



**Commercial Real Estate Company K.P.S.C.
And its Subsidiaries
State of Kuwait**

Consolidated Financial Statements And Independent Auditors' Report
For the year ended 31 December 2014

Consolidated Financial Statements And Independent Auditors' Report
For the year ended 31 December 2014

Contents	Page
Independent Auditors' Report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Income	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8-45



Al Johara Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait
Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw



**Deloitte & Touche
Al-Wazzan & Co.**
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174 Safat 13062 or
P.O. Box 23049 Safat 13091
Kuwait
Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

**Commercial Real Estate Company K.P.S.C.
State of Kuwait**

Independent Auditors' Report to the Shareholders

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Commercial Real Estate Company – K.P.S.C (“the Parent Company”) and its subsidiaries (together referred to as “the Group”) which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

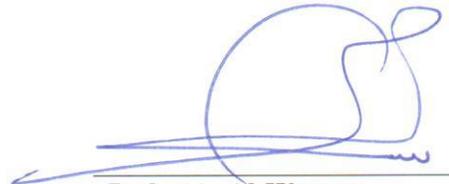
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Other Legal and Regulatory Requirement

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company, and the consolidated financial statements and the related information included in the Board of Directors' report in relation to these financial statements agree with the books of accounts of the Parent Company. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies' Law No. 25 of 2012, as amended, and its executive regulations, and by the Parent Company's memorandum and articles of association, as amended, an inventory count was duly carried out and that, to the extent of information made available to us, no violations of the Companies Law No. 25 of 2012, as amended, and its executive regulations, or of Parent Company's memorandum and articles of association, as amended have occurred during the year ended 31 December 2014 that might have had a material effect on the consolidated financial position of the Group or on its results of operation.



Qais M. Al-Nisf
License No. 38-A
BDO Al-Nisf & Partners



Bader A. Al-Wazzan
Licence No. 62 "A"
Deloitte & Touche -
Al Wazzan & Co.

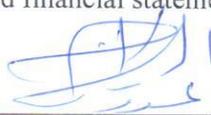
Kuwait : 22 February 2015

Consolidated Financial Position as at 31 December 2014

	Notes	2014 KD	2013 KD
Assets			
Non-current assets			
Property, plant and equipment	4	29,158,985	29,761,263
Projects in progress	5	1,730,774	21,820,062
Investment properties	6	286,144,100	257,247,496
Investments in associates	7	32,673,424	21,658,409
Available for sale investments	8	21,943,443	24,349,320
		<u>371,650,726</u>	<u>354,836,550</u>
Current assets			
Land and real estate held for trading	9	8,535,263	7,946,871
Investments at fair value through profit or loss	10	18,544,029	7,082,755
Receivables and other debit balances	11	6,567,722	6,795,606
Cash and cash equivalents	12	6,529,424	5,747,282
		<u>40,176,438</u>	<u>27,572,514</u>
Total assets		<u>411,827,164</u>	<u>382,409,064</u>
Equity and liabilities			
Equity attributable to shareholders of the Parent Company			
Share Capital	13	170,198,775	170,198,775
Share premium		1,308,384	1,308,384
Treasury shares	14	(1,808,875)	(532,115)
Statutory reserve	15	30,163,475	28,192,606
Voluntary reserve	16	24,440,329	23,454,895
Other reserves	17	8,398,606	5,873,323
Retained earnings		35,187,204	29,320,650
Total equity attributable to shareholders of the Parent Company		<u>267,887,898</u>	<u>257,816,518</u>
Non-controlling interests	18	12,379,733	10,738,652
Total equity		<u>280,267,631</u>	<u>268,555,170</u>
Non-current liabilities			
Employees' end of service indemnity	19	1,073,375	1,118,879
Financing from third party – Non current portion	21	96,740,402	86,969,761
		<u>97,813,777</u>	<u>88,088,640</u>
Current liabilities			
Payables and other credit balances	22	10,578,282	11,275,254
Financing from third party – current portion	21	23,167,474	14,490,000
		<u>33,745,756</u>	<u>25,765,254</u>
Total liabilities		<u>131,559,533</u>	<u>113,853,894</u>
Total equity and liabilities		<u>411,827,164</u>	<u>382,409,064</u>

The accompanying notes form an integral part of these consolidated financial statements.


Abdul Fatah M.R. Marafie
Chairman


Adwan M. Al-Adwani
Vice Chairman

Consolidated Statement of Income for the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Revenue			
Net investment properties income	23	29,452,543	24,785,606
Gain from sale of land and real estate held for trading		232,606	11,153,121
Change in fair value of projects in progress	5	-	878,461
Net gains from investment in associates		1,607,115	459,969
Net gains from investments	24	1,290,240	1,641,068
Net hotel losses	25	(860,829)	(1,028,285)
Foreign currency exchange differences		(188,437)	(48,941)
Other income		135,974	140,732
Total revenues		<u>31,669,212</u>	<u>37,981,731</u>
Expenses and Other Charges			
Staff costs		(2,979,176)	(2,601,182)
Administrative expenses and other charges		(1,074,137)	(1,020,223)
Finance costs		(4,622,229)	(4,335,442)
Impairment	26	(194,434)	(10,363,975)
Provisions	27	(477,069)	(2,501,749)
Total expenses		<u>(9,347,045)</u>	<u>(20,822,571)</u>
Net profit before deductions		22,322,167	17,159,160
Contribution to KFAS		(161,227)	(135,408)
National Labor Support Tax		(498,163)	(416,804)
Zakat Expense		(126,918)	(130,370)
Board of directors' remuneration		-	(120,000)
Net profit for the year		<u>21,535,859</u>	<u>16,356,578</u>
Attributable as follows:			
Shareholders of the Parent Company		18,922,382	15,016,495
Non-controlling interests		2,613,477	1,340,083
		<u>21,535,859</u>	<u>16,356,578</u>
Earnings per share for Parent Company's shareholders (fils)			
	28	<u>11.21</u>	<u>8.83</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Comprehensive Statement of Income for the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Net profit for the year		21,535,859	16,356,578
Other Comprehensive Income Items			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
Changes in fair value of available for sale investments	17	2,495,118	(85,852)
Group's share in associates' reserves	17	(20,043)	452,326
Translation of foreign currencies	17	50,208	-
Total other comprehensive income		<u>2,525,283</u>	<u>366,474</u>
Total comprehensive income for the year		<u>24,061,142</u>	<u>16,723,052</u>
Attributable as follows:			
Shareholders of the Parent Company		21,447,665	15,382,969
Non-controlling interests		<u>2,613,477</u>	<u>1,340,083</u>
		<u>24,061,142</u>	<u>16,723,052</u>

The accompanying notes form an integral part of these consolidated financial statements.

