2014
ANNUAL REPORT

Net Profit
13,039,270 KD

MUNSHAAT

Munshaat Real Estate Projects Co. K.S.C.P.

بسم الله الرحمن الرحيم

MUNSHAAT منشآت

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www.munshaat.com

His Highness Sheikh
Sabah Al- Ahmad Al-Jaber AL-Sabah
Amir of the State of kuwait

His Highness Sheikh
Jaber Mubarak Al-hamad AL-Sabah
Prime Minister

His Highness Sheikh
Nawaf Al- Ahmad Al-Jaber AL-Sabah
Crown Prince

Content

Board of Directors

Mr./
ZEYAD T.AL-MUKHAIZEEM
CHAIRMAN

Mr./
YOUSUF S.AL-THUWAIKH
VICE CHAIRMAN

Mr./
MOHAMMED AL-ADSANI
BOARD MEMBER

Sheikh/
HAMOUD S.AL-SABAH
BOARD MEMBER

Mr./
NASER AL-RUMAIH
BOARD MEMBER

CHAIRMAN MESSAGE

In the name of God, the most merciful

The Board of Directors' Report To The Honorable Shareholders On The Company's Performance During The Financial Year, Ended On 31/12/2014

Honorable Shareholders:

After the Company has completed, with God's blessing, its debt restructuring plan during year 2013, the Company's management began its new phase represented in resolving the outstanding issues in order to open up a path for the company to reach new horizons. At the beginning of 2014, several agreements have been signed to settle some claims that has been pending since 2006.

Honorable Shareholders:

Regarding the operational performance of the ZamZam Pullman Hotel in Makkah , despite the continuing reduction in the number of Hajj and Umrah visas by Saudi authorities due to the expansion work at the Holy Makkan Sanctuary, the hotel was not affected by these governmental actions during the year 2014, as their net profit has reached about 119.3 million Saudi riyals with an increase of 1.3% compared to year 2013 Net Profit ; this is due to the proactive actions taken by the Company's management to improve the hotel's performance and face such crises.

As for the Dar Al Qiblah project in Medina, the entire civil works of the project has been completed, with God's grace, and the continuous electrical power current has been established for the project. Furthermore, the project is almost fully furnished and its preparation for operation is nearing completion; also preparations to open the hotel are currently under its way and the Hotel Management Agreement is already signed with Accor to manage and operate the hotel.

With God's blessings, the Company has managed to seize an additional 25% from the paid up capital of Dar Al Qibla joint venture one of the twin towers of Dar Al Qiblah project in Medina, as a result the Company's ownership in the mentioned joint venture has reached 37%.

Regarding Munshaat`s subsidiaries, the Company has acquired the remaining capital ownership of MAS International Company, a W.L.L Kuwaiti company (subsidiary), to be 100% owned by Munshaat .

Honorable Shareholders

In regards to the Company's financial performance during the year 2014, the Company has achieved profits of 11,576,571 Kuwaiti Dinars, equivalent to 36 fils/share, compared with the last fiscal year the company, where the Company has achieved profits of 30,253,931 Kuwaiti Dinars, equivalent to 94 fils/share .The reason behind the reduction in net profit during year 2014 compared with the previous year is that, during the previous year, profits were recognized from non-continuous operations (settlements) of about 18 million Kuwaiti Dinars; these operations are mainly represented by selling a leasehold right under the restructuring plan.

As for the shareholders' equity, it has reached to 79,635,239 Kuwaiti Dinars by the end of 2014 after it had been 67,753,386 Kuwaiti Dinars in 2013, with an increase of about 18%, and that is after conducting the cash distributions to shareholders for year 2013.

The Company's operational income rose from 6,321,386 Kuwaiti Dinars in 2013 to reach an amount of 7,663,207 Kuwaiti Dinars in 2014, with an increase of 21%. Moreover, the operational profit rate has increased up to 59% in 2014, as it was 21% in 2013, with an increase of 38%. As for the General and administrative expenses, they have decreased from 4,167,469 Kuwaiti Dinars during year 2013 to 3,600,734 Kuwaiti Dinars in 2014, with a drop of 14% due to actions taken by the company in this regard.

The Board of Directors has approved the financial statements of the company at its meeting on 22/1/2015, and has recommended a cash dividend of 5% of the company's capital, which is 5 Fils per share for the shareholders registered in the Company's records on the date of the General Assembly of shareholders, after approval by the General Assembly and the competent authorities. Furthermore, the Board has also recommended paying a bonus to the BOD with a total amount of one hundred thousand Kuwaiti Dinars after taking the approval by the competent authorities.

The Honorable Shareholders:

Thank you for your great confidence and your continuous support and we pray to God Almighty to help us all and grant us success.

May God's peace, mercy and blessings be upon you

Zeyad Tariq AlMukhaizeem
Chairman

Brief Introduction

The Company's Establishment

Munshaat Real Estate Projects Co. was founded on the 8th of April 2003; a Kuwaiti shareholding company listed in the Kuwait stock exchange market, and its current paid capital is 32.2 million Kuwaiti dinars divided into 322 million shares.

Vision

The Company seeks to reach a leadership position in real estate investment fields, through excellence and innovation in creating better tools and non-traditional real estate investment solutions that are compatible with the provisions of the Islamic Shar`ia.

The Company's Activity

Munshaat Real Estate Projects Company's activity focuses on the local and international real estate fields, and that is through developing products and real estate projects, managing them in a specialized systematic manner and targeting unconventional markets and projects by using the best innovative investment tools that comply with the Islamic Shar`ia, in addition to its contributions in investment projects using the Build–operate–transfer (B.O.T) system.

The Company's Activity

1. Owning, selling and purchasing real estates and lands as well as developing them inside and outside Kuwait, and also managing the properties of others.
2. Owning, selling and purchasing real estate companies' shares for the company only in Kuwait and abroad.
3. Preparing studies and providing consultations in all real estate fields, provided that the conditions required in those who provide this service are met.
4. Owning and managing hotels, health clubs and tourist facilities in addition to leasing and renting them.
5. Carrying out maintenance work for buildings and real estates owned by the company, including maintenance work, the execution of civil, mechanical and electrical works, lifts and air conditioning works to ensure preservation of the buildings and their safety.
6. Managing, operating, investing and renting hotels, clubs, motels, guest houses, rest stops, parks, gardens, exhibitions, restaurants, cafeterias, residential complexes, tourism and health products, recreational and sports projects, shops on various degrees and levels,
7. Organizing real estate exhibitions for real estate projects, according to the applicable regulations.
8. Carrying out real estate auctions, according to the applicable regulations
9. Owning and managing commercial markets and residential complexes.
10. Developing and managing the real estate investment funds prior to the approval of the Central Bank of Kuwait.
11. Taking advantage of the company's available surplus funds through investing them in financial and real estate portfolios managed by specialized companies.

