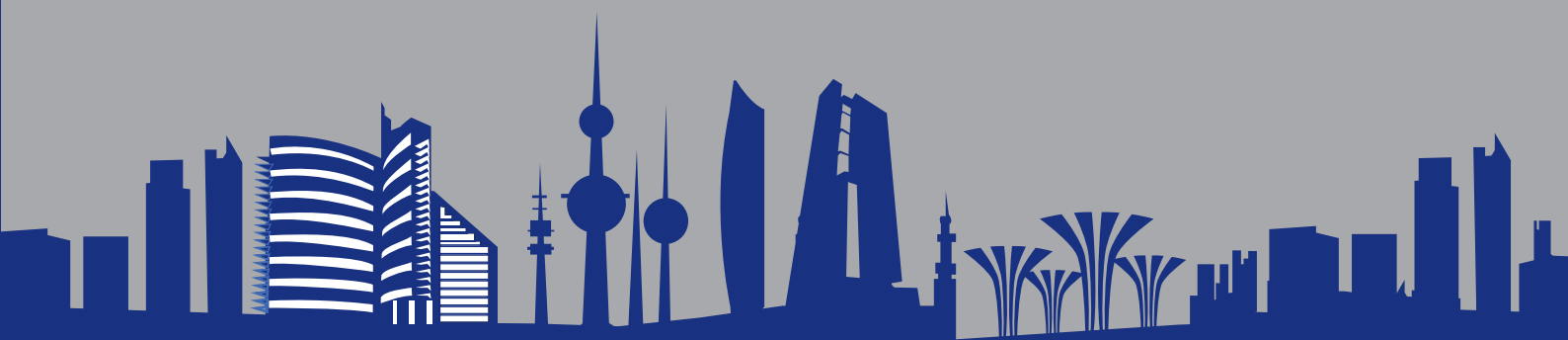


ANNUAL REPORT

2014



38th



**KUWAIT REAL ESTATE INVESTMENT CONSORTIUM
(K.S.C.) CLOSED**





Declared Capital 10,000,000 KD
Paid – up Capital 10,000,000 KD
Commercial Registry Number 20953
Established in the State of Kuwait on Oct.26,1975
Located in Sharq – Ahmad Al Jaber street - Al Marzouq & Al-Awadi Building
P.O. Box 23411 – Safat – 13095 – State of Kuwait
Tel: (965) 22448260 – (9 Lines) Fax: (965) 22434454 – 22434440
Email: kreic@kreic.com

www.kreic.com







H. H. Sheikh Sabah Al-Ahmad Al- Jaber Al-Sabah
Amir of the State of Kuwait





H. H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait





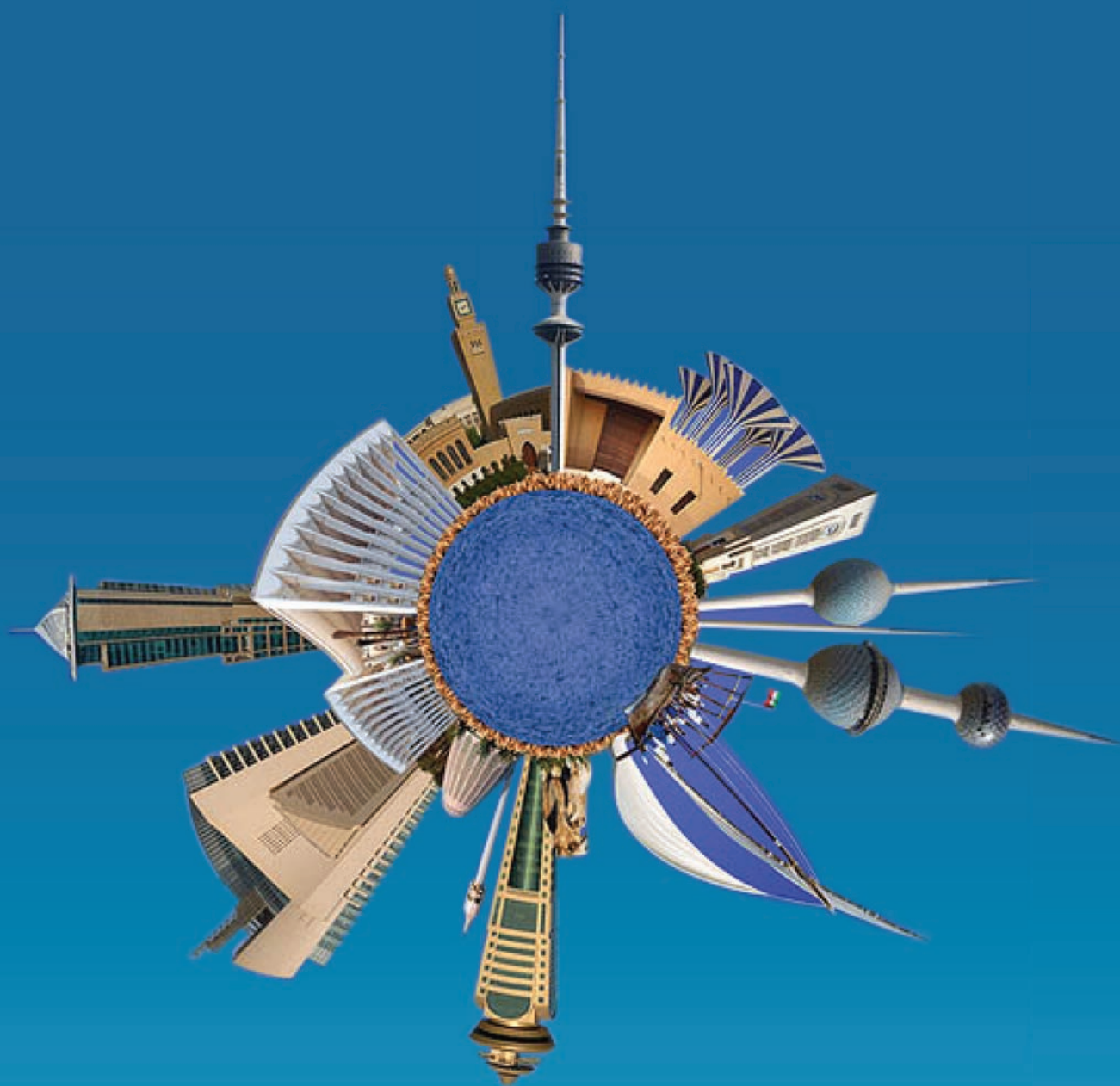
H. H. Sheikh Jaber Mubarak Al Hamad Al-Sabah