Commercial Real Estate Company K.P.S.C.
And its Subsidiaries
State of Kuwait



Consolidated Statement of Changes in Equity for the year ended 31 December 2014

	Equity Attributable to Shareholders of the Parent Company							Non-controlling interests		Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserve (Note 17)	Retained earnings	Total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2013	183,481,393	1,410,492	(19,502,341)	26,610,698	22,663,941	5,673,064	30,991,571	251,328,818	14,119,756	265,448,574
Total comprehensive income for the year	-	-	-	-	-	366,474	15,016,495	15,382,969	1,340,083	16,723,052
Share capital decrease by treasury shares	(13,282,618)	(102,108)	19,502,341	-	-	(166,215)	(5,951,400)	-	-	-
Purchase of treasury shares	-	-	(532,115)	-	-	-	-	(532,115)	-	(532,115)
Cash dividends (note 29)	-	-	-	-	-	-	(8,502,006)	(8,502,006)	-	(8,502,006)
Transfer to reserves	-	-	-	1,581,908	790,954	-	(2,372,862)	-	-	-
Effect of acquisition of an additional share in a subsidiary (Note 20)	-	-	-	-	-	-	138,852	138,852	(4,158,278)	(4,019,426)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(562,909)	(562,909)
Balance as at 31 December 2013	170,198,775	1,308,384	(532,115)	28,192,606	23,454,895	5,873,323	29,320,650	257,816,518	10,738,652	268,555,170
Balance as at 1 January 2014	170,198,775	1,308,384	(532,115)	28,192,606	23,454,895	5,873,323	29,320,650	257,816,518	10,738,652	268,555,170
Total comprehensive income for the year	-	-	-	-	-	2,525,283	18,922,382	21,447,665	2,613,477	24,061,142
Purchase of treasury shares	-	-	(1,276,760)	-	-	-	-	(1,276,760)	-	(1,276,760)
Cash dividends (note 29)	-	-	-	-	-	-	(10,145,051)	(10,145,051)	-	(10,145,051)
Transfer to reserves	-	-	-	1,970,869	985,434	-	(2,956,303)	-	-	-
Effect of acquisition of an additional share in a subsidiary (Note 20)	-	-	-	-	-	-	45,526	45,526	(369,371)	(323,845)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(603,025)	(603,025)
Balance as at 31 December 2014	170,198,775	1,308,384	(1,808,875)	30,163,475	24,440,329	8,398,606	35,187,204	267,887,898	12,379,733	280,267,631

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Cash flows from Operating Activities			
Net profit for the year		21,535,859	16,356,578
<i>Adjustments for:</i>			
Change in fair value of investment properties	23	(14,426,947)	(14,898,981)
Gains on sale of investment properties	23	(4,131,140)	-
Change in fair value of projects in progress	5	-	(878,461)
Net gains from investment in associates		(1,607,115)	(459,969)
Net gains from investments	24	(1,290,240)	(1,641,068)
Foreign currency exchange differences		188,437	48,941
Depreciation	4	2,188,629	2,248,497
Finance costs		4,622,229	4,335,442
Impairment	26	194,434	10,363,975
Provisions	27	477,069	2,501,749
Employees' end of service indemnity - formed during the year	19	273,079	190,123
Operating profit before changes in working capital		8,024,294	18,166,826
Land and real estate held for trading		(588,392)	2,453,260
Investments at fair value through profit or loss		(11,371,669)	(4,556,522)
Receivables and other debit balances		(615,075)	1,510,537
Payables and other credit balances		(1,526,296)	(997,821)
Cash flows from operations		(6,077,138)	16,576,280
Employees' end of service indemnity – paid during the year		(151,836)	(149,796)
<i>Net cash (used in)/ generated from operating activities</i>		<u>(6,228,974)</u>	<u>16,426,484</u>
Cash flow from Investing Activities:			
Paid for purchase of property, plant and equipment	4	(1,586,351)	(34,665)
Paid for projects in progress	5	(3,081,908)	(5,239,201)
Paid for purchase of investment properties	6	(2,667,321)	(563,873)
Proceeds from sale of investment properties		15,500,000	-
Proceeds from murabaha with financial institutions		2,000,000	1,000,000
Cash restricted against bank guarantees	12	-	2,100,000
Paid for acquisition of shares in associates	7	(5,124,730)	(3,337,018)
Proceeds from sale of investments in associates		312,084	-
Proceeds from dividends in associates	7	1,019,793	132,000
Paid for purchase of available for sale investments	8,11	(807,689)	(3,599,810)
Proceeds on sale of available for sale investments		295,375	2,962,463
Cash dividends received		1,200,516	513,855
<i>Net cash generated from /(used in) investing activities</i>		<u>7,059,769</u>	<u>(6,066,249)</u>
Cash flows from Financing Activities			
Financing from third party		18,259,678	4,287,395
Purchase of treasury shares		(1,276,760)	(532,115)
Cash dividend paid		(10,128,607)	(8,389,128)
Finance cost paid		(3,976,094)	(3,632,160)
Paid to acquire an additional share in a subsidiary	20	(323,845)	(4,019,426)
Non-controlling interests	18	(603,025)	(562,909)
<i>Net cash from/(used in) financing activities</i>		<u>1,951,347</u>	<u>(12,848,343)</u>
Net change in cash and cash equivalents		2,782,142	(2,488,108)
Cash and cash equivalents at beginning of the year		3,747,282	6,235,390
Cash and cash equivalents at end of the year	12	<u>6,529,424</u>	<u>3,747,282</u>

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and activities

The Commercial Real Estate Company - Kuwaiti Public Shareholding Company - Closed (“the Parent Company”) was incorporated under articles of association No. 104/ M/ file No.1 in Kuwait on 4 February 1968 under commercial register No. 11329 and reregistered on 21 December 1981 under No. 239 in accordance with the provision of commercial companies law.. The main objectives of the Company comprise of performing various real estate, agricultural, industrial and commercial activities, carrying out contracting, road and building construction, including sale, purchase and lease of land and real estate property, construction of buildings, utilizing of the financial surplus available to the parent Company by investing it in financial portfolios managed by specialized companies and financial institutions; and establishing real estate funds and portfolio including management of these funds for its own and for third parties. The Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may also purchase such entities or affiliate them, or as stated in Company’s memorandum of association, article No. 4. The Company’s management shall carry out all its objectives for which it have been established in accordance with the Islamic Sharia principles.

On 18 January 2015, the Parent Company held the extra-ordinary general assembly of shareholders in accordance with an approval issued by Ministry of Commerce and Industry on 16 December 2014 and approval of CMA issued on 8 January 2015, to amend certain articles of the Parent Company's articles and memorandum of association. In such extra-ordinary general assembly meeting, all amendments on the Company's articles and memorandum of association were approved to be in compliance with the provisions and rules of Companies Decree Law No. 25 of 2012 where certain articles therein were amended by Law No. 97 of 2013, as amended and its executive regulations. As at the date of issuance of the financial statements, such amendments were not registered in the commercial register.

The head office of the Company is located at Jaber Al-Mubarak Street, Commercial Real Estate Company’s Building, Sharq, P.O. Box. 4119 Safat, 13042 Kuwait.

The Company has been registered in the Kuwait Stock Exchange on 21 December 2004.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries set out in note 33, (“together referred to as the Group”).

The consolidated financial statements were authorized for issue by the Board of Directors in its meeting held on 22 February 2015. The shareholders of the Company have the power to amend these consolidated financial statements at their shareholders general assembly.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and Companies Law No. 25 of 2012 as amended and its executive regulation. These consolidated financial statements have been prepared on the historical cost basis except for certain properties and instruments that are re-measured at fair value, as explained in the accounting policies below. These accounting policies of the group have been consistently applied to all years presented, except for those stated in note 2.2 on adoption of new and revised international financial reporting standards.

2.2 Application of New and Revised International Financial Reporting Standards (IFRSs)

a) New standards, Interpretations and Amendments Effective from 1 January 2014

A number of amendments to IFRSs and one new interpretation are effective for the current year and have been adopted in the financial statements. The nature and effect of each amendment and interpretation adopted by the Company is detailed below.

- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*
Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:
 - provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
 - require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries;
 - require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

- *IAS 32 Offsetting Financial Assets and Financial Liabilities*
The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:
 - the meaning of 'currently has a legally enforceable right of set-off';
 - the application of simultaneous realisation and settlement;
 - the offsetting of collateral amounts;
 - the unit of account for applying the offsetting requirements.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

- *IAS 36 Recoverable Amount Disclosures for Non-Financial Assets*
The amendment to IAS 36 Impairment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting*
The amendment to IAS 39 Financial Instruments: Recognition and Measurement makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

2.2 Application of New and Revised International Financial Reporting Standards (IFRSs)

• *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (continued)*

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

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

• *IFRIC 21 Levies*

The interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group's consolidated financial statements.

b) New Standards, Interpretations and Amendments not yet Effective

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

• *IFRS 9 Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 is effective for financial years beginning on or after 1 January 2018.

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

• ***IFRS 9 Financial Instruments (continued)***

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Parent Company anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group's consolidated financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Parent Company' management undertakes a detailed review.

• ***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations***

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

• **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

• **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 Parent Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

• **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

• **Annual improvements to 2010-2012 Cycle**

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

○ **IFRS 2 Share-based Payments**

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

○ **IFRS 3 Business Combinations**

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

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

○ IFRS 8 Operating Segments

The amendment is applied retrospectively and clarifies that:

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

○ IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

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

○ IAS 24 Related Party Disclosures

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

• *Annual improvements to 2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group and include:

○ IFRS 3 Business Combinations

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

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

○ IFRS 13 Fair Value Measurement

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

○ IAS 40 Investment Property

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

• *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.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

- ***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective 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 as the Company does not have any bearer plants.

- ***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 financial statements.

2.3 Significant accounting policies

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control exists when the parent company has: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.1 Basis of consolidation (continued)

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) The aggregate of the fair value of the consideration received and the fair value of any retained interest and
- (b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.1 Basis of consolidation (continued)

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to statement of income where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.1 Basis of consolidation (continued)

Investment in Associates and Joint Ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate or a joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

On acquisition of an associate or joint venture, any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates or joint ventures.

Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate or joint venture. All the carrying value of the investment (including goodwill) is subject to a study for impairment in accordance with requirements of the International Accounting Standard No. 36 “impairment of assets” (note 2.3.5).

When a Group transacts with an associate or joint venture, the profits or losses relating to the transactions in the associate or joint venture are eliminated to the extent of the Group’s interest in the associate or joint venture.

2.3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.2 Property, Plant and Equipment (continued)

Depreciation is calculated based on estimated useful life of the applicable assets on a straight line basis except for land. Property, plant and equipment amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount.

The residual value, useful live and depreciation method are reviewed at the end of each financial period. Change in estimations are accounted for as of the beginning of the financial year in which the change occurred.

Gains or losses on disposals are determined by the difference between the sales proceeds and the net carrying amount of the asset and is recognized in the consolidated income statement.

2.3.3 Projects in Progress

Incurred costs are charged to construction or production of capital assets under projects in progress till construction or production of these assets is complete, at which time it is reclassified as property, plant and equipment, investment property, or trading properties. Costs include all direct costs and other costs attributable on reasonable basis.

Land and properties under development to be used as investment properties are considered as investment properties recognized at cost and then re-measured at fair value through certified independent valuers where the lower valuation is adopted. In case there is no reliable method for measuring the fair value of such land under development, the properties are recognized at cost till the date of completion of developing the property or the date of reliably determining their fair value, whichever occurs first.

2.3.4 Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are initially measured at cost, including transaction costs.

Subsequent to the initial recognition, investment properties are measured at fair value. Gain or losses arising from changes in the fair value of investment properties are included in the statement of income for the period in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of income in the period in which the property is derecognised.

2.3.5 Impairment of Tangible and Intangible Assets Other than Goodwill

The tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered impairment in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.5 Impairment of Tangible and Intangible Assets Other than Goodwill (continued)

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.6 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition are recognised immediately in the statement of income.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets as fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in the consolidated statement of income. The net gain or loss recognized in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 35).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash with banks) are measured at amortized cost using the effective interest method, less any impairment.

Available for sale (AFS) assets

AFS financial assets are non-derivatives which are not classified as (a) loans and receivables, (b) held-to-maturity or (c) financial assets at fair value through consolidated statement of income.

Available for sale financial assets are re-measured at fair value. Fair value is determined in the manner described in (note 35).

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.6 Financial instruments (continued)

Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where available for sale assets are disposed of or is determined to be impaired, the cumulative profit or loss previously recognized in changes in fair value reserve shall be transferred to the consolidated statement of income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognized in statement of income when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognized in other comprehensive income.

Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's average effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of doubtful debts allowance. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

When available-for sale financial assets are impaired, the accumulated P&L previously recognized in the statement of other comprehensive income are reclassified to the statement of income.

For financial instruments that are measured at amortized cost, in case of any positive change in the period subsequent to the impairment losses, which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the income at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.6 Financial instruments (continued)

In respect of AFS equity securities, impairment losses previously recognized in consolidated statement of income are not reversed through profit or loss, as any increase in fair value subsequent to an impairment loss is recognized in other comprehensive statement of income.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated statement of income.

Financial liabilities

Financial liabilities (including borrowings and other receivables) are recognized initially at fair value, net of transaction costs incurred subsequently measured at amortized cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of income.

2.3.7 Land and properties held for trading

Land and real estate held for trading are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate, cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate held for trading are classified under current assets and are valued at the lower of cost or net realisable value on an individual basis. Net realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale. Gains and losses from the sale of land and property held for trading are reported in the consolidated statement of income by the difference between sale value and its book value

2.3.8 Employees' end of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment. Such amounts are paid in full at end of service. The defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the consolidated statement of financial position. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.9 Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are measured by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.10 Equity, reserves and dividend payments

Issued ordinary shares are recorded within equity. Direct costs relating to issuing of shares are stated as discounted from the amounts received for issuing these shares within equity under share premium. Share capital represent the nominal value of the shares issued.

Dividends are recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

2.3.11 Treasury Shares

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method, where the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realized losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings and then to reserves then to share premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.12 Revenue Recognition

Gains and losses resulted from the sale of financial investments, investment property and land and real estate held for trading are recognised in consolidated statement of income when sale is completed. Sale is completed when the risks and rewards related to the assets sold are transferred to the buyer.

Rental income from investment properties are recorded as mentioned in note (2.3.13).

Hotel income is recognized when the services are performed and completed for clients.

Dividends income resulted from investment is recognized in the consolidated statement of income when the right to receive them is established.

2.3.13 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.3 Significant accounting policies (IFRSs) (continued)

2.3.14 Borrowing Costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3.15 Foreign Currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kuwaiti Dinars ("KD").

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Foreign exchange profits and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except those companies that operate in countries with high inflation rate) are translated into the presentation currency as follows:

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of that consolidated financial statements;
- Income and expenses for each consolidated statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of the statement of equity.

2.3.16 Zakat and Deductions

Responsibility of paying zakat lies on the shareholders and not the company.

The Group calculates zakat and NLST in accordance with the Ministry of Finance resolution No. 46 of 2006 and No. 19 of 2000. They are recognized as expense in the relevant period on accrual basis.

The Group's contribution to KFAS is recognised as an expense in the relevant period on accrual basis.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

3. Significant Accounting Assumptions and Judgments

In the application of the Group's accounting policies, the management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Classification of investments

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

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at acquisition, when their fair values can be reliably estimated. All other investments are classified as "available for sale".

Fair value measurements and valuation techniques

Certain assets and liabilities of the group are measured at fair value for the purposes of preparing the financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of assets and liabilities is disclosed in note 35.