The Company's Projects

Munshaat Real Estate Projects Company has taken on its shoulders, while planning its various projects, to contribute to those projects in order to provide an opportunity for the largest possible number of Muslims to achieve their dream to reside near the Holy Mosque and the Prophet's Mosque (Peace be upon him)

Bakka Tower

Mecca / The Kingdom of Saudi Arabia

- It is one of the residential Abraj Al Safwah towers, which is characterized by its close proximity to the Sanctuary, as it is located in the Ajyad Street and is about 50 meters away from the King Abdul Aziz gate for the Holy Meccan Sancturary.
- The Tower consists of 22-storey residential building; containing 438 residential units designed based on five-star suites specifications under the supervision of international designers.
- Abraj Al Safwah complex contains a large number of shops, restaurants and parking lots, serving the tower's guests.
- The Tower has 17 elevators: 14 elevators for guests and 3 for services.

The Abraj Al- Bait Complex

The King Abdul Aziz Endowment - Mecca

The residential Abraj Al- Bait complex is one of the largest real estate projects in Saudi Arabia. It is a residential project developed on a piece of land owned by the King Abdul Aziz Endowment - the Ajyad Fortress, and it's about 150 meters away from the King Abdul Aziz gate.

- The project is considered one of the first projects using the (B.O.T) system in Mecca.
- The complex consists of seven towers, including Zamzam Tower, the first establishment by Munshaat Company in Mecca.
- The complex's towers were designed with an architectural vision that goes well with Mecca's atmosphere.
- A large part of the towers' units overlooks the Kaaba and the Holy Meccan Sanctuary.
- A special sound system to transfer the prayer sound directly from the Sanctuary to residential units.
- The complex provides 36 elevators to facilitate the movement of visitors at prayer times, and the elevators work according to advanced intelligent systems.
- The Abraj Al- Bait includes a mall consisting of four floors: three floors for shops and an entire floor for the most popular global and local restaurants, as well as the Islamic Heritage Museum and the moon sighting center.

ZamZam Pullman Mecca Hotel

Zamzam Tower - The Abraj Al- Bait Complex – Mecca

- The Zamzam Pullman Mecca hotel is one of the largest hotels of Munshaat Company in Mecca, and is considered as a five-star hotel. It enjoys a privileged location, as it is a few steps away from the Holy Mosque in Mecca, facing the King Abdul Aziz gate, which is located in the Zamzam tower, one of the residential Abraj Al- Bait complex's towers
- The hotel offers the highest hospitality standards to make the guests enjoy good stay next to the Holy Meccan Sanctuary.
- The hotel consists of 33 floors and includes 1,315 residential units designed according to a five-star suites and hotel rooms specifications, having an amazing view of the Sanctuary, the Kaaba or the markets of Mecca.
- The hotel's management and operation is operated by the globally known Accor Company, one of the leading companies worldwide in the hotel operation management field. It manages a number of hotels in Saudi Arabia through a wide spectrum of brand hotels, including Pullman, Novotel, Mercure, Ibis, Sofitel and Mercure Grand.

ZamZam Pullman Mecca Tower Restaurants

Zamzam Tower contains four high-class restaurants as well as a tea garden and a business hall. The restaurants and halls are characterized with trendy designs, which have been recently renovated under the supervision and implementation of a global design company. The restaurants include the following: Al- Zahra Restaurant (450 people), Al-Yasmin Restaurant (310 people), Al- Safa Restaurant (130 people) and Al Marwa Restaurant (100 people), as those four restaurants offer a rich experience through international, Arabic and Asian cuisines presented in an Islamic atmosphere.
As for the tea garden (130 people) and the business hall (76 people), they serve a diverse list of coffee and tea with snacks and desserts all day.

Al-Mehrab Real Estate Company (Kuwait)

Al-Mehrab Real Estate Company is a closed Kuwaiti shareholding company founded in mid-2008 by a group of strategic partners, including Munshaat Real Estate Projects Company, the Emirates Islamic Bank, the Arab Investment Company, Aref Investment Company and others. The company's capital is 26 million Kuwaiti dinars fully paid.
Al-Mehrab was established in order to rent all the residential floors in the Fourth Tower called (AL Mehrab Tower) of Al-Safwah Residential & Commercial Towers Complex located in Ajyad Street in Mecca, which is close to the Holy Meccan Sanctuary courtyards in order to utilize and use it as a hotel or hotel suites.

- The Al Mehrab Tower is distinguished by its proximity to the Holy Meccan Sanctuary courtyards, and it's about 50 meters away from the King Abdul Aziz gate at the Holy Meccan Sanctuary.
- Al-Mehrab Tower consists of 12 residential floors comprising in 372 hotel residential units.
- The residential units are designed according to the five-star hotel suites' specifications, which are implemented under the supervision of global designers.
- The other floors located below the residential floors include service areas for kitchen, laundry, restaurants in addition to parking lots.

Dar Al-Qiblah

Medina / The Kingdom of Saudi Arabia

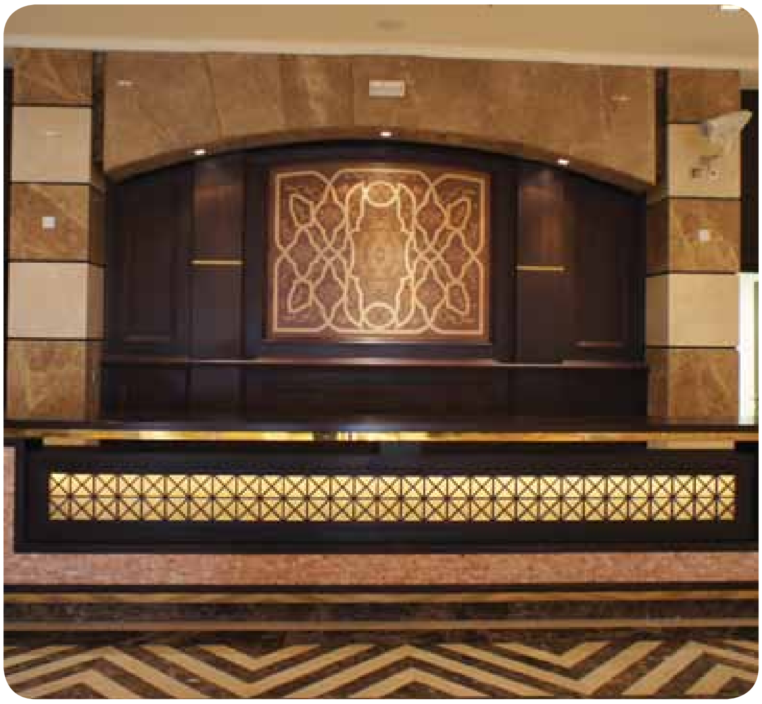
After the distinctive success of the Munshaat Company in Mecca, the Company proceeded to invest in Medina, which is distinguished by its sacred position and the significant increase in the number of its visitors throughout the year. Hence, Munshaat Company signed an agreement with the Executive Committee for Central Area Development in Medina to invest in the Dar al Qiblah project for 25 Hejri years according to the (B.O.T) system, and it is considered one of the first projects under this system in Medina.