Prime Minister of the State of Kuwait



Contents

Board Of Directors	13
Board Of Director's Report	14
Investment Department	16
Property Management Department	19
Independent Auditor's Report to the Shareholders	22
Consolidated Statement of Financial Position as of 31 December 2014	24



Board of Directors

Abdullah Abdul wahab Al- Ramadan	Chairman
Emad Abdullah Al-Thaqeb	Deputy Chairman
Dr. Haider H. Al-Jumah	Board Member
Mohammed Muhanna Al-Ghurbah	Board Member
Hashim Saif Al- Saif	Board Member
Munirah Asaad Al-Ajeel	Board Member
Mohammed Naser Al Otaibi	Board Member
Ali S. Al-Ghunaim	General Manager



Board of Director's Report

Gentlemen Shareholders

The Board Directors of Kuwait Real Estate Investment Consortium have the pleasure to present the 38th Annual Report, including the most important economic developments at the global and local levels, as well as the results of the Annual Performance; the Consolidated Financial Statements and the Independent Auditor's Report for the financial year ending 31 December 2014.

The year 2014 witnessed several fluctuations that led to a negative impact on the global and local economy. It was a difficult year for all the levels as sharp and fast drop in oil prices in the second half of 2014 reached 50.70USD {2013 - 107.42USD} a drop rate of 52.80%, which had a significant impact on the global and domestic economic environment which in turn reflected on the performance of the Kuwait Stock Exchange. The price index registered a lower rate by 13.43% to 6510.11 points {7541.58 points in 2013} the weighted index decreased by 3.04% and closed at 438.21 points {451.95 points in 2013}. Similarly, Kuwait indicator performances {Kuwait 15} dropped by 0.67% to reach 1061.13 points {1068.27 points in 2013}.

It is worth mentioning that the completion of the preparation and adoption the operational plan of KREIC during 2014, taking into consideration the diversification of income sources and optimum utilization of financial surpluses according to the general strategy adopted by KREIC.

Regarding to the financial and investment works results to esteemed company, in the light of events and economic variables, KREIC has achieved a net profit KD 1420 thousand {2013-KD 708 thousand} an increase that represents 101%, due to higher total annual revenues by 24% to KD 3359 thousand {2013 - 2700} some is 44% of the net rental income, 29% the profits of the sale of investment properties and 20%. KREIC interest in the results of associate companies {Arab Ceramics Company - Egypt}.

The expenses and overheads are KD 1939 {2013-1992 thousand}, the staff cost are KD 1230 thousand {2013-KD 1122 thousand} the depreciation is KD 295 thousand {2013-

KD 307 thousand} for circumspection it has been Provision for doubtful debts KD 97 thousand {2013- KD 49 thousand} the general and administrative and other expenses reached KD 317 thousand {2013- KD 514 thousand}.

The following table shows the part of the financial statements

(All Amounts are in Kuwaiti Dinars thousands)

Statement	2013	2014
Net Profit	708	1420
Capital	10,000	10,000
Equity	27,118	28,622
Total assets	30,450	31,977
Accounts payables	3,332	3,355
Profit per Share {Fils}	7.08	14.20
Book value per Shar {Fils}	271	286

About the progress and the results achieved the board of directors proposed a cash dividend {by 5%} of the capital.

Finally the board members and all the employees are introduced the sincere gratitude and appreciation to the shareholders about their precious confidence and continue support which is a form of a source of inspiration for the company and lead us to do more works and achievement. Also we would like to thank the management of KREIC and all the employees for their sincere efforts hoping everyone to make more effort and hard work in order to move the company to higher levels of specialized real estate works.



Abdullah Abdul Wahab Al- Ramadan
Chairman

Investment Department

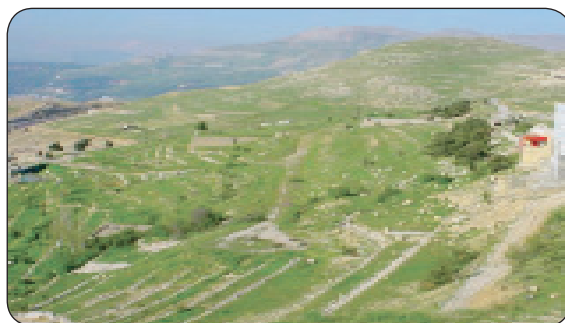
The activity of investment department is focused on the strong principles business capabilities and competitive edge and looks for investment opportunities safe and profitable within and outside the State of Kuwait. The Investment department works on the continued development of existing investments according to the events and the economic trends expectations and establishing companies in collaboration with others.