Impairment of tangible and intangible assets

The Group reviews the tangible and intangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Evidence of impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the value of available for sale investments. The determination of what is "significant" or "prolonged" requires significant judgment in this regard. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Impairment of associates

Estimation for existence of impairment losses of the associate is done when there is an indication on such impairment. Impairment of all the carrying value of the group's investment in the associate including goodwill is studied, therefore no impairment study for goodwill is required independently. Note 7 shows this effect on the consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

3. Significant Accounting Assumptions and Judgments (Continued)

Impairment of receivables

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. Impairment of due receivable balances is recognized when there are satisfactory reasons that other parties cannot pay as per the agreement conditions.

Contingent liabilities

Contingent liabilities arise as a result of a past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (note 32).

4. Property, plant and equipment

	<u>Land and buildings</u>	<u>Furniture & fittings</u>	<u>Furniture & utensils</u>	<u>Office equipment</u>	<u>Total</u>
	KD	KD	KD	KD	KD
Cost					
As at 1 January 2013	24,091,924	10,268,282	3,599,416	660,697	38,620,319
Additions	27,828	-	-	6,837	34,665
As at 31 December 2013	24,119,752	10,268,282	3,599,416	667,534	38,654,984
Additions	1,528,038	-	-	60,057	1,588,095
Disposals	-	-	(13,500)	(1,080)	(14,580)
As at 31 December 2014	25,647,790	10,268,282	3,585,916	726,511	40,228,499
Accumulated depreciation					
As at 1 January 2013	1,357,237	2,561,740	2,118,843	607,404	6,645,224
Depreciation for the year	510,762	995,348	719,883	22,504	2,248,497
As at 31 December 2013	1,867,999	3,557,088	2,838,726	629,908	8,893,721
Depreciation for the year	511,361	995,347	657,749	24,172	2,188,629
Disposals	-	-	(12,390)	(446)	(12,836)
As at 31 December 2014	2,379,360	4,552,435	3,484,085	653,634	11,069,514
Net carrying value					
As at 31 December 2014	23,268,430	5,715,847	101,831	72,877	29,158,985
As at 31 December 2013	22,251,753	6,711,194	760,690	37,626	29,761,263
Useful lives (year)	40	10-5	5	6	

Land and buildings are pledged for local financial institutions against the finance obtained by the Group (Note 21).

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

5. Projects in progress

	2014	2013
	KD	KD
Balance as at 1 January	21,820,062	15,702,400
Additions	3,081,908	5,239,201
Change in fair value	-	878,461
Transfer to investment property (note 6)	(23,171,196)	-
Balance as at 31 December	<u>1,730,774</u>	<u>21,820,062</u>

Fair value of the projects in progress was reached to as at 31 December 2014 based on the valuation done on that date by independent valuers who are not related to the group. Those valuers are licensed by the official bodies and they have qualifications and latest experience in valuation of properties at these locations. Fair value of the projects in progress was determined based on comparable market method, reflecting prices of recent transactions for similar real estates as per the current status of the real estate (level 2).

Projects in progress include projects amounted to nil as of 31 December 2014 (2013: KD 12,750,000) pledged for local financial institutions against the finance obtained by the Group (Note 21).

6. Investment properties

	2014	2013
	KD	KD
Balance as at 1 January	257,247,496	241,784,642
Additions during the year	2,667,321	563,873
Sales during the year	(11,368,860)	-
Transferred from projects in progress (note 5)	23,171,196	-
Change in fair value (note 23)	14,426,947	14,898,981
Balance as at 31 December	<u>286,144,100</u>	<u>257,247,496</u>

Investment properties include properties of fair value amounting to KD 210,105,380 as of 31 December 2014 (2013: KD 218,943,826) mortgaged in favor of local financial institutions against the finance obtained by the Group (Note 21).

Fair value of the group's investment properties was reached to as at 31 December 2014 based on the valuation done on that date by independent valuers who are not related to the group. Those valuers are licensed by the official bodies and they have qualifications and latest experience in valuation of properties at these locations. Fair value of investment properties classified under (level 2) based on comparable market prices which reflect prices of recent transactions for similar real estates and method of net discounted cash flows model resulted from acquisition of such investments. To estimate the value of such real estates, it has been supposed that the current usage for the real estates is the best usage for the same.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

7. Investments in associates

	Country of incorporation	Principal activity	Ownership %		2014	2013
			2014	2013	KD	KD
Al-Salmiya Group Co. Hajar Tower Real Estate Company	Kuwait	Investment properties	41.15	28.13	10,300,059	5,359,741
Bayan Real Estate Company	Saudi Arabia	Investment properties	20	20	8,518,689	8,320,132
Kuwait Resorts Company	Kuwait	Services Holding Company	21.68	-	5,097,477	-
Afkar Holding Company	Kuwait	Services Holding Company	33.32	32.96	4,698,141	3,872,673
Kuwait Commercial Markets Complex Company	Kuwait	Investment properties	19.35	19.35	2,736,515	2,783,320
Mozon Holding Company	Kuwait	Investment properties	22.92	22.92	870,184	870,184
Industrial and Financial Investment Company	Morocco	Company	34	34	340,000	340,000
	Kuwait	Financial services	17.31	17.31	112,359	112,359
					<u>32,673,424</u>	<u>21,658,409</u>

Below is the movement in the investment in associates during the year:

	2014	2013
	KD	KD
Balance at 1 January	21,658,409	22,340,693
Additions	5,124,730	3,337,018
Transferred from available for sale investments (note 8)	5,413,580	-
Cash dividends	(1,019,793)	(132,000)
Translation of foreign currencies	50,208	-
Group's share of associates' business results	1,295,031	459,969
Group's share in associates' reserves	(20,043)	452,326
Reversal/(impairment) in value (note 26)	171,302	(4,799,597)
Balance at 31 December	<u>32,673,424</u>	<u>21,658,409</u>

Although the Group's share in the Industrial and Financial Investment Company K.P.C.C and Afkar Holding Company K.S.C.C is less than 20%, the Group has a significant influence over the financial and operational policies of this company through representatives in the Board of Directors, accordingly, it is classified within associate companies.

During the year, the Group signed a swap contract of one of its investments classified as available for sale investments (note 8). As a result of this swap the Group's share in the investment subject of the contract has increased to become an associate at ownership percentage of 21.68% under the Group's investments in associates with a total value of KD 5,413,580 which represents its fair value at transfer date.

The Group has reversed provisions for impairment of KD 171,302 as at 31 December 2014 (2013: recognized impairment losses of KD 4,799,597) on certain investments in associates arising from an increase in their recoverable amount of these companies at that date. The recoverable amount of these investments was determined based on the fair value estimated by management less the costs required to accomplish sale.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

7. Investments in associates (Continued)

During the year the Group subscribed in the capital increase of the associate - Al-Salmiya Group Company of KD 5,073,645. This has resulted in the increase of the Group's ownership in the associate from 28.13% to 41.15%. Investment in the associate is pledged against finance granted to the associate.

During the year ended 31 December 2014, the Group has sold its share in the associate Spirit for Real Estate Development Co. (K.S.C.C) for an amount of KD 312,084 which resulted in a sale profit of KD 312,084, as the investment in the associate has recorded impairment in the previous years.

The following summarised financial information in respect of the significant associates. The summarised financial information below represents the amounts shown in the latest available financial statements / information of those associates, which has been prepared in accordance with International Financial Reporting Standards:

Al-Salmiya Group Co.