- Dar Al Qiblah project is located beside the Prophet's mosque just 150 meters away and it covers an area of 8,173 square meters, and its construction area is more than 100,000 square meters.
- Dar Al Qiblah project contains 836 residential units designed with an architectural vision that goes well with the Medina's atmosphere. The rooms and suites are characterized by furniture with specifications of a five star hotel.
- The ground floor and mezzanine are commercial stores.
- The Tower contains centers for Hajj and Umrah services, a health care center and security systems.
- Providing 5 basements for parking lots to accommodate more than 500 cars.
- Additionally, the basement provides laundry that serves the tower's guests, a kitchen and a cafeteria for Employees .

ZamZam Pullman Medina Hotel

Dar Al Qiblah – Medina

- "Zamzam Pullman Medina" is the brand hotel name for the five-star Dar Al Qiblah tower, which will be opened with God willing in 2015.
- This exceptional hotel is distinguished by its proximity to the Prophet's mosque and for providing the best available hospitality service in Medina.
- The hotel consists of 836 rooms and suites furnished with the most luxurious furniture and equipped with unparalleled facilities, in addition to 4 modern restaurants and distinctive services.
- The Globally known Accor Company undertakes the management and the operation of the Zamzam Pullman Medina Hotel. Munshaat Company has chosen Accor in managing and running its first projects in Medina as a result of its success in managing and running the Zamzam Pullman Mecca Hotel.



Subsidiary Companies

MAS

ماس

شركة مـاس العالمية

Mas International Co.

منشآت

المشاريع

Munshaat for Projects and Contracting Company (Kingdom of Saudi Arabia)

Munshaat for Projects and Contracting Company (K.S.A) was founded on the 27th of June 2005, and it is 100% owned by the Munshaat Real Estate Projects Company.

The Company's objectives and services:

- Establishing, managing, maintaining, running and setting up hotels, residential apartments, commercial, entertainment and tourism centers, exhibitions and restaurants.
- General contracting for buildings (Construction, demolition and renovation of public buildings; towers; hotel, residential, and commercial centers; parks; recreational facilities and manufactured buildings).
- Specialty sub-contracting and Advertising services.
- Travel & tourism agencies.
- Preparing tenders and inviting suppliers to focus on providing special materials and final finishing of the project.
- Reviewing the final plans for the project after its approval by the advisory regulators .
- Reviewing the interior design of the existing projects.
- Preparing studies on the Saudi market and its requirements and following-up with any changes occurring thereto.

MAS International Company (Kuwait)

MAS International Company is a Kuwaiti company, which works in accordance with the provisions of the Islamic Sharia, and is a subsidiary company to Munshaat Real Estate Projects Company.
MAS was established in June 2003 to work in the real estate marketing field, in addition to providing real estate solutions and consultations and after-sales services for investors, property owners and real estate developers. Furthermore, it works on marketing real estate units and products and launching them in the local and international markets.

Therefore, in order to get closer to the customers, the company has expanded through establishing subsidiary companies and building strategic relationships with other companies regionally and globally.

MAS is distinguished by its accumulated experience in the real estate marketing field, as well as its knowledge of the properties of the different markets in the region, and its keenness on providing constant attention to the clients. This has gained the Company great confidence reflected in its acquisition of the Association of International Property Professionals (AIPP) membership, making it one of the few companies in the region that obtains that kind of membership.

MAS Company seeks to be present at the local and regional real estate events, as it markets to a number of distinct real estate projects; the most prominent of which are the Zamzam Tower in Mecca and other projects in Egypt, Turkey and Britain.

The Subsidiaries of MAS International Company

- MAS International Company for Travel and Tourism – Kuwait
- MAS International Company – Egypt
- First MAS International Tours Company – Egypt

The Subsidiary Companies of MAS International Company - kuwait
MAS International Company for Travel and Tourism was established in 2003 , it is a certified member in the International Air Transport Association (IATA); it was founded by MAS International Company for the purpose of serving the subsidiary and associate companies and its clients from the Zamzam Tower warrant (SAK) holders.
The company seeks to build strategic relationships with local, regional and international companies in order to diversify and promote tourism and travel services to customers.
From the most important services of The MAS Company for Travel and Tourism are the following:
- Flight reservations
- Hotel reservations
- International concierge services and all that is relevant to it

MAS International Company – Egypt
An Egyptian company with limited liability
It is one of the leading companies in marketing and innovating real estate solutions in global markets and that is to provide opportunities for luxurious and exclusive residential housing, while taking care that such opportunities should be affordable. From this standpoint, MAS International Company continues with its plan to market Zamzam Tower in Mecca with a set of new projects in Egypt, Turkey and Britain.

First MAS International Tours Company – Egypt
An Egyptian company with limited liability
It is one of MAS International companies and it is considered one of the leading companies in the field for Hajj and Umrah services, as the company offers outstanding services through providing all the services needed by pilgrims and Umrah performers, starting from hotel reservations, airline tickets and other services needed by pilgrims and Umrah performers.

Sharia Supervisory Board Report

Shariah Control Report

Pertaining to the dealings and operations of Munshaat Real Estate Projects Company

for the financial year ending on 31 / 12 / 2014

to be presented to the General Assembly of the Company

All Praise be to Allah and peace be upon you,

Messrs. / Shareholders of Munshaat Real Estate Projects Company,

We checked carefully the principles enforced by the company and contracts concluded during the aforementioned financial year from a Shariah perspective in order for us to form an opinion on whether the Company is complying with the provisions and principles of the Islamic Shariah and to which extent.

The management shall be liable to make sure that the Company is complying with the provisions and principles of the Islamic Shariah. However, We shall only be lible to give an independent opinion in this regard based on our observation of the company's operations and to prepare a report on this subjeect to be presented to you.

we carried out our task by examining the authentications and procedures adopted by the company for each type of operations.

We planned our odservation in order to collect all information and inquiries deemed as necessary for us to reasonably affirm that the Company complied with the provisions and priniciples of the islamic Shariah.