Investment department contribute in numbers of companies, funds and investment portfolios and real estate in accordance with KREIC's activities as well as tracking the investment policy moderate trying to seize the investment opportunities and remunerative according to the data requirements of the market and. In addition the investment department is managing the Real Estate Portfolio of KREIC and first real estate fund.

Here are summarize some of the outlines which have been contributed by KREIC and operated under the investment department

Sawfar Hills Project

The property is located on an area of 109 thousand square meters in Sawfar - Sharon of real estate area - the province of Mount Lebanon - Aley on the average of 1,350 meters above sea level which gives distinctive view of the site. Sawfar Hills Project has been sorted to 72 plots, 6 for entertainment services 66 for housing.



Arab ceramic company (Aracemco)
www.Aracemco.com



The company owns 24.39 % of Arab Ceramics company(Aracemco) which was founded in 1975 for the production of sanitary ware goal in accordance with the scope of the investment capital of the Arab and foreign investment and free zones , Aracemco is the second company in Cairo for exporting ceramic tiles in addition it is one of the leading companies in the industry and the production of tiles faience of various kinds and all the kinds of sanitary ware for trade and establishing factories related to the purposes of the company as well as the other products branching from the industry its related or complementary to study and prepare the designs .



Aracemco exports the products to North Africa, Gulf States and some European countries due to its production of local materials and using the imported raw materials. The company seeks to satisfy all the needs and requirements of the market to suit all the tastes and levels at the local, Arab and international levels after the company obtained the International Quality Certificate Dutch Foundation of Kiowa.

The company is committed by applying the standards of safety and occupational health that are compatible with the laws and regulations issued by the competent authorities to achieve these requirements and the application of this system is mandatory for all employees in the company.

The property right in 2014 is 257 Million Egyptian Pounds , equivalent to 205 % of the capital 125 million Egyptian pounds the percentage of cash distributions in 2014 for (Aracemco) accounted 40 % of the capital (2013 were distributed 50 % in cash) .

KREIC'S Real Estate Portfolio

The local real estate portfolio consists a range of investment properties and commercial, characterized by high occupancy distributed in the most important areas of trade and investment in Kuwait and distinct sites, the investment department is working on operations of buying, selling and development of the portfolio.

The market value of the portfolio is KD 27.4 Million in 2014, the commercial real estate is 72% of the size portfolio with total value KD19.8 Million where these properties are located in the distinctive areas such as Salmiya , Sharq and Murgab, while the real estate investment is 28% of the size portfolio and the total value is KD 7.6 Million and these properties are located in Hawalli and Bneid Al Gar.



First Real Estate Fund

First Real Estate Fund was established on 17/09/2002, with a variable capital from KD (5-50) Million.

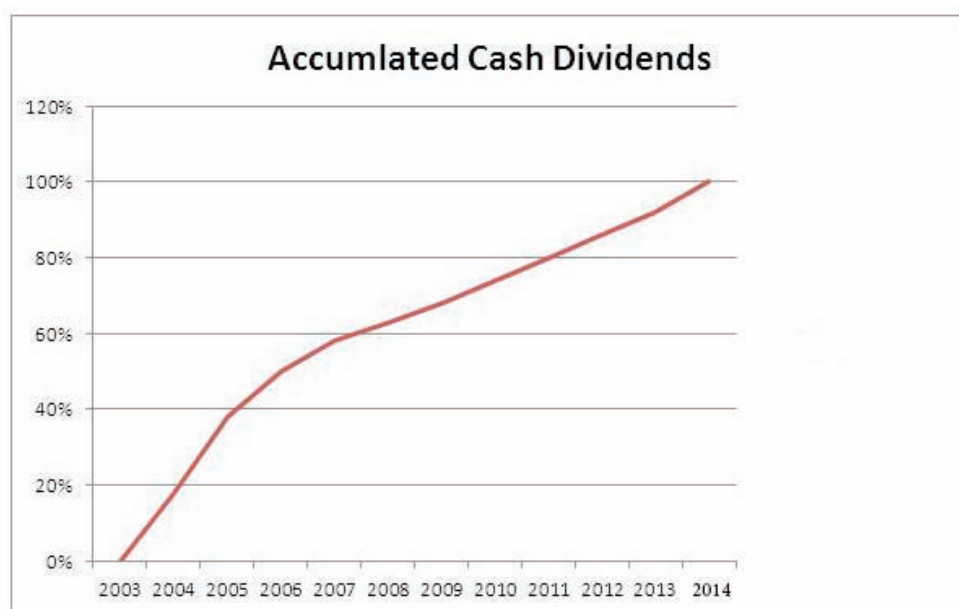
The goal is to invest its money for the benefit of the participants in the trade and development of real estate by buying, selling the real estate constructed and land space as well as trading and leasing in order to provide an opportunity for small investors to participate in the real estate investment sector with activating the movement of trade in plots and to achieve rewarding financial returns within the State of Kuwait.

Accumulated Profit since 2002 (First Real Estate Fund)



Cash Dividend Paid (First Real Estate Fund)

2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	Annual Cash Dividends
8%	6%	6%	6%	6%	5%	5%	8%	12%	20%	10%	8%	





Property Management Department

Property Management Department Activity

The works of property management department is managing and maintenance the Real Estate portfolios both owned or managed by the company, in addition to real estate evaluation and management of engineering projects and real estate auctions.