	<u>2014</u>	<u>2013</u>
	KD	KD
Current assets	5,662,635	3,341,183
Non-current assets	46,471,863	42,572,135
Current liabilities	13,029,334	25,061,191
Non-current liabilities	14,372,313	1,795,268
	<u>2014</u>	<u>2013</u>
	KD	KD
Revenue	19,507	15,989
Profit or loss from operations	(324,013)	(273,974)
Profit for the year/total comprehensive income	(324,013)	(273,974)

Hajar Tower Real Estate Company

	<u>2014</u>	<u>2013</u>
	KD	KD
Current assets	37,368,368	40,617,256
Non-current assets	37,023,958	38,375,814
Current liabilities	11,975,606	13,042,717
Non-current liabilities	19,823,280	24,349,693
	<u>2014</u>	<u>2013</u>
	KD	KD
Revenue	13,767,701	15,221,357
Profit or loss from operations	2,989,780	988,930
Profit for the year/total comprehensive income	2,989,780	988,930
Cash dividends received from the associate during the year	396,000	132,000

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

7. Investments in associates (Continued)

Aggregate information of associates that are not individually material

	<u>2014</u>	<u>2013</u>
	KD	KD
Group's share in profit or loss of continuous operations	833,802	273,216
Group's share in other comprehensive income for the year	(20,043)	452,326
Group's share in total comprehensive income for the year	813,759	725,542
Total book value of these associates	13,854,676	13,338,276

8. Available for sale investments

	<u>2014</u>	<u>2013</u>
	KD	KD
Investment in quoted shares	1,137,800	1,187,619
Investment in unquoted shares	12,556,388	15,590,587
Investment in unquoted real estate funds	8,249,255	7,571,114
	<u>21,943,443</u>	<u>24,349,320</u>

Movement on available for sale investments balance during the year is as follows

	<u>2013</u>	<u>2014</u>
	KD	KD
Balance at 1 January	24,349,320	29,266,501
Additions	1,101,864	3,599,810
Disposals	(295,257)	(2,866,761)
Transfer to investments in associates (note 7)	(5,413,580)	-
Change in fair value	2,495,118	(85,852)
Impairment losses (note 26)	(294,022)	(5,564,378)
Balance at 31 December	<u>21,943,443</u>	<u>24,349,320</u>

The fair value of available for sale investments was determined based on valuation techniques mentioned in note (35).

Available for sale investments include investment in unquoted shares of KD Nil as of 31 December 2014 (2013: KD 528,219) carried at cost as its fair value can not be reliably measured, and the Group's management has no indication of impairment in respect of those investments.

The following is an analysis of available for sale investments per currencies:

	<u>2014</u>	<u>2013</u>
	KD	KD
KD	8,354,226	7,278,322
US Dollar	7,751,563	9,469,598
Sterling Pound	3,845,986	3,304,440
Other currencies	1,991,668	4,296,960
	<u>21,943,443</u>	<u>24,349,320</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

9. Land and properties held for trading

	2014	2013
	KD	KD
Balance as at 1 January	7,946,871	10,400,131
Additions	480,909	-
Sales	(115,946)	(2,438,700)
Reverse of impairment/(impairment losses)	223,429	(14,560)
Balance as at 31 December	<u>8,535,263</u>	<u>7,946,871</u>

Land and properties held for trading include properties of KD Nil as of 31 December 2014 (2013: KD 1,228,380) mortgaged in favor of financial institutions against the finance obtained by the Group (note 21).

10. Investments at fair value through profit or loss

Investments at fair value through statement of income represent what follows based on valuation bases mentioned in note (35).

	2014	2013
	KD	KD
Unquoted foreign investments at fair value through statement of income on acquisition	18,544,029	5,278,463
Local quoted investments held for trading	-	1,804,292
	<u>18,544,029</u>	<u>7,082,755</u>

11. Receivables and other debit balances

	2014	2013
	KD	KD
Trade receivables	4,719,490	7,060,902
Non-trading receivable	-	1,950,000
Due from related parties (Note 30)	154,107	1,160,301
Provision for doubtful debts	(3,994,482)	(4,545,709)
	879,115	5,625,494
Prepaid expenses	26,818	26,010
Refundable deposits	166,601	160,226
Payments under investment acquisition	4,264,498	141,521
Advance payments towards purchase of property and equipment	736,861	293,086
Due from subsidiaries under liquidation	-	42,272
Other debit balances	493,829	506,997
	<u>6,567,722</u>	<u>6,795,606</u>

Trade and non-trading receivables balances which are due and not collected KD 4,548,239 as at 31 December 2014. The provision for these balances is KD 3,994,482 (2013: KD 5,470,408 with provision of KD 4,545,709).

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

11. Receivables and other debit balances (Continued)

During the year, the amount due from one of the non-trading parties receivable was settled at KD 1,950,000 against which an amount has been fully provided. Also, shares of KD 294,175 has been transferred for the benefit of the Group (which is non cash transaction eliminated when preparing the cash flows statement) and were classified as available for sale investments against write-off the remaining debt of KD 1,655,825 in implementation of the settlement agreement approved previously by the board of directors during 2011.

Analysis of impaired trade and non-trading receivables aging as at 31 December 2014 are as follows:

	<u>2014</u>	<u>2013</u>
	KD	KD
30 – 60 days	433,854	585,989
60 – 90 days	190,594	293,864
90 – 120 days	96,077	149,308
Above 120 days	3,827,714	4,441,247
	<u>4,548,239</u>	<u>5,470,408</u>

Movement of provision for doubtful debts during the year is as follows:

	<u>2014</u>	<u>2013</u>
	KD	KD
Balance as at 1 January	4,545,709	3,398,557
Provided during the year (note 27)	1,418,772	1,147,152
Write back of provision for doubtful debts (note 27)	(294,175)	-
Bad debts	(1,675,824)	-
Balance as at 31 December	<u>3,994,482</u>	<u>4,545,709</u>

The following is analysis of receivables by currency:

	<u>2014</u>	<u>2013</u>
	KD	KD
KD	2,138,601	5,583,875
Bahrain Dinar	1,481,791	145,338
USD	2,938,330	1,066,393
Other	9,000	-
	<u>6,567,722</u>	<u>6,795,606</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

12. Cash and cash equivalents

	2014	2013
	KD	KD
Cash in hand	20,850	29,153
Cash at banks and financial institutions	6,496,065	1,610,900
Cash at investment portfolios	12,509	107,229
Murabaha at banks and financial institutions	-	4,000,000
Cash and cash equivalents (for the consolidated statement of financial position purposes)	6,529,424	5,747,282
Less:		
Murabaha with banks and financial institutions maturing within more than three months	-	(2,000,000)
Cash and cash equivalents for the purpose preparing the statement of cash flows	6,529,424	3,747,282
Murabaha yield rate (%)	-	0.87

Analysis of cash and cash equivalents by currency is as follows:

	2014	2013
	KD	KD
KD	5,882,030	5,676,084
Other	647,394	71,198
	6,529,424	5,747,282

13. Share Capital

The parent company's authorized, issued, and fully paid capital is KD 170,198,775 divided into 1,701,987,750 shares, each of a nominal value of 100 fils. All shares are cash shares.

14. Treasury shares

	2014	2013
	KD	KD
Number of shares - share	18,789,860	6,023,971
Proportion of issued shares (%)	1.10	0.35
Market value	1,785,037	554,205

The Company is required to retain reserves and retained earnings equivalent to the treasury shares throughout the period, in which they are held by the Company, pursuant to the relevant instructions of the regulatory authorities.