We found that the contracts concluded by the Company and operations made by the latter during the financial year ending on 31 / 12 / 2014 were carried out in accordance with the provisions and principles of the Islamic Shariah.

May Allah bless us all with success and good fortune.

Peace and mercy and blessing of Allah be upon you.

Dr. Anwar Abdulsalam Shuaib

Sharia Controller

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2014

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- CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
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- CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- CONSOLIDATED STATEMENT OF CASH FLOW
- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MUNSHAAT REAL ESTATE PROJECTS COMPANY K.S.C.P.

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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BAKER TILLY KUWAIT

Audit, tax and consulting
P.O.Box 1486 Safat 13015
Kuwait

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the entity's management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on itsfinancial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

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

DR. SAUD HAMAD AL-HUMAIDI
LICENSE NO. 51 A
DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

22 January 2015
Kuwait

CONSOLIDATED STATEMENT OF INCOME For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Continuing operations			
Income			
Management fees	16	**592,725**	1,264,833
Unrealised (loss) gain from financial asset at fair value through statment of income		**(242,908)**	109,547
Gain from investment properties	6	**3,964,356**	3,733,252
Gain on sale of financial assets available for sale		**83,898**	-
Finance income		**25,933**	1,314,907
Dividend income		**387,578**	164,369
Other income		**376,595**	321,709
Share of results of associates	8	**2,687,664**	1,049,385
Gain from sale of an associate	8	**188,894**	-
		8,064,735	7,958,002
Expenses			
General and administrative expenses	3	**(3,600,734)**	(4,167,469)
Depreciation		**(147,739)**	(163,670)
Finance costs		**(720,404)**	(471,433)
Gain from extinguishment of financial liabilities	7 & 22	**10,191,041**	16,620,595
Impairment loss on financial assets available for sale	9	-	(95,414)
Net write back (charge) of impairment loss on accounts receivable	10	**168,439**	(6,176,371)
Foreign exchange gain(loss)		**50,630**	(347,172)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCES ("KFAS"), TAXATION AND DIRECTORS' REMUNERATION		**14,005,968**	13,157,068
Contribution to KFAS and taxation	4	**(866,698)**	(499,988)
Directors' remuneration		**(100,000)**	(130,000)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**13,039,270**	12,527,080
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	22	-	18,011,413
PROFIT FOR THE YEAR		**13,039,270**	30,538,493
Attributable to			
Equity holders of the Parent Company		**11,576,571**	30,253,931
Non-controlling interests		**1,462,699**	284,562
PROFIT FOR THE YEAR		**13,039,270**	30,538,493
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	**36 fils**	94 fils
BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	**36 fils**	38 fils

The attached notes 1 to 22 form part of these consolidated financial statements

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

	2014	2013
	KD	KD
PROFIT FOR THE YEAR	**13,039,270**	30,538,493
OTHER COMPREHENSIVE INCOME		
Other comprehensive income(loss)for the year to be reclassified to statement of income in subsequent periods		
Net change in fair value of financial assets available for sale	**522,144**	26,498
Exchange differences on translation of foreign operations	**252,169**	(9,360)
Net other comprehensive income for the year to be reclassified to statement of income in subsequent periods	**774,313**	17,138
Other comprehensive income for the year not to be reclassified to statement of income in subsequent periods		
Share of revaluation reserve of an associate	**1,329,775**	-
Net other comprehensive income for the year not to be reclassified to statement of income in subsequent periods	**1,329,775**	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**2,104,088**	17,138
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**15,143,358**	30,555,631
Attributable to:		
Equity holders of the Parent Company	**13,491,853**	30,270,544
Non-controlling interests	**1,651,505**	285,087
	15,143,358	30,555,631

The attached notes 1 to 22 form part of these consolidated financial statements

MUNSHAAT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2014

	Notes	2014 KD	2013 KD
ASSETS			
Non-current assets			
Furniture and computerS		**111,476**	170,621
Leasehold property under development	6	**22,297,364**	-
Investment properties	6	**20,690,228**	40,451,561
Prepaid operating lease	7	**1,222,470**	-
Investment in associates	8	**53,156,614**	51,773,939
Financial assets available for sale	9	**7,456,905**	6,813,512
		104,935,057	99,209,633
Current assets			
Financial asset at fair value through income statement		**300,064**	542,972
Accounts receivable and prepayments	10	**17,822,862**	16,734,935
Wakala receivable		**-**	85,681
Bank balances and cash		**9,839,470**	16,653,043
		27,962,396	34,016,631
TOTAL ASSETS		**132,897,453**	133,226,264
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**32,200,000**	32,200,000
Share premium		**12,400,000**	12,400,000
Statutory reserve	11	**11,169,484**	9,915,157
Voluntary reserve	11	**6,742,478**	5,488,151
Cumulative changes in fair value		**820,946**	298,802
Revaluation reserve		**1,329,775**	-
Foreign currency translation reserve		**(265,199)**	(328,562)
Retained earnings		**15,237,755**	7,779,838
Equity attributable to equity holders of the Parent Company		**79,635,239**	67,753,386
Non-controlling interests	12	**5,713,713**	4,539,459
Total equity		**85,348,952**	72,292,845
Liabilities			
Non-current liabilities			
Employees' end of service benefits		**657,413**	553,966
Obligations under finance leases	14	**1,706,305**	1,663,625
Murabaha payable	13	**721,595**	1,445,380
Accounts payable and accruals	15	**626,233**	558,534
		3,711,546	4,221,505
Current liabilities			
Obligations under finance leases	14	**83,254**	64,108
Murabaha payable	13	**6,000,000**	6,000,000
Accounts payable and accruals	15	**37,753,701**	50,647,806
		43,836,955	56,711,914
Total liabilities		**47,548,501**	60,933,419
TOTAL EQUITY AND LIABILITIES		**132,897,453**	133,226,264