Real Estate Portfolio Division

The company owns a real estate portfolio with a variety of commercial complexes and investment buildings distinctive and diverse by geographical distribution, the company are currently managing group of real estate portfolios for the benefit of Kuwait Investment Authority and the settlement and managing office for government purchased debts in addition to the managing and operating the properties of First Real Estate Fund.

Engineering Projects Management

The Engineering Project management is the most important activity; the property management department is managing several engineering projects. The most prominent one is for Kuwait Ministry of Foreign Affairs. The department is currently followed up by the development of projects and renovation for the Safir Airport Hotel - Safir International Hotel.

Real Estate Appraisal

Based on the real estate certificate No. 20 issued by the Ministry of Commerce & Industry, KREIC evaluates all the types of real estate. It is one of the leading companies in the real estate evaluation due to its credibility, professionalism, pursuing the scientific and technical evaluation and also the ability to attract a number of Kuwait banks and government agencies in addition to the number of investment and real estate companies and individuals.



**Kuwait Real Estate Investment Consortium - KSCC
And its subsidiary
State of Kuwait**

**Consolidated Financial Statements
And Independent Auditor's Report**

31 December 2014



Report on the Consolidated Financial Statements

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Real Estate Investment Consortium KSCC, "the Company" and its subsidiary (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 flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Opinion

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

Emphasis of matter

We draw attention to note (6.3) to these consolidated financial statements where the fair value of one of the investments classified at fair value through profit or loss amounting to KD 316 thousand as of 31 December 2014 (KD 595 thousand - 2013) was based on the management estimates taking into consideration the financial difficulties faced by the investees as a result of the global and regional economic crisis. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company, and the consolidated financial statements and the related information included in the Board of Directors' report in relation to these consolidated financial statements agree with the books of accounts of the Company. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all the information that is required by the Companies' Law No. 25 of 2012, as amended and executive regulation, and by the Company's Memorandum of Incorporation 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 executive regulation, or of Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial 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.

Talal Yousef Al-Muzzaini

Licence No. 209-A
Deloitte & Touche
Al-Wazzan & Co.
Kuwait
10 February 2014

Consolidated Statement of Financial Position as of 31 December 2014

(All amounts are in Thousand Kuwaiti Dinars)

	Note	2014	2013
Assets			
Current assets			
Cash and cash equivalents	5	6,413	4,042
Investments at fair value through profit or loss	6	3,556	3,507
Accounts receivables	7	190	153
Due from related parties	8	216	349
		<u>10,375</u>	<u>8,051</u>
Non-current assets			
Investments available for sale	9	1,512	1,884
Held to maturity investments		-	24
Land and real estate under development		1,523	1,477
Investment in associates	10	2,670	2,600
Investment properties	11	15,871	16,378
Property and equipment		26	36
		<u>21,602</u>	<u>22,399</u>
Total assets		<u>31,977</u>	<u>30,450</u>
Liabilities and Equity			
Current liabilities			
Accounts payables	12	<u>3,355</u>	<u>3,332</u>
Equity			
Share capital	13	10,000	10,000
Statutory reserve	14	3,734	3,585
Voluntary reserve	15	3,734	3,585
Foreign currency translation reserve		(996)	(1,075)
Change in fair value reserve		341	335
Group's share in associates' reserves		(51)	(50)
Retained earnings		<u>11,860</u>	<u>10,738</u>
Total equity		<u>28,622</u>	<u>27,118</u>
Total Liabilities and Equity		<u>31,977</u>	<u>30,450</u>

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



Abdullah Abdul Wahab Al-Ramadan
Chairman



Ali S. Al-Ghunaim
General Manager



Consolidated Statement of Income for the year ended 31 December 2014

(All amounts are in Thousand Kuwaiti Dinars)

	Note	2014	2013
Revenues			
Management fees	8	180	199
Net investment properties income	16	1,492	1,420
Investments (losses) / gains	17	(206)	115
Gain from sale of investment properties	11	967	-
Group's share in associates' results	10	665	785
Other income	18	261	181
		<u>3,359</u>	<u>2,700</u>
Expenses and other charges			
Other expenses	19	256	459
Staff costs	20	1,230	1,122
Depreciation	11	295	307
Provision for doubtful debts		97	49
KFAS		13	7
Board of Directors' remuneration		48	48
		<u>1,939</u>	<u>1,992</u>
Net profit for the year		<u>1,420</u>	<u>708</u>
Earnings per share (fils)	21	<u>14.20</u>	<u>7.08</u>

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2014
(All amounts are in Thousand Kuwaiti Dinars)

	2014	2013
Net profit for the year	<u>1,420</u>	<u>708</u>
Other comprehensive income		
Transferred to statement of income on sale of investments available for sale	-	(13)
Change in fair value of investment available for sale	(371)	(395)
Impairment of investments available for sale	377	417
Foreign currency translation	79	(298)
Group's share in associates' reserves	<u>(1)</u>	<u>-</u>
	<u>84</u>	<u>(289)</u>
Total comprehensive income for the year	<u><u>1,504</u></u>	<u><u>419</u></u>

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2014
(All amounts are in Thousand Kuwaiti Dinars)