15. Statutory reserve

In accordance with the Companies Law and the Parent Company's memorandum of association, 10% of the net profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, directors' remuneration, and Zakat expense is transferred to the statutory reserve. The parent company may resolve to discontinue such transfers when the reserve equals 50% of the paid up share capital.

This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's articles of association.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

16. Voluntary reserve

In accordance with the Companies Law and the Parent Company's articles of association, a percentage of the net profit for the year as proposed by the board and agreed by the shareholders general assembly, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, directors' remuneration, and Zakat expense is transferred to the voluntary reserve. Such transfers can be discontinued by a resolution of the general assembly upon recommendation by the board of directors. The Parent Company's board of directors proposed transferring 5% of the net profit for the year to the voluntary reserve.

17. Other reserves

	Change of fair value reserve	Group's share in associates' reserves	Profit from sale of treasury shares	Property, plant and equipment revaluation surplus	Translation of foreign currencies	Total
	KD	KD	KD	KD		KD
Balance as at 1 January 2013	2,079,175	(2,120,212)	166,215	5,547,886	-	5,673,064
Share capital decrease by treasury shares	-	-	(166,215)	-	-	(166,215)
Total comprehensive profits/(losses) for the year	(85,852)	452,326	-	-	-	366,474
Balance as at 31 December 2013	1,993,323	(1,667,886)	-	5,547,886	-	5,873,323
Balance as at 1 January 2014	1,993,323	(1,667,886)	-	5,547,886	-	5,873,323
Total comprehensive profits/(losses) for the year	2,495,118	(20,043)	-	-	50,208	2,525,283
Balance as at 31 December 2014	4,488,441	(1,687,929)	-	5,547,886	50,208	8,398,606

18. Non-controlling interests

	2013 KD	2014 KD
Balance at 1 January	10,738,652	14,119,756
Group's share of profit for the year	2,613,477	1,340,083
Other comprehensive income items		
Changes in non-controlling interests :		
Change in contribution of subsidiary	(369,371)	(4,158,278)
Cash dividends	(603,025)	(562,909)
Balance at 31 December	12,379,733	10,738,652

19. Employees' end of service indemnity

	2014 KD	2013 KD
Balance at 1 January	1,118,879	1,078,552
Provided during the year	273,079	190,123
Paid during the year	(151,836)	(149,796)
Transferred during the year to payables	(166,747)	-
Balance at 31 December	1,073,375	1,118,879

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

20. Effect of acquisition of an additional share in a subsidiary

During the year, the Group increased its share in the subsidiary, Al Motajara Real Estate Company K.S.C.C, at 1.03% by acquiring interests from non-controlling entities for an amount of KD 323,845. The net carrying value of acquired assets and liabilities exceeds the paid consideration of KD 45,526 and this difference has been included within equity. The fair value of the acquired assets and liabilities as at the acquisition date is as follows:

	<u>2013</u>	<u>2014</u>
	KD	KD
Investment properties	32,076,479	28,576,000
Available for sale investments	1,694,950	431,970
Receivables and other debit balances	41,804	164,240
Cash and cash equivalents	2,686,832	3,899,872
Payables and other credit balances	(567,283)	(278,084)
	<u>35,932,782</u>	<u>32,793,998</u>
Company's acquired share in net assets	369,371	4,158,278
Fair value of the consideration paid against purchase of an additional share	(323,845)	(4,019,426)
Increase in net carrying value of acquired net assets for the paid consideration	<u>45,526</u>	<u>138,852</u>

21. Financing from third party

Third party finance represents murabaha and tawaruq contracts from banking institutions inside Kuwait and abroad.

Finance from third party is divided to:

	<u>2014</u>	<u>2013</u>
	KD	KD
Current portion	23,167,474	14,490,000
Non-current portion	96,740,402	86,969,761
	<u>119,907,876</u>	<u>101,459,761</u>

Most of the financing from third party is defined by contracts over a period of 6 years including a grace period of one year. Part of the contracts is renewed for one year or more during the specified period. The above details represent the financing based on the latest renewal as per the contracts. The analysis of finance maturities from third parties is stated in note no. (35)

This term financing was given against mortgaged property, planet and equipment (note 4) projects in progress (note 5), investment properties (note 6).

The following is the financing from third party by currency:

	<u>2014</u>	<u>2013</u>
	KD	KD
KD	119,907,876	92,739,970
Bahrain Dinar	-	8,719,791
	<u>119,907,876</u>	<u>101,459,761</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

22. Payables and other credit balances

	<u>2014</u>	<u>2013</u>
	KD	KD
Trade payables	1,946,909	2,440,037
Retentions	1,293,722	1,383,690
Accrued expenses	3,556,601	2,796,514
Revenues received in advance	689,030	703,696
Refundable rental deposits	1,110,690	950,982
Claim provision	-	1,354,597
Kuwait Foundation for the Advancement of Science (KFAS)	185,032	178,831
National Labor Support Tax	498,163	416,804
Zakat	218,706	178,643
Cash dividends payable to shareholders	204,060	187,616
Other credit balances	875,369	683,844
	<u>10,578,282</u>	<u>11,275,254</u>

During the year ended 31 December 2014, the group signed a debt settlement agreement with a financial institution in Kingdom of Bahrain, as a result of that, the Group paid the equivalent of KD 707,069 from claims provision, and reversed the remaining amount to the consolidated statement of income for the year then ended.

23. Net investment properties income

	<u>2014</u>	<u>2013</u>
	KD	KD
Real estate rental income	14,128,147	12,879,342
Operating expenses	(3,233,691)	(2,992,717)
Net real estate rental income	10,894,456	9,886,625
Profit on sales	4,131,140	-
Change in fair value (note 6)	14,426,947	14,898,981
	<u>29,452,543</u>	<u>24,785,606</u>

24. Net gains from investments

	<u>2014</u>	<u>2013</u>
	KD	KD
Available for sale investments		
Profit on sales	118	997,510
Cash dividends	787,502	485,710
	<u>787,620</u>	<u>1,483,220</u>
Investments at fair value through profit or loss		
Profit on sales	106,650	27,218
Change in fair value	(17,044)	(11,782)
Cash dividends	413,014	142,412
	<u>502,620</u>	<u>157,848</u>
	<u>1,290,240</u>	<u>1,641,068</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

25. Net hotel losses

	2014	2013
	KD	KD
Net hotel income	5,204,184	5,062,495
Operating expenses	(6,065,013)	(6,090,780)
	<u>(860,829)</u>	<u>(1,028,285)</u>

Operating expenses include depreciation expenses of the hotel's building and its equipments of KD 2,164,125 for the year ended 31 December 2014 (2013: KD 2,225,661).

26. Impairment

	2014	2013
	KD	KD
Impairment in value of available for sale investments (Reversal of)/impairment provision of investments in associates	294,022	5,564,378
Impairment of receivables and other debit balances	(171,302)	4,799,597
	71,714	-
	<u>194,434</u>	<u>10,363,975</u>

27. Provisions

	2014	2013
	KD	KD
(Reversal of)/ claim provision	(647,528)	1,354,597
Provision for doubtful debts	1,124,597	1,147,152
	<u>477,069</u>	<u>2,501,749</u>

28. Earnings per share attributable to the Parent Company's shareholders

Earnings per share are calculated by dividing the net profit attributable to shareholders of the Parent Company for the year by the weighted average number of shares outstanding during the year, taking into account the treasury shares weighted average as follows:

	2014	2013
Net profit for the year (KD)	<u>18,922,382</u>	<u>15,016,495</u>
Weighted average number of shares:		
Weighted average number of outstanding shares of share capital (share)	1,701,987,750	1,701,987,750
Weighted average number of outstanding treasury shares during the year (shares)	(14,322,724)	(1,537,311)
Weighted average number of outstanding shares (share)	<u>1,687,665,026</u>	<u>1,700,450,439</u>
Basic EPS (fils)	<u>11.21</u>	<u>8.83</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

29. Dividends

The annual general assembly was held on 26 March 2014. The shareholders approved the consolidated financial statements for the year ended 31 December 2013 and the board of directors' recommendation to distribute cash dividends of 6% of the share capital, after excluding treasury shares, to the current shareholders of the record at the date of the General Assembly normal meeting.