Zeyad Tareq Abdul Mohsen Al-Mukhaizeem
Chairman

The attached notes 1 to 22 form part of these consolidated financial statements

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

	Equity attributable to shareholders of the Parent Company										
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Cumulative change in fair values KD	Asset revaluation reserve KD	Foreign currency translation reserve KD	Retained earnings/ accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2014	32,200,000	12,400,000	9,915,157	5,488,151	298,802	-	(328,562)	7,779,838	67,753,386	4,539,459	72,292,845
Profit for the year	-	-	-	-	-	-	-	11,576,571	11,576,571	1,462,699	13,039,270
Other comprehensive income for the year	-	-	-	-	522,144	1,329,775	63,363	-	1,915,282	188,806	2,104,088
Total comprehensive income for the year	-	-	-	-	522,144	1,329,775	63,363	11,576,571	13,491,853	1,651,505	15,143,358
Dividends paid	-	-	-	-	-	-	-	(1,610,000)	(1,610,000)	(570,009)	(2,180,009)
Transfer to reserves (Note 11)	-	-	1,254,327	1,254,327	-	-	-	(2,508,654)	-	-	-
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	92,758	92,758
As at 31 December 2014	**32,200,000**	**12,400,000**	**11,169,484**	**6,742,478**	**820,946**	**1,329,775**	**(265,199)**	**15,237,755**	**79,635,239**	**5,713,713**	**85,348,952**
As at 1 January 2013	32,200,000	12,400,000	8,854,013	4,427,007	272,304	632,176	(318,677)	(20,983,981)	37,482,842	4,254,372	41,737,214
Profit for the year	-	-	-	-	-	-	-	30,253,931	30,253,931	284,562	30,538,493
Other comprehensive income (loss) for the year	-	-	-	-	26,498	-	(9,885)	-	16,613	525	17,138
Total comprehensive income (loss) for the year	-	-	-	-	26,498	-	(9,885)	30,253,931	30,270,544	285,087	30,555,631
Transfer (Note 22)	-	-	-	-	-	(632,176)	-	632,176	-	-	-
Transfer to reserves (Note 11)	-	-	1,061,144	1,061,144	-	-	-	(2,122,288)	-	-	-
As at 31 December 2013	32,200,000	12,400,000	9,915,157	5,488,151	298,802	-	(328,562)	7,779,838	67,753,386	4,539,459	72,292,845

The attached notes 1 to 22 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOW For the year ended 31 December 2014

MUNSHAAT

	Notes	2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the year from continuing operations		**13,039,270**	12,527,080
Profit for the year from discontinued operations		**-**	18,011,413
		13,039,270	30,538,493
Adjustments for:			
Unrealised loss (gain) from financial assets carried at fair value through statement of income		**242,908**	(109,547)
Realised gain on sale of financial assets carried at fair value through statement of income		**(83,898)**	-
Finance income		**(25,933)**	(1,314,907)
Dividend income		**(387,578)**	(164,369)
Other income		**(376,595)**	(321,709)
Gain from sale of an associate		**(188,894)**	-
Share of results of associates	8	**(2,687,664)**	(1,049,385)
Gain from extinguishment of financial liabilities	22 & 7	**(10,191,041)**	(16,620,595)
Gain from sale of leasehold property	22	**-**	(12,876,564)
Depreciation		**147,739**	163,670
Amortisation	22	**-**	3,595,696
Finance costs		**720,404**	471,433
Impairment of financial assets available for sale	8	**-**	95,414
Net (write back) charge of impairment loss on accounts receivable	10	**(168,439)**	6,176,371
Foreign exchange (gain) loss		**(50,630)**	347,172
Provision for employees' end of service benefits		**215,651**	275,109
Taxation	4	**866,698**	1,211,486
Directors' remuneration		**100,000**	130,000
		1,171,998	10,547,768
Working capital changes :			
Investment properties		**(2,536,031)**	(2,277,541)
Accounts receivable and prepayments		**4,778,893**	2,470,174
Accounts payable and accruals		**(8,386,007)**	(540,904)
Cash (used in) from operations		**(4,971,147)**	10,199,497
Employees' end of service benefits paid		**(112,204)**	(18,586)
Net cash (used in) from operating activities		**(5,083,351)**	10,180,911
INVESTING ACTIVITIES			
Purchase of property and equipment		**(88,703)**	(215,413)
Proceeds from redemption of financial assets available for sale		**168,816**	137,449
Proceeds from maturity of wakala receivables		**85,681**	(425)
Investment in an associate		**(400,000)**	-
Dividend income received		**383,558**	164,369
Dividend income received from associates		**290,655**	715,519
Net cash from investing activities		**440,007**	801,499
FINANCING ACTIVITIES			
Additional murabaha financing		**-**	1,455,380
Repayment of murabaha financing		**(83,000)**	(12,593,379)
Finance cost paid		**(313,973)**	(360,000)
Dividend paid		**(1,610,000)**	-
Net movement in non-controlling interest		**(288,445)**	-
Net cash used in financing activities		**(2,295,418)**	(11,497,999)
Foreign currency translation adjustment		**125,189**	(174,119)
DECREASE IN CASH AND CASH EQUIVALENTS		**(6,813,573)**	(689,708)
Cash and cash equivalents at 1 January 2014		**16,653,043**	17,342,751
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2014		**9,839,470**	16,653,043

The attached notes 1 to 22 form part of these consolidated financial statements

1- CORPORATE INFORMATION

Munshaat Real Estate Projects Company K.S.C.P. (the "Parent Company") is a public shareholding company established in Kuwait and is listed on the Kuwait Stock Exchange and regulated by Capital Markets Authority ("CMA"). The Parent Company was established on 8 April 2003 in accordance with the Articles of Association authenticated at Real Estate Registration and Authentication Department in the Ministry of Justice under No. 1416/Vol. 1. The registered office of the Parent Company is at Floor 43, Arraya Tower 2, Sharq, Abdulaziz Al-Sager St., Kuwait City Kuwait. The Parent Company carries out its activities as per Islamic Shari'ah.

The Parent Company is a subsidiary of Aref Investment Group S.A.K ("Aref") (the "Intermediate Parent Company"), a closed shareholding company incorporated in the State of Kuwait. Aref is a subsidiary of Kuwait Finance House (the "Ultimate Parent Company"), a registered Islamic Bank with Central Bank of Kuwait and its shares are listed on the Kuwait Stock Exchange.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively "the Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 22 January 2015 and are issued subject to the approval of the Ordinary General Assembly of the shareholders' of the Parent Company. The Ordinary General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The activities of the Parent Company are carried out in accordance with the Articles of Association. The principal activities of the Parent Company are:

1. To own, sell and acquireal estate properties and lands and develop the same to the account of the company inside the State of Kuwait and abroad; and to manage properties for third parties in accordance with the provisions stipulated under the existing laws and the restrictions on construction of private housing plots in the manner stipulated under these laws.
2. To own, sell and acquire stocks and bonds of real estate companies for the account of the company only inside Kuwait and abroad.
3. To prepare studies and provide consultancies in the field of real estate of all types; provided that the service provider meets the required conditions.
4. To own and manage hotels, health clubs and touristic facilities and to rent and lease the same.
5. To carry-out all maintenance works at the buildings and real estate properties owned by the company, including all civil, mechanical and electrical works, elevators and air conditioning works in a way that maintains the safety of the buildings.
6. To manage, operate, invest, lease and rent hotels, clubs, motels, entertainment houses, rest places, gardens, parks, exhibitions, restaurants, cafes, residential compounds, touristic and health spas, entertainment and sports facilities and stores at different levels and grades, including all principal and auxiliary services, appended facilities and other services required therefore.
7. To organize real estate exhibitions related to the real estate projects of the company pursuant to the regulations set forth by the Ministry.
8. To hold real estate bids pursuant to the regulations set forth by the Ministry.
9. To own and manage commercial markets and housing complexes.
10. To establish and manage real estate investment funds after obtaining the approval of the Central Bank of Kuwait.
11. To utilize financial surpluses available for the company by investing the same in financial portfolios managed by competent companies and entities.