	Share capital	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total
Balance at 1 January 2013	10,000	3,508	3,508	(777)	326	(50)	10,184	26,699
Net profit for the year	-	-	-	-	-	-	708	708
Other comprehensive income								
Transfer to reserves	-	77	77	-	-	-	(154)	-
Balance at 31 December 2013	10,000	3,585	3,585	(1,075)	335	(50)	10,738	27,118
Balance at 1 January 2014	10,000	3,585	3,585	(1,075)	335	(50)	10,738	27,118
Net profit for the year	-	-	-	-	-	-	1,420	1,420
Other comprehensive income		-	-	79	6	(1)	-	84
Transfer to reserves		149	149	-	-	-	(298)	-
Balance at 31 December 2014	10,000	3,734	3,734	(996)	341	(51)	11,860	28,622

The accompanying notes form an integral part of these consolidated financials statement

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

(All amounts are in Thousand Kuwaiti Dinars)

	Note	2014	2013
Cash flows from operating activities:			
Net profit for the year		1,420	708
Adjustments:			
Investments losses / (gain)	17	206	(115)
Gain from sale investment properties	11	(967)	-
Interest income	18	(60)	(20)
Group's share in associates' results		(665)	(785)
Depreciation	11	295	307
Claims Provisions		16	-
Provision for doubtful debts		97	49
Operating profit before changes in operating assets and liabilities		342	144
Investments at fair value through profit or loss		-	55
Accounts receivables		(26)	55
Due from related parties		46	(28)
Accounts payables		26	429
Net cash flows generated from operating activities		388	655
Cash flows from investing activities:			
Dividends received from an associate		610	375
Proceeds from sale of investment properties		1,200	-
Proceeds from sale of investments available for sale		-	90
Proceeds from sale of held to maturity investments		24	-
Paid to purchase of property and equipment		(11)	(14)
Interest received		38	20
Dividends received from investment	17	122	109
Net cash generated from investing activities		1,983	580
Net increase in cash and cash equivalents		2,371	1,235
Cash and cash equivalents at beginning of the year		4,042	2,807
Cash and cash equivalents at end of the year	5	<u>6,413</u>	<u>4,042</u>

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



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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

1. Incorporation of the Group

Kuwait Real Estate Investment Consortium ("The Company") is a Kuwaiti Shareholding Company (Closed) incorporated in 26 October 1975 and it is a subsidiary of Kuwait Investment Authority.

The activities for which the company was incorporated for are as follows:

- Coordinate the efforts of Kuwaiti Real Estate Companies.
- Carry out the real estate works and actions for the purpose of making a profit including selling, buying, renting and leasing lands and properties. Establish buildings and preparation of Studies of public or private real estate projects and also its implementation whether through direct undertaking or intermediation.
- Carry out various types of construction and any subdivisions thereof whether for its account or for the third parties' account. Import and trade all materials related to real estate and subdivisions thereof.
- Establish, and manage hotels, clubs, restaurants, cafes, motels, chalets and all tourism, sport, and leisure facilities.
- Invest in the shares of projects and companies that are engaged in similar activities and also manage such companies and direct it in order to serve the interest.
- Build and construct housing whether for individuals, Public or private bodies in consideration of receiving its amount whether in cash or over instalments.
- Management of third parties' properties.
- Establish companies with similar objectives in different countries and also engage therein in accordance with the applicable laws in such countries to achieve the company's objectives and strengthen the Arab and international cooperation. Also, the Company may have an interest or be involved in any way with the entities that are engaged in similar activities or that may assist the Company in achieving its objectives. The Company may also buy these entities or merge with them.
- Utilizing the company's available surplus by investing them in financial and real estate portfolios managed by specialized companies and entities.
- Establish and manage real estate funds.
- Conduct and manage the real estate auctions according to the rules and regulations applicable by the Ministry.
- Evaluate third parties' assets and properties as per the rules and regulations applicable by the Ministry of Commerce and Industry.

On 20 August 2014, the Extraordinary General Assembly Meeting of the Company approved the amendment of the Company's Memorandum of Incorporation and Articles of Association in accordance with the requirements the Companies Law no. 25 of 2012 as amended, and currently the necessary procedures are taken to amend the Memorandum of Incorporation and Articles of Association of the company.

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary (Lebanon Real Estate Investment Consortium Company) together

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

referred as the "Group".

The subsidiary's aggregate assets is equivalent to KD 1,956 thousand as at 31 December 2014 (KD 1,911 thousand - 2013) aggregate net losses is equivalent of KD 17 thousand for the year ended 31 December 2014 (KD 22 thousand - 2013).

The audited financial statements for the subsidiary for the year ended 31 December 2014 were used in the preparation of the consolidated financial statements for the Group.

The Company is located in Al Sharq, Ahmed Al Jaber Street, P.O. Box 23411, Safat 13095, Kuwait.

Kuwait Investment Authority owns 99.127% of the total shares of the Company.

The consolidated financial statements were authorized for issue by the Board of Directors on 10 February 2015.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 New and revised standards

New and revised IFRSs issued and effective

In the current year, the Group has applied a number of new and revised IFRSs that are issued and effective for accounting periods that begin on or after 1 January 2014.

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

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The application of the amendments has had no impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets



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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the followings new and revised IFRS that have been issued and not yet effective

For annual periods beginning on or after 1 July 2014

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The Annual Improvements to IFRSs 2010-2012 Cycle:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

The Annual Improvements to IFRSs 2011-2013 Cycle:

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

For annual periods beginning on or after 1 January 2016

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

Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation & Amortisation

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Effective for annual periods beginning on or after 1 January 2017

IFRS 15 Revenue from Contracts with Customers

The directors of the Company anticipate that the application of these IFRS 15 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

Effective for annual periods beginning on or after 1 January 2018

IFRS 9 Financial Instruments

The directors of the Company anticipate that the application of IFRS 9 in the future may have a

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

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 is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The Group 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 Company obtains control over the subsidiary and ceases when the Company losses 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 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.

