reporting date. Ijara agreements carry profit rate of 3% per annum over Central Bank of Kuwait discount rate.

15. RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Group, and companies of which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

There were no balances at year end or transactions entered with related parties during the year.

Compensation of key management personnel is shown below:

	2014 KD	2013 KD
Key management compensation		
Salaries and other short term benefits	**276,600**	236,700
Employees' end of service benefits	**59,361**	39,122
	335,961	275,822

16. CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitment

The Group does not have capital commitments in respect of construction agreements as of the reporting date.

Contingent liabilities

At 31 December 2014, the Group has contingent liabilities representing a letter of guarantee amounting to KD 4,833,000 (2013: KD 4,833,000) and from which it is anticipated that no material liability will arise.

17. SEGMENT INFORMATION

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

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

Year ended 31 December 2014	**Real estate investing activities KD**	**Equities and other investing activities KD**	**Unallocated KD**	**Total KD**
Segment revenue	**1,624,639**	**-**	**-**	**1,624,639**
Segment results	**1,175,083**	**-**	**-**	**1,175,083**
Realised gain from sale of financial assets available for sale	**-**	**147,975**	**-**	**147,975**
Unrealised gain from re-measurement of investment properties to fair value	**28,559**	**-**	**-**	**28,559**
Gain on sale of a subsidiary	**-**	**393**	**-**	**393**
Impairment loss on financial assets available for sale	**-**	**(77,276)**	**-**	**(77,276)**
Legal case provision reversed	**-**	**-**	**2,200,461**	**2,200,461**
Unallocated expenses - net	**-**	**-**	**(1,654,394)**	**(1,654,394)**
Segment profit	**1,203,642**	**71,092**	**546,067**	**1,820,801**
Segment assets	**56,277,357**	**-**	**143,217**	**56,420,574**
Segment liabilities	**19,461,339**	**-**	**452,564**	**19,913,903**

Year ended 31 December 2013	Real estate investing activities KD	Equities and other investing activities KD	Unallocated KD	Total KD
Segment revenue	1,863,624	-	-	1,863,624
Segment results	1,493,977	-	-	1,493,977
Net gain on inventory properties	1,077,877	-	-	1,077,877
Realised gain from sale of investment properties	3,198,000	-	-	3,198,000
Unrealised gain from re-measurement of investment properties to fair value	1,643,003	-	-	1,643,003
Unrealised loss from financial assets carried at fair value through profit or loss	-	(78,960)	-	(78,960)
Reliased gain on sale of financial assets carried at fair value through profit or loss	-	2,491	-	2,491
Impairment loss on financial assets available for sale	-	(532,023)	-	(532,023)
Unallocated expenses - net	-	-	(5,186,552)	(5,186,552)
Segment profit /(loss)	7,412,857	(608,492)	(5,186,552)	1,617,813
Segment assets	47,338,874	250,391	3,909	47,593,174
Segment liabilities	12,781,934	-	389,791	13,171,725

18. RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk, foreign currency risk and equity price risk.

Risk management structure

The Board of Directors of the Parent Company is ultimately responsible for identifying and controlling risks and for the overall risk management approach and for approving the risk strategies and principles.

Executive management

The Executive management of the Group formulates the risk management policies of the Group and makes recommendations to the Board of Directors.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements (if any).

	Gross maximum exposure 2014 KD	Gross maximum exposure 2013 KD
Cash and bank balances (excluding cash on hand)	**907,616**	2,211,563
Accounts receivables and prepayments	**7,384,232**	3,222,400
Total credit risk exposure	**8,291,848**	5,433,963

Risk concentrations of the maximum exposure to credit risk

The Group's financial assets, before taking into account any collateral held or other credit enhancements (if any), can be analysed by the following geographical regions and industrial sectors:

	2014				2013			
	Banking and financial services KD	**Construction and real estate KD**	**Other KD**	**Total KD**	Banking and financial services KD	Construction and real estate KD	Other KD	Total KD
Kuwait	**907,616**	**7,357,709**	**26,523**	**8,291,848**	2,211,563	3,111,378	111,022	5,433,963

18. RISK MANAGEMENT (continued)

Liquidity risk

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

Liquidity risk and funding management

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Analysis of financial liabilities by remaining contractual maturities

The contractual maturities of liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profiles of the financial liabilities at the year-end are based on contractual undiscounted repayment arrangement or on management's estimate of planned exit dates.