2-SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable requirements of Ministerial Order No. 18 of 1990.

Measurement basis
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment properties, financial assets available for sale and financial asset carried at fair value through income statement. The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is also the functional and presentation currency of the Parent Company.

Changes in accounting policies and disclosures
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following amended IASB Standards during the year:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS-10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since and the Parent Company does not qualify to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities –(Amendments to IAS 32)
These amendments are effective are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. Though these amendments have not resulted in any additional disclosures currently, the same would continue to be considered for future disclosures.

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

New and revised IASB standards issued but not yet effective
The standards those are issued, but not yet effective, up to the date of issuance of the Group'sfinancial statements are listed below. The Group intends to adopt these standards, if applicable, when theybecome effective.

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

standard on the Group's consolidated financial statements, when adopted.

IFRS 15: Revenue from Contracts with customers
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

<u>*Annual improvements*</u>
Annual improvements for 2010 – 2012 and 2011 -2013 cycle which are effective from 1 July 2014 are not expected to have a material impact on the Group.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Parent Company) as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

Basis of consolidation (consolidation)

The subsidiaries of the Group are as follows:

Name of the company	Country of Incorporation/ formation	Effective equity interest as at 31 December 2014	2013	Principal activities
Munshaat for Projects and Contracting Company Limited	Kingdom of Saudi Arabia ("KSA")	**100%**	100%	Contracting and real estate activities
Al Reyada Real Estate Financial Centre Company W.L.L.	Kuwait	**100%**	100%	Real estate company
Al Waha International Real Estate Projects Company W.L.L.	Kuwait	**100%**	100%	Real estate company
MAS Holding Company K.S.C. (Closed) ("MAS Holding") *	Kuwait	**60%**	60%	Holding company
Al Safwa Joint Venture** ("Safwa JV")	Kuwait	**40%**	40%	Real estate activities
MAS International General Trading and Contracting Company W.L.L. ("MAS International")	Kuwait	**100%**	61%	General trading and contracting activities
Held by MAS International				
MAS International Egypt W.L.L.	Egypt	**100%**	100%	Real estate projects management
MAS Al Oula W.L.L.	KSA	**99.5%**	99.5%	Real estate projects management
First MAS International Tours	Egypt	**99%**	99%	Real estate projects management

*During the year, the Parent Company has entered into a settlement agreement with MAS Holding and its other shareholder to settle the amounts owed by MAS Holding. As part of the settlement agreement, the Group's shareholding in the MAS Holding was swapped for 100% equity interest in MAS International.

**Even though the Group holds less than 50% equity interest in Safwa JV, the Parent Company has been appointed as the JV Manager and has exposure to variable return (return on investment and management fees) and also, has the ability to use its power to affect its return by exercising the control over the activities of Safwa JV. Hence, Safwa JV has been consolidated in the Group.

The financial information of subsidiaries that have material non-controlling interests are provided in Note 12.

Revenue recognition

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

i. Revenue represents the rental income and the invoiced value of goods and services provided by the Group from the hospitality services
ii. Management fees, incentive fees, arrangement and advisory fees, and placement fees are recognised when earned upon performance of services envisaged under the service agreements.
iii. Commission income is recognised upon completion of sales agreement.
iv. Gain (loss) on sale of investment properties is recognised when the significant risks and rewards of ownership are passed to the buyer and the amount of revenue can be measured reliably.
v. Finance income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.
vi. Dividend income is recognised when the right to receive payment is established.

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

Contribution to KFAS and Taxation
Kuwait Foundation *for the Advancement of Sciences (KFAS)*
The Group calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Taxation

(i) National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the period. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

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

(iii) Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement. It is then considered in the determination of goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

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

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

Furniture and computers
Furniture and computers are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated on a straight line basis over the estimated useful lives of assets to their residual values as follows:

Furniture and fixtures	over 3 to 5 years
Computers	over 3 to 4 years

The carrying values of furniture and computers are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their values in use.

Expenditure incurred to replace a component of an item of furniture and computers that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off.

Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and computers. All other expenditure is recognised in the consolidated statement of income as the expense is incurred

An item of furniture and computers and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement

Leases where the Group is a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.
Operating lease payments are recognised as expense on straight line basis over the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Increase in fair valuation is recorded as revaluation surplus within the consolidated statement of comprehensive income. If a revaluation increase reverses a revaluation decrease that was previously recognised as an expense, it is credited to the consolidated statement of income. Decreases in valuation should be charged to consolidated statement of income, except to the extent that they reverse an existing revaluation surplus.

Leases where the Group is a lessor
Leases where the Group doesn't transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they have earned.

Investment in associates

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associates' in the consolidated statement of income.

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

Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day to day servicing of investment property. After the initial recognition, the investment property is carried at fair value that is determined based on valuation performed by accredited independent valuators periodically using valuation methods consistent with the nature and usage of the investment property. Gains (losses) from change in the fair value are recognised in the consolidated income statement. However, in case of investment properties whose fair value cannot be reliably measured the same are carried at cost less accumulated impairment, if any. The Group obtains fair valuation of investment properties from two independent, accredited real estate valuators and consider the lower of two valuations as the fair value of the investment properties for recording in the books.

Investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or (losses) are recognised in the consolidated income statement in the year of retirement or disposal.

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

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through statement of income, loans and receivables or financial assets available for sale. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, transaction costs, except in the case of financial assets recorded at fair value through statement of income.

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

The Group's financial assets include bank balances and cash, accounts receivable, wakala receivables, financial assets carried at fair value through statement of income and financial assets available for sale.

Subsequent measurement

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

Accounts receivable

These are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. After initial recognition, receivables are carried at amortised cost using the effective profit rate method less a provision for any uncollectible amount. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective profit rate. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Wakala receivables

Short-term wakala investments are financial assets originated by the Group with an original maturity of three months or less. These are stated at amortised cost and are subject to an insignificant risk of changes in value.

Financial assets at fair value through statement of income

Financial assets at fair value through statement of income includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through statement of income. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in consolidated statement of income. Financial assets are designated at fair value through statement of income if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Dividend income is recorded in 'gain on financial assets at fair value through statement of income' when right to receive the payment has been established. As at 31 December 2014, the Group does not have any financial assets that are held for trading (2013: Nil).