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 recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) 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.



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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

Business Combination

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 profit or loss 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, after reassessment, 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 (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

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.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is 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 profit or loss. 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.

Investments in associates

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates 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. Under the equity method, an investment in an associate 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.3.2 Financial instruments

Financial assets and financial liabilities are recognized when an 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 of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, '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 recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:-

Financial assets at FVTPL

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



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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note (3.2).

Receivables

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

Available for sale (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale are re-measured at fair value. The fair value is determined in the manner described in note (3.2).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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 recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment in value

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 amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original 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 an allowance account. 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 income statement.

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Derecognition

The Group derecognises 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.

On derecognition of a financial asset in its entirety, 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

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

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.3.3 Land and real estate under development

Land and real estate under development are recognized at cost, which includes development cost. When the development process is completed, the land and real estate are classified as either investment properties or land and real estate held for trading according to the management's intention regarding the future use of these properties.

2.3.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, less accumulated depreciation and impairment losses if any.

Investments properties are depreciated on straight-line basis over its estimated useful life.

2.3.5 Property and equipment

Property 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



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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

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 and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

2.3.6 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

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).

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.

2.3.7 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.8 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

2.3.9 Revenue recognition

- Management fees are recognized based on an accrual basis as specified in the portfolios' management agreement.
- Interest income from deposits is recognized on time basis.
- Dividends income is recognized when right to receive payment is established.
- Operating rental income is recognized on a straight-line method during the contract period.
- Gain from sale of land and real estate is recognized on the completion of the sale contract these risks and rewards are transferred generally to the buyer on delivery.

2.3.10 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 recognized 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 recognized as assets of the Group at their fair value at the inception of the 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 on a straight-line basis over the lease term.

2.3.11 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end 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 are translated into the presentation currency as follows:



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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

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

2.3.12 Dividends

The dividends attributable to shareholders of the Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.3.13 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

3. Financial risk management

3.1 Financial risks

The activities of the Group expose it to a series of financial risks, 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.

The Group is managing these financial risks by focusing on a continuous evaluation of market conditions and its trends and the management's assessments of the changes for long and short-term market factors.

The Group relies on its internal sources to finance its activities.

Market risk

Foreign currency risk

Foreign exchange risk is the risk of fluctuation of the fair value or on cash flow of financial instruments resulting from the change in exchange rates of foreign currencies.

The Group is exposed to the foreign currency risk as a result from dealing in foreign currencies mainly in Egyptian Pound and U.S Dollar and Lebanese Lira. The foreign currency risk is resulted from the future transactions that take place on the Group's net investments in the foreign associates and subsidiaries with Egyptian Pound, Lebanese Lira and certain investments at fair value in US Dollar.

The Group's exposure to this risk is considered immaterial as the Group's total investments in foreign currencies are not considered material to the Group's total investments as a whole. Nevertheless, the Group monitors on a regular basis the movement of the foreign exchange rates against Kuwaiti Dinar to identify the effect on its financial statements and to take the necessary procedures.

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

Fair value risk

The fair value risk is the risk of fluctuation in value of financial instrument resulting from change in market price. The Group is exposed to the risk of fluctuations in the value of equity instruments classified as investments available for sale and investments at fair value through profit or loss.

The Group manages this risk by monitoring the market prices on a regular basis by implementing a diversified strategy in its investments. The Group is attempting to concentrate its investments in real estate companies to minimize the risk of fluctuations in fair value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group does not have financial assets bear interest rates, the Group is not exposed to the risk of changes in the fair value of financial instruments, nor exposed to the risk of fluctuations in the cash flows as a result from the change in the interest rates as the Group does not have liabilities carry interest rates.

The Group is exposed to the risk of cash flows fluctuation resulting from changes of interest rates on deposits; the exposure of this risk is minimal as the maturities of deposits are short-term.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

Credit risk is managed by the level of the Group by monitoring credit policy on regular basis.

Credit risk is highly concentrated in cash and cash equivalents and due from related parties; The Group holds the cash and cash equivalents at entities and financial institutions with high credit reputation. The amount due from related parties is concentrated with the Company's major shareholder, which is a governmental body in the State of Kuwait and Real Estate Fund managed by the Group.

Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining group of highly liquid financial investments. This facilitates to the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All of the Group's liabilities are due within three months from the date of the consolidated financial statements.

3.2 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:



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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the assets and liabilities that are not based on observable market data.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Financial assets	Fair value as at 31 December		Valuation date	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2014	31/12/2013					
Investments available for sale							
Investments in local unquoted shares	739	740	31 December	3	Technical valuation techniques	Adjusted book value by market risk	The higher the market risk, the lower the fair value.
Investments in foreign unquoted shares	773	1,144	31 December	3	Technical valuation techniques	Adjusted book value by market risk	The higher the market risk, the lower the fair value.
Investment at Fair value through profit or loss							
Investments in real estate fund - local	2,876	2,546	31 December	2	Published NAV	-	-
Investments in money market fund - local	316	595	31 December	3	As per managements' estimates	Adjusted book value managements' estimates	The higher the market risk, the lower the fair value.
Investments in unquoted shares	266	273	31 December	2	Published NAV	-	-
Investments in unquoted shares	98	93	31 December	3	Technical valuation techniques	Adjusted book value by market risk	The higher the market risk, the lower the fair value.