On 22 February 2015, the parent company's board of directors proposed cash dividends at 6% and bonus shares of 5% for the year ended 31 December 2014. This proposal is subject to the approval of the shareholders at the general assembly meeting and regulatory entities.

30. Related parties transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, and associates in which the company has representatives in their board. Significant related party transactions and balances resulting therefrom were as follows:

	<u>2014</u>	<u>2013</u>
	KD	KD
Transactions		
Key management benefits	1,195,191	965,131
Balances		
Receivables and other debit balances (note 11)	154,107	1,160,301

All related party transactions are subject to the approval of the shareholders' general assembly. Balances of due from/to related parties are free of interest and are payable on demand.

31. Capital commitments

	<u>2014</u>	<u>2013</u>
	KD	KD
Uncalled capital – investments	6,014,000	911,268
Contract for projects under development	931,524	2,169,282
	<u>6,945,524</u>	<u>3,080,550</u>

32. Contingent liabilities

	<u>2014</u>	<u>2013</u>
	KD	KD
Letters of guarantee	<u>4,056,286</u>	<u>4,714,944</u>

Contingent assets

During the year ended 31 December 2014, a court verdict was issued related to case no. 115/2014 sales/2, filed by the Parent Company and others related to sorting and splitting of owners' shares in freehold land plots in the State of Kuwait with a total area of 6,277 square meters. Parent Company's share of such land is 22%. The court decided to offer such land for sale in a public auction as it has been unable to be sorted and splitted. A court verdict dated 7 January 2015 was issued to sell the major part of that land.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

33. Investments in subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as follows:

<u>Company name</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Shareholding percent (%)</u>	
			<u>2014</u>	<u>2013</u>
Al Motajara Real Estate Company K.S.C.C.	Investment properties	State of Kuwait	71.33	70.30
Al-Tijaria Real Estate Development Co.	Investment properties	Kingdom of Bahrain	100	-
Symphony Style Hotel Kuwait	Hotel services	State of Kuwait	100	100

The financial statements of Al Mutajara Real Estate Company & Symphony Style Hotel Kuwait above were consolidated based on financial statements prepared by the mangament of such subsidiaries as at 31 December 2014.

Al-Tijaria Real Estate Development Co. was established in Bahrain, it is a sole proprietorship company with share capital of BD 250,000. The company did not commence its business yet.

Summary of the finanacial statments of the group's subsidiary including material non-controlling interests is as follows:

	<u>2014</u>	<u>2013</u>
	KD	KD
Al Motajara Real Estate Company		
Current assets	2,619,911	4,534,133
Non-current assets	40,774,959	31,982,563
Current liabilities	329,458	363,632
Equity attributable to the shareholders of the Parent Company	30,685,679	25,414,412
Non-controlling interests	12,379,733	10,738,652
	<u>2014</u>	<u>2013</u>
	KD	KD
Revenue	9,550,732	5,339,644
Expenses	(501,547)	(628,519)
Profit for the year	9,049,185	4,711,125
Net profit for the year attributable to shareholders of the Parent Company	6,435,708	3,371,042
Profit for the year attributable to non-controlling interests	2,613,477	1,340,083
Profit for the year	9,049,185	4,711,125
Total comprehensive income attributable to shareholders of the Parent Company	6,435,708	3,371,042
Total comprehensive income attributable to non-controlling interests	2,613,477	1,340,083
Total comprehensive income for the year	9,049,185	4,711,125
Dividends paid to non-controlling interests	603,025	562,909
Net cash flow from operating activities	2,104,674	1,919,800
Net cash flow from investing activities	65,500	1,016,906
Net cash flows used in financing activities	(2,085,560)	(1,980,293)
Net change in cash and cash equivalents of the subsidiary	84,614	956,413

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

34. Segment information

The Group is organized into two major business segments; real estate and investment. Both segments results are reported senior executive management. Further, Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases followed in preparation of consolidated financial statements. Business segment analysis in line with internal reports submitted to management is as follows:

	2014		
	Real estate sector	Investment sector	Total
	KD	KD	KD
Revenue	32,058,011	2,897,355	34,955,366
Direct cost	(4,843,764)	(1,018,859)	(5,862,623)
Gross profit	27,214,247	1,878,496	29,092,743
Unallocated costs			(7,368,447)
Currency valuation differences			(188,437)
Net profit			21,535,859

	2013		
	Real estate sector	Investment sector	Total
	KD	KD	KD
Revenue	39,928,772	2,135,447	42,064,219
Direct cost	(6,696,841)	(12,045,096)	(18,741,937)
Gross profit	33,231,931	(9,909,649)	23,322,282
Unallocated costs			(6,916,763)
Currency valuation differences			(48,941)
Net profit			16,356,578

Geographic distribution

	2014			
	State of Kuwait	Gulf Countries	Other	Total
	KD	KD	KD	KD
Total income	30,320,817	902,842	445,553	31,669,212
Total expenses	(8,751,392)	(1,223,456)	(158,505)	(10,133,353)
Net profit/(loss)	21,569,425	(320,614)	287,048	21,535,859

	2013			
	State of Kuwait	Gulf Countries	Other	Total
	KD	KD	KD	KD
Total income	35,407,401	2,404,367	169,963	37,981,731
Total expenses	(11,421,571)	(9,252,404)	(951,178)	(21,625,153)
Net profit/(loss)	23,985,830	(6,848,037)	(781,215)	16,356,578

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

34. Segment information (continued)

Assets and liabilities geographic distribution

	Assets		Liabilities	
	2014 KD	2013 KD	2014 KD	2013 KD
State of Kuwait	352,581,744	342,732,328	83,089,680	72,362,819
Gulf countries	32,591,505	28,540,960	48,469,853	41,491,075
Other	26,653,915	11,135,776	-	-
	<u>411,827,164</u>	<u>382,409,064</u>	<u>131,559,533</u>	<u>113,853,894</u>

35. Financial risk management

Financial risks

The activities of the group expose it to a set of financial risks, which are market risks, which include (foreign currency risks and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices) in addition to credit risk and liquidity risks.