Financial assets available for sale

Financial assets available for sale include equity securities and are those non-derivative financial assets that do not qualify to be classified as loan and receivables, held to maturity or at fair value through statement of income.

After initial measurement, financial assets available for sale are subsequently measured at fair value with gains or losses being recognised as other comprehensive income in the cumulative change in fair values until the investment is derecognised at which time the cumulative gain or loss is recognised in the consolidated of statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment, if any.

Derecognition

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

In relation to gross receivables, provision is made when there is an objective evidence (such as the probabil**ity of** insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off when they are assessed as uncollectible.

Financial assets available for sale

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities at amortised cost include accounts payable and accruals and murabaha payables.

Subsequent measurement

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

Accounts payable

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

Murabaha payables

Murabaha payables represent the amount payables on a deferred settlement basis for assets purchased under murabaha arrangements and are subsequently measured at amortised cost using the effective profit rate method. Murabaha payables are stated at the gross amount of the payables, net of deferred profit payables. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective profit rate. The effective profit rate amortisation is included as finance costs in the consolidated statement of income.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value measurement

The Group measures financial instruments and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

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

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

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

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

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

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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

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

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statementof income.

Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statementof income in those expense categories consistent with the function of the impaired asset, except for land or building previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statementof income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

Foreign currency translation
The Group's consolidated financial statements are presented in Kuwait Dinars, which is also the Parent Company's functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the respective entity's statement of income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

Group companies
The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

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

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

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

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

Classification of investments
Management decides on acquisition of investments whether they should be classified as financial assets available for sale or financial assets carried at fair value through statement of income.

The management classifies financial assets as carried at fair value through statement of income if they are acquired primarily for the purpose of short term profit making and fair value of those investments can be reliably determined.

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

All other financial assets are classified as available for sale.

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

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

The management classifies real estate as property under development if it is acquired with the intention of development.

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

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

Impairment of financial assets available for sale
The Group treats financial available for sale as impaired when there is a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In making this judgment, the Group evaluates, among other factors the duration or the extent to which the fair value of the investment is less than its cost.

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

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on carrying amounts of loans and receivables and available for sale investments.

Valuation of investment properties and leasehold property under development
For investment properties and leasehold property under development fair value is determined by independent, registered, real estate valuators or by reference to recent transactions in similar properties. As per the Group's policy two independent real estate valuations are obtained to assess fair values as at 31 December 2014. For investment properties and leasehold property under development, for which there is a lack of comparable market data because of the nature of the properties, valuation methodologies based on a discounted cash flow model and terminal value model is used. Investment property held for capital appreciation is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The key assumptions used to determine the fair value of investment properties and leasehold property under development is further explained in Note 6.

3- GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses include staff costs of KD 2,220,280 (2013: KD 3,114,134).

4- CONTRIBUTION TO KFAS AND TAXATION

	TOTAL 2014 KD	TOTAL 2013 KD
Contribution to KFAS	**123,112**	93,821
Zakat	**243,358**	321,366
National Labour Support Tax (NLST)	**500,228**	796,299
	866,698	1,211,486

Contribution to KFAS and taxation for the year ended 31 December 2013 includes KD 711,498 pertaining to discontinued operations (Note 22).

5- BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share attributable to the equity holders of the Parent Company are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year as follows:

	2014 KD	2013 KD
Profit for the year attributable to the equity holders of the Parent Company	**11,576,571**	30,253,931
Weighted average number of ordinary shares outstanding during the year (shares)	**322,000,000**	322,000,000
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	**36 fils**	94 fils

Basic and diluted earnings per share from continuing operations

	2014 KD	2013 KD
Profit for the year attributable to the equity holders of the Parent Company	**11,576,571**	30,253,931
<u>Less:</u>		
Profit for the year from discontinued operations attributable to the equity holders of the Parent Company	**-**	(18,011,413)
Profit for the year attributable to the equity holders of the Parent Company from continuing operations	**11,576,571**	12,242,518
Weighted average number of ordinary shares outstanding during the year (shares)	**322,000,000**	322,000,000
Basic and diluted earnings from continuing operations per share attributable to the equity holders of the Parent Company	**36 fils**	38 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

6- LEASEHOLD PROPERTY UNDER DEVELOPMENT AND INVESTMENT PROPERTIES

a. Leasehold property under development

On 31 December 2014, the Group reclassified its investment in "Qeblah Tower" previously classified under investment property to leasehold property at the fair value of KD 22,297,364 due to the change in use of the property, as the Group decided to operate the towers as hotel and accordingly entered into a hotel management agreement with an internationally reputed hotel operator during the current year(inaccordance with IAS 16).

The leasehold property under property will be amortized over the remaining period of the lease from the date when the asset is put to use.

b. Investment properties

The movement in investment properties is as follows:

	2014	2013
	KD	KD
As at 1 January	**40,451,561**	38,174,020
Additions	**962,573**	648,828
Transferred to leasehold property under development (Note 6a)	**(22,297,364)**	-
Change in fair values	**1,794,628**	1,628,713
Disposal	**(221,170)**	-
	------------------	----------------
As at 31 December	**20,690,228**	40,451,561
	===========	===========

The changes in fair values for the current year relating to properties located in the Kingdom of Saudi Arabia are based on external valuations by accredited independent valuators using discounted cash flow model and terminal value model as there is a lack of comparable market data because of the nature of the properties.

The change in fair value for the current year relating to property located in the State of Kuwait is based on external valuations by accredited independent valuators. The property held for capital appreciation is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Investment properties with a carrying value of KD 11,209,000 (2013: KD 10,550,000) are mortgaged against certain murabaha payables (Note 13).

Income from investment properties in the consolidated statement of income includes the following:

	2014	2013
	KD	KD
Change in fair values	**1,794,628**	1,628,713
Net rental income	**2,169,728**	2,104,539
	------------------	----------------
	3,964,356	3,733,252
	===========	===========

Description of valuation techniques used and key inputs to valuation of leasehold property under development and investment properties:

Type of property	Valuation technique	Significant unobservable inputs	Range (weighted average) 2014	2013
a. Leasehold property under development				
Qeblah Tower, Kingdom of Saudi Arabia	Discounted Cash Flow method ("DCF")	Estimated Average room rate in Saudi Riyals (SAR)	**SAR 639**	SAR 639
		Long term RevPAR growth*	**3%**	3%
		Occupancy rate	**61% - 72%**	61% - 72%
		Discount rate	**12.22%**	12.22%
		Inflation rate Gross operating profit		
		Inflation rate	**3.50%**	3.50%
		Gross operating profit	**53% - 64%**	53% - 64%
b. Investment properties				
Land in the State of Kuwait	Market comparison	Price per square metre	**KD 4,000 – KD 4,500**	KD 3,750 – KD 4,250
Bakkah Tower, Kingdom of Saudi Arabia	Discounted Cash Flow method ("DCF")	Estimated Average room rate in SAR	**SAR 870**	SAR 910
		Long term RevPAR growth*	**5.3%**	5.3%
		Occupancy rate	**73% - 78%**	72% - 78%
		Discount rate	**13%**	14%
		Inflation rate	**3.5%**	3.5%
		Gross operating profit	**76% - 79%**	76% - 79%

*RevPAR = revenue per available room.