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

The fair values of the financial assets and financial liabilities included in the level 3 categories above have been determined in accordance with generally accepted valuation techniques such as the carrying amounts for the investees' shares.

The fair values of the financial assets and financial liabilities that are not measured at fair value on a recurring basis approximates its carrying amounts.

4. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, which are described in note 2, the management is 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 a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of receivables

The Group reviews investments in debt instruments on a quarterly basis to assess whether a provision for impairment should be recorded in the 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.

Evidence of impairment of investments

The Group determines "available for sale" equity investments as impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors of unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Impairment of associates

Estimation has been made for the existence of impairment of an associate while there is an indicator for this impairment. The Group has studied the carrying value of the Group's investments in associate including goodwill; accordingly, impairment in goodwill study is not prepared independently.



Notes to the Consolidated Financial Statements for the year ended 31 December 2014
(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

5. Cash and cash equivalents

	2014	2013
Time deposits and call accounts	5,165	3,002
Cash and current accounts in banks	1,248	1,040
	<u>6,413</u>	<u>4,042</u>

The average of interest rate on term deposits is 0.9% during the year ended 31 December 2014 (0.8% - 2013) and time deposits mature within three months from date of placement.

6. Investments at fair value through profit or loss

	2014	2013
Investments in real estate funds – local	2,876	2,546
Investments in money market funds – local	316	595
Investments in unquoted securities	364	366
	<u>3,556</u>	<u>3,507</u>

6.1 Investments at fair value through profit or loss are dominated into the following currencies:

	2014	2013
Kuwaiti Dinar	3,290	3,233
Other currencies	266	274
	<u>3,556</u>	<u>3,507</u>

The fair value of these investments is determined based on valuation techniques mentioned in note 3.2.

6.2 The Group's investments in money market funds represent an investment in a local fund, which has liquidity difficulties due to the impacts of the global and regional financial crisis. The fund's manager has suspended units redemption Furthermore, neither the financial statements nor the net asset values of the fund were approved by the regulatory authorities. On such basis, the Group's management estimated the fair value of its investment in the fund of KD 316 thousand as at 31 December 2014 .While the fair value of this fund is amounted to KD 359 thousand as at 31 December 2014 (KD 1,077 thousand – 2013). Based on the net asset value declared by the Fund manager.

7. Accounts receivables

	2014	2013
Trade receivables	413	409
Accrued revenues	125	79
Other receivables	91	93
	<u>629</u>	<u>581</u>
Provision for doubtful debts	(439)	(428)
	<u>190</u>	<u>153</u>

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

The provision's movement is as follows:

	2014	2013
Balance at the beginning of the year	428	671
Provided	11	-
Utilized during the year	-	(243)
Balance at the end of the year	439	428

8. Related parties transactions

This item represents transactions with the principle shareholder in Kuwait Real Estate Investment Consortium, the fund managed by the Group and Board members. The prices and settlement terms related to these transactions are approved by the Group's management.

The following is a statement of transactions and balances related parties:

	2014	2013
<u>Transactions</u>		
Management fees for principal shareholder's portfolio	135	155
Management fees of First Real Estate Fund	45	44
Rental income	109	124
Executive committee remuneration	12	12
Board of Directors' remuneration	48	48

Balances due from the related parties as at 31 December:

	2014	2013
<u>Balances</u>		
Kuwait Investment Authority	347	398
First Real Estate Fund	49	44
	396	442
Provision for doubtful debts	(180)	(93)
	216	349

Related parties transactions are subject to the approval of shareholders in the General Assembly.

9. Investments available for sale

	2014	2013
Local shares – unquoted	739	740
Foreign shares – unquoted	773	1,144
	1,512	1,884

9.1 The fair value of these investments is determined based on valuation techniques mentioned in note 3.2.

9.2 During the year, the Group's management estimated impairment losses of available for sale investments amounted to KD 377 thousand as a result of the impairment decline in its fair value (KD 417 thousand - 2013).



Notes to the Consolidated Financial Statements for the year ended 31 December 2014
(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

10. Investments in associates

	Country of incorporation	Ownership (%)	2014	2013
.Arab Ceramic Company - Egyptian Shareholding Co	Egypt	24.39	2,668	2,598
.Arab Brick Company - Egyptian Shareholding Co	Egypt	31.5	1	1
Financial Economic Development Company - Egyptian Shareholding Company	Egypt	23.8	1	1
			<u>2,670</u>	<u>2,600</u>

- 10.1 The Group's shares in the net assets and the results of operations of "Arab Ceramic Company" – Egyptian Shareholding Company – have been recorded based on the latest available financial information reviewed by the auditor of this Company as at 30 September 2014. The fair value of the investment in associate is equivalent to KD 11,767 thousand as at 31 December 2014 (KD 10,777 thousand - 2013).
- 10.2 Arab Brick Company – Egyptian Shareholding Company – is a company under liquidation, and the Group's investment value in this company had been fully liquidated during the prior years. In the course of the liquidation completion, the Group has received an amount equivalent to KD 5 thousand during the year ended 31 December 2014 (KD 9 thousand - 2013) Accordingly, the Group has recorded such amount within other income for the current year.
- 10.3 Below the summarized financial information of the associate company according to the latest available financial statements for that Company.

Arab Ceramic Company – S.A.E.