The maturity profile of the undiscounted financial liabilities at 31 December was as follows:

31 December 2014	**Within 3 months KD**	**3 to 6 months KD**	**6 to 12 months KD**	**1 to 3 years KD**	**Over 3 years KD**	**Total KD**
LIABILITIES						
Accounts payable and accruals	-	-	**1,455,232**	-	-	**1,455,232**
Islamic financing payables	**341,577**	**416,211**	**493,658**	**9,789,963**	**14,423,836**	**25,465,245**
TOTAL LIABILITIES	**341,577**	**416,211**	**1,948,890**	**9,789,963**	**14,423,836**	**26,920,477**

31 December 2013	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
LIABILITIES						
Accounts payable and accruals	-	-	4,613,427	-	-	4,613,427
Islamic financing payables	493,110	-	319,795	2,369,000	5,367,717	8,549,622
TOTAL LIABILITIES	493,110	-	4,933,222	2,369,000	5,367,717	13,163,049

Market risk

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

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

18. RISK MANAGEMENT (continued)

a) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Group is exposed to profit rate risk on its floating profit bearing Ijara agreements (Note 14). Other than this the Group is dealing with Islamic financial institutions, hence is not exposed to profit rate risk on their facilities.

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

	Increase in basis points	Effect on profit/ (loss) for the year KD
2014	**+/-1%**	**112,500**
2013	+/-1%	10,000

b) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed by the treasury department of the Parent Company on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.
The effect on loss (due to change in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

	2014		2013	
Currency	**Change in currency rate in %**	**Effect on profit for the year KD**	Change in currency rate in %	Effect on loss for the year KD
USD	**+/-3 %**	**-**	+/-3 %	140,055

c) Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution.

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

18. RISK MANAGEMENT (continued)

c) Equity price risk (continued)

	2014			2013		
Market indices	Change in equity price %	Effect on profit for the year KD	Effect on other comprehensive loss KD	Change in equity price %	Effect on loss for the year KD	Effect on other comprehensive loss KD
Kuwait	+/-5	-	-	+/-5	-	12,519

In respect of unquoted financial assets available for sale carried at cost (Note 8), the impact of changes in equity prices cannot be reliably determined due to unavailability of reliable fair value of these investments.

19. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. Other than using the gearing ratio to monitor the Group's capital, no changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic financing payable, accounts payable and accruals less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Parent Company.

	2014 KD	2013 KD
Accounts payable and accruals	1,455,232	4,613,427
Islamic financing payable	18,006,107	8,168,507
Less: Cash and balances with banks	(910,425)	(2,214,372)
Net debt	18,550,914	10,567,562
Equity	36,506,671	34,421,449
Total capital	36,506,671	34,421,449
Capital and net debt	55,057,585	44,989,011
Gearing ratio	34%	23%

20.FAIR VALUES MEASUREMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements:

As at 31 December 2014	**Level 1 KD**	**Level 3 KD**	**Total KD**
Financial assets available for sale	-	-	-
Investment Properties	-	44,165,598	44,165,598
	-	**44,165,598**	**44,165,598**

As at 31 December 2013	Level 1 KD	Level 3 KD	Total KD
Financial assets available for sale	172,800	77,591	250,391
Investment Properties	-	37,421,129	37,421,129
	172,800	37,498,720	37,671,520

During the year ended 31 December 2014, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets carried at fair value through profit or loss, financial assets available for sale, investment properties and inventory properties is based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities is as follows:

31 December 2014	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
ASSETS				
Bank balances and cash	910,425	-	-	910,425
Accounts receivable and prepayments	-	7,384,232	-	7,384,232
Inventory properties	-	3,817,102	-	3,817,102
Investment properties	-	-	44,165,598	44,165,598
Property and equipment	-	-	143,217	143,217
TOTAL ASSETS	910,425	11,201,334	44,308,815	56,420,574
LIABILITIES				
Accounts payable and accruals	-	1,455,232	-	1,455,232
Islamic financing payables	-	-	18,006,107	18,006,107
Employees' end of service benefits	-	-	452,564	452,564
TOTAL LIABILITIES	-	1,455,232	18,458,671	19,913,903

31 December 2013	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
ASSETS				
Bank balances and cash	2,214,372	-	-	2,214,372
Accounts receivable and prepayments	-	3,222,400	-	3,222,400
Inventory properties	-	4,480,973	-	4,480,973
Financial assets available for sale	-	-	250,391	250,391
Investment properties	-	-	37,421,129	37,421,129
Property and equipment	-	-	3,909	3,909
TOTAL ASSETS	2,214,372	7,703,373	37,675,429	47,593,174
ASSETS				
Accounts payable and accruals	-	4,613,427	-	4,613,427
Islamic financing payables	-	-	8,168,507	8,168,507
Employees' end of service benefits	-	-	389,791	389,791
TOTAL LIABILITIES	-	4,613,427	8,558,298	13,171,725