Under market comparison approach, fair value is estimated based on comparable transactions. The market comparison approach is based upon the principal of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre ('sqm').

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value, if any. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, if any, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

- **A directionally similar change in the rent growth per annum and discount rate (and exit yield)**
- **An opposite change in the long term vacancy rate.**

Quantitative disclosures of fair value measurement hierarchy for investment properties as at 31 December 2014 is as follows:

	Fair Value Measurement using	
	Total	***Significant unobservable inputs (Level 3)***
	KD	***KD***
Leasehold property under development		
Kingdom of Saudi Arabia	**22,297,364**	22,297,364
Investment properties		
Kuwait	**11,209,000**	11,209,000
Kingdom of Saudi Arabia	**9,481,228**	9,481,228

7- GAIN FROM EXTINGUISHMENT OF FINANCIAL LIABILITIES

During the year, the Group has signed two debt settlement agreements as follows:

a. The Parent Company has signed a settlement agreement with the developer of Zamzam Tower (a leasehold property that was derecognised in the books of Parent Company pursuant to the transfer in June 2013 to an unincorporated entity 'The Zamzam 2013 JV'(Note 8)). The Parent Company had a liability equivalent to KD 25,829,299 to the developer as on the settlement date. Pursuant to the settlement agreement, the developer has agreed to settle the liability for a reduced amount of KD 13,046,887 thus representing an overall discount of KD 12,782,412.

As per the settlement agreement, KD 11,281,410 was paid to the developer upon signing of the agreement and the balance KD 1,765,477 is payable in four equal quarterly instalments ending January 2015. However, in the event of default of any of the four instalments, the Parent Company has an obligation to pay an additional amount equivalent to KD 3,752,978 to the developer. As the benefit of KD 3,752,978 is contingent upon satisfactory payment of four instalments, as noted above, the same has not been recorded as gain from extinguishment of a financial liability in the consolidated financial statements for the year ended 31 December 2014.

Accordingly, the Parent Company has recorded a gain of KD 8,829,434 from derecognition of amounts due to the developer, net of certain consulting costs amounting to KD 200,000 and is included under "Gain from extinguishment of financial liabilities" in the consolidated statement of income.

In addition to the above, the developer has also agreed to restate the start date of the leasehold property, resulting in an additional operating cash flows from the leasehold property (see above) for a period of 5 months starting 1 October 2029 to 28 February 2030. The Parent Company has obtained a legal opinion for ascertaining the Group's beneficial right over the aforesaid additional lease period of 5 months. As a result, the Parent Company has recorded an amount of KD 1,222,470 representing the present value of the fair value of the additional lease period of 5 months as "Prepaid operating lease" in the consolidated statement of financial position and a correspondingly the same amount has been recorded under "Gain from extinguishment of financial liabilities" in the consolidated statement of income as this additional lease period was obtained for a nil consideration.

b. MAS Holding, a subsidiary of the Group has entered into a debt settlement agreement with the Parent Company and other shareholder (collectively "lenders") to settle the amounts owed by MAS Holding towards these lenders. Accordingly, the Group has recorded a gain of KD 139,137 after eliminating the Group's share in the MAS Holding under "Gain from extinguishment of financial liabilities in the consolidated statement of income.

8- INVESTMENT IN ASSOCIATES

	Country of domicile	Percentage of ownership		Carrying values	
		2014	2013	**2014**	2013
				KD	KD
The Zamzam 2013 JV ("Zamzam")	Kuwait	**36.84%**	38.26%	**46,454,868**	45,319,267
Athman Al Khalijya Company W.L.L. ("Athman")	Kuwait	**32.60%**	32.60%	**4,235,737**	3,789,499
Qitaf Joint Venture ("Qitaf") (Note 8a)	Kuwait	**9.13%**	28.41%	**-**	2,665,173
Al Qeblah Joint Venture ("Qeblah JV") (Note 8b)	Kuwait	**37.11%**	12.11%	**2,466,009**	-
				53,156,614	51,773,939

The carrying amount of the investment in associates include a goodwill of KD 3,837,320 (2013: Nil).

a. During the year, one of the subsidiary of the Group has entered into a settlement agreement with the Parent Company and its other shareholder (who is also one of the major shareholders of the Parent Company). Pursuant to the settlement agreement, the Group has transferred its 19.28% equity interest in Qitaf to the other shareholder in exchange for settlement of its liabilities against this shareholder and has recognised a gain of KD 188,894 in the consolidated statement of income.

Accordingly, the Group no longer exercises significant influence over Qitaf and has derecognised its investment in Qitaf as an associate and recorded the remaining equity interest of 9.13% in Qitaf as financial asset available for sale, at a value determined based on the net asset value of Qitaf fund which represents the fair value of equity interest. The sale consideration has been adjusted against amounts due to related parties.

b. On 31 December 2014, the Parent Company acquired additional equity interest in Qeblah JV (previously accounted for as financial asset available for sale) for a total consideration of KD 2,465,900 through the Intermediate Parent Company (Note 16) resulting in the increase of its equity interest from 12.11% to 37.11%. The Group determined that it exercises significant influence over Qeblah JV at the date of acquisition and consequently accounted for this transaction under IAS 28: Investment in Associate and Joint ventures ("IAS28"). The consideration was paid in cash of KD 400,000 and the balance KD 2,065,900 by transferring 1.42% of Group's equity interest in Zamzam at fair value as at 31 December 2014.

The following table summarises the consideration paid to acquire Qeblah JV and the provisional fair value of identifiable assets acquired and liabilities assumed at the acquisition date:

	KD
Total net identifiable assets acquired	**(1,371,420)**
Consideration paid	2,465,900
Less: Net identifiable assets acquired	1,371,420
Provisional goodwill on acquisition	**3,837,320**
Cash and short term deposits in subsidiary acquired	70,687
Consideration paid in cash to acquire Qeblah JV	(400,000)
Net cash out flow on acquisition	**(329,313)**

The following table provides summarised financial