	2014	2013
Current assets	8,796	7,991
Non-current assets	7,476	7,179
Current liabilities	4,986	4,129
Non-current liabilities	347	382
	<u>2014</u>	<u>2013</u>
Revenues	13,836	14,744
Gain form continued operations	4,195	4,453
Gain for the year	2,923	3,217
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,923	3,217
Dividend received form associate during the year	610	375

Reconciliation of the above summarized financial information to the carrying amount of the interest in Arab Ceramic Company – S.A.E recognized in the consolidated financial statements:

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

	2014	2013
Net assets of the associate	10,939	10,659
(%) Group ownership interest in Arab Ceramic Company	24.39	24.39
Carrying amount of the company	2,668	2,598

11. Investment properties

Investment properties are represented in residential buildings and commercial complexes in various areas in the State of Kuwait. The fair value of the investment properties amounted to KD 27.4 million as at 31 December 2014 (KD 27 million - 2013) was determined based on external evaluator. The investment properties' movement is as follows:

	2014	2013
Opening balance	16,378	16,657
Additions	(233)	-
* Depreciation	(274)	(279)
Balance as at the end of the year	15,871	16,378

* During the year, one of the Group's investment property with a book value amounted of KD 233 thousand has been sold on the resulting gain of KD 967 thousand has been recorded in the statement of consolidated income for the year ended 31 December 2014.

12. Accounts payables

	2014	2013
Employees end of service indemnity	1,703	1,689
Due to staff	407	425
Provision for claims	512	489
Customers advances	111	96
Other payables	504	498
Accrued expenses	77	104
Contribution to KFAS	20	16
Zakat	21	15
	3,355	3,332

All payables are in Kuwaiti Dinars as at 31 December 2014 and 2013.

13. Share capital

The issued and fully paid up capital is amounted to KD 10 million distributed over 100 million shares 100 fils per share, all shares are in cash.

14. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association 10% of the net profit for the year before Kuwait Foundation for the Advancement of Sciences (KFAS),



Notes to the Consolidated Financial Statements for the year ended 31 December 2014
(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

Board remuneration and Zakat expense is to be transferred to the statutory reserve. The shareholders may resolve to discontinue such annual transfers when the statutory reserve reaches half of the share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for the payment of a dividend of that amount. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the shareholders.

15. Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the net profit before KFAS and Board remuneration and Zakat expense proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal by the Board of Directors. The Board of Directors proposed to transfer 10% of the net profit before KFAS, Board of Directors remuneration and Zakat to voluntary reserve.

16. Net investment properties income

	2014	2013
Rental revenues	1,615	1,545
Properties expenses	(123)	(125)
	<u>1,492</u>	<u>1,420</u>

17. Investments (losses) / gains

	2014	2013
:Investments available for sale		
Cash dividend	51	38
Gain from sale	-	70
Impairment in value	(377)	(417)
	<u>(326)</u>	<u>(309)</u>
:Investments at fair value through profit or loss		
Cash dividend	71	71
Gain from sale	-	20
Change in the fair value	49	333
	<u>120</u>	<u>424</u>
	<u>(206)</u>	<u>115</u>

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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

18. Other income

	2014	2013
Gains from valuation of properties belongs to others	101	86
Interest income	60	20
Others	100	75
	<u>261</u>	<u>181</u>

19. Other expenses

	2014	2013
Rent	111	111
Maintenance expenses	29	28
Others expenses	116	320
	<u>256</u>	<u>459</u>

20. Staff cost

	2014	2013
Salaries and wages	672	637
Employees end of service indemnity	171	135
Accrued leave	103	100
Staff bonus	174	160
Social security and others	110	90
	<u>1,230</u>	<u>1,122</u>

21. Earnings per share

Earnings per share are calculated by dividing the net profit of the year by the weighted average number of outstanding shares during the year as follows:

	2014	2013
Net profit for the year (KD thousand)	1,420	708
Weighted average No. of outstanding shares (share)	<u>100,000,000</u>	<u>100,000,000</u>
Earnings per share (fils)	<u>14.20</u>	<u>7.08</u>

22. Dividends

On 1 April 2014, the General Assembly of the company's shareholders approved the financial statements for the year ended 31 December 2013 and approved not to distribute cash dividends for the year ended 31 December 2013.



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

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

On 10 February 2015, the Board of Directors has proposed to distribute 5% as cash dividends from the share capital and equivalent to KD 500,000 for the year ended 31 December 2014, this proposal is subject to the approval of the General Assembly of the shareholders.

23. Segment information

The Group is organized into business segment investments and real estate management and Real estate property management. Segments results are reported to senior executive management. Furthermore, Group's operating results, assets and liabilities are reported according to geographical areas in which the Group operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases followed in preparing the consolidated financial statements.

Business segment analysis in line with internal reports submitted to management is as follows:

	Investment and Real estate management		Real Estate property management		Total	
	2014	2013	2014	2013	2014	2013
Segment revenue	2,920	1,113	439	2,533	3,359	2,700
Segment results	1,335	632	157	140	1,492	772
Unallocated expenses					(72)	(64)
Net profit for the year					1,420	708

Geographical segment analysis

	Kuwait		Middle East (Except Kuwait)		Total	
	2014	2013	2014	2013	2014	2013
Total revenue	3,016	1,962	343	738	3,359	2,700
Total assets	25,868	24,848	6,107	5,602	31,975	30,450
Total liabilities	3,341	3,320	14	12	3,355	3,332

24. Future contingent liabilities and commitments

	2014	2013
Bank guarantees and other	67	60

25. Fiduciary assets

The fiduciary assets have amounted KD 88,162 thousand as at 31 December 2014 (KD 86,527 thousand as at 2013).