Risk management system of the group focuses on the unpredictable issues in the financial markets in order to reduce the possibilities of negative effect on the financial performance of the group to the minimum level. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

A) Market risk

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The group is exposed to this risk as a result of existing financial assets and liabilities in foreign currencies, primarily in US Dollar, Sterling Pound and Bahraini Dinar. The group's management always attempting to monitor the change in exchange rates of foreign currencies to act against any change might negatively affect the group's results. The following is the value of net positions of foreign currencies denominated in KD as at the consolidated financial statements date:

	2013 KD	2014 KD
US Dollar	21,244,565	12,023,674
Sterling Pound	8,960,064	6,038,653
Bahrain Dinar	19,211,732	2,763,724
Other	9,833,256	7,793,009

35. Financial risk management (continued)

The following is the effect of change of foreign exchange rates by 5% against Kuwaiti Dinar, while all other variables are held constant on the group's equity/consolidated statement of income:

	2014		2013	
	Equity	Statement of income	Equity	Statement of income
	KD	KD	KD	KD
US Dollar	387,578	674,650	473,480	127,704
Sterling Pound	192,299	255,704	165,222	136,711
Bahrain Dinar	25,752	934,935	17,530	120,656
Other	73,832	417,831	197,318	192,332

Fair value risks

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Financial instruments, which potentially subject the market risk, consist of investment at fair value through statement of income, investment available for sale. The group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value. The group maintains its quoted investments with specialized investment companies. Monthly reports are being sent to the group management regarding investments performance for follow up and taking decisions. Effect of the fair value changes in the market prices is considered limited as for the group's activity.

Yield rate risk

Yield rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market yield rates. Assets of the Group are not exposed to this kind of risk, as the Group does not have assets with contractual profit rates.

The Group is exposed to the risk of fluctuations in cash flows resulting from the change in the yield rates in the market regarding the finance granted from certain local banks as it bears a variable yield rate.

The paragraph below shows the sensitivity of the income statement for the reasonable potential changes in yield prices while other factors being constant.

The sensitivity of the consolidated statement of income is represented by the effect of the assumed change of the yield rate on the Group's profit before deductions based on a floating rate of the financial liabilities on 31 December 2014. If the yield rate prices increased or decreased by 2%, this would lead to a decrease/increase in the year's net profits by KD 2,391,587 (2013: KD 1,768,600).

B) Credit risk

Credit risk is the risk that the group will incur a loss due to the inability of one party to the financial instrument to meet its liabilities regarding the group. The credit policy is monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group of customers in specific location or activity. The Group receives the appropriate guarantees from clients in the event of commercial debtors. The cash and cash equivalents is deposited in financial institutions with good credit reputation, and most of the debit balances exposed to credit risk is concentrated in related parties which have a good credit reputation and there are contractual agreements with those parties in terms of repayments. The maximum credit risk exposure of the Group's assets is not materially different from the corresponding carrying values in the consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

35. Financial risk management (continued)

B) Credit risk (continued)

The assets exposed to credit risk represent cash at banks, murabaha at banks and financial institutions, trade receivables and related parties

The group manages the credit risk related to cash and murabaha at banks and financial institutions through dealing with high credit quality local financial institutions.

Regarding credit risk related to trade receivables, the group deals with various segments of customers to reduce this risk.

Regarding related party credit risk related, such parties have high credit quality.

C) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, and monitoring of liquidity on a regular basis.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk through maintaining adequate reserves of assets, which are easily convertible to cash and by securing of banking facilities and financing reserves in addition to ongoing monitoring of the expected and actual cash flows and comparing the maturity analysis of financial assets and liabilities.

The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The maturities of undiscounted financial liabilities as at 31 December 2014 are as follows:

	2014		
	Within 3 months	From 3 months to one year	1-5 years
	KD	KD	KD
Liabilities			
Financing from third party	8,207,886	19,159,660	104,831,247
Accounts payable	2,494,607	6,580,724	-
	2013		
	Within 3 months	From 3 months to one year	1-5 years
	KD	KD	KD
Liabilities			
Financing from third party	8,549,292	10,556,749	95,101,200
Accounts payable	3,006,019	7,221,225	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

35. Financial risk management (Continued)

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's capital structure consists of finance obtained from third party less cash and cash equivalents in addition to equity.

The Group manages the invested capital risk by continuously monitoring the ratio of borrowing amount to total invested capital.

The gearing ratio at year end was as follows:

	2014	2013
	KD	KD
Financing from third party (note 21)	119,907,876	101,459,761
Less: cash and cash equivalents	(6,529,424)	(5,747,282)
Net debt	113,378,452	95,712,479
Total equity	280,267,631	268,555,170
Net debt to equity ratio	%40.45	%35.64

Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

- Level 1 Quoted prices in active markets for quoted financial instruments.
- Level 2 Quoted prices in an active market for similar instruments or prices quoted by managers of investment funds or other valuation methods where all the important inputs are based on comparative market data either directly or indirectly.
- Level 3 Valuation methods in which the inputs that are not based on any comparative market data.

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

35. Financial risk management (Continued)

Fair value of financial assets and liabilities of the Group measured at fair value on a periodical basis is as follows:

Financial assets	Fair value as at		Date of valuation	Fair value level	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
	2014	2013					
	KD	KD					
Available for sale investments	1,137,800	1,187,619	31 December 2014	First	Last bid price	N/A	N/A
Available for sale investments	20,742,851	16,631,068	31 December 2014	Second	Net unite value announced	N/A	N/A
Available for sale investments	62,792	6,002,414	31 December 2014	Third	Technical valuation methods	market risk adjusted carrying amount	The higher market risk the lower the fair value
Investments at fair value through profit or loss	-	1,804,292	31 December 2014	First	Last bid price	N/A	N/A
Investments at fair value through statement of income	18,544,029	5,278,463	31 December 2014	Second	Net unite value announced	N/A	N/A

Fair value of financial assets and liabilities of the Group not measured at fair value on a periodical basis is as follows (provided that disclosing the fair value):

	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	KD	KD	KD	KD
Financial assets				
Loans and receivables				
Due from related parties	154,107	154,107	1,160,301	1,160,301
Trade and non-trading receivable	6,413,615	6,413,615	5,635,305	5,635,305
Cash and cash equivalents	6,529,424	6,529,424	5,747,282	5,747,282
	<u>13,097,146</u>	<u>13,097,146</u>	<u>12,542,888</u>	<u>12,542,888</u>
Financial liabilities				
Financial liabilities (at amortized cost)				
Financing from third party	119,907,876	117,868,017	101,459,761	99,406,178
Accounts payables and other credit balances	10,578,282	10,578,282	11,275,254	11,275,254
	<u>130,486,158</u>	<u>128,446,299</u>	<u>112,735,015</u>	<u>110,681,432</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

35. Financial risk management (Continued)

	Fair value hierarchy 31 December 2014	
	Level 3	Total
	KD	KD
<i>Financial assets</i>		
Loans and receivables	13,097,146	13,097,146
Total	13,097,146	13,097,146
<i>Financial liabilities</i>		
Financial liabilities (at amortized cost)	128,446,299	128,446,299
Total	128,446,299	128,446,299
	Fair value hierarchy 31 December 2013	
	Level 3	Total
	KD	KD
<i>Financial assets</i>		
Loans and receivables	12,542,888	12,542,888
Total	12,542,888	12,542,888
<i>Financial liabilities</i>		
Financial liabilities (at amortized cost)	110,681,432	110,681,432
Total	110,681,432	110,681,432

The fair value of financial assets and liabilities are categorized under level 3 below by using recognized valuation technique such as discounted cash flows, price multiple or adjusted fair value.

Reconciliation of Level 3 fair value measurements is as follows:

	Unquoted available for sale investments	
	2014 KD	2013 KD
Balance as at 1 January	6,002,414	8,810,204
Total profits or losses:		
In the statement of income	-	(1,509,035)
In the statement of other comprehensive income	-	(330,412)
Purchases	-	50,000
Disposals/adjustments	(5,413,580)	-
Transfers out of level 3	(526,042)	(1,018,343)
Balance as at 31 December	62,792	6,002,414

Transfers out of level 3 represent investments carried at cost since they are acquired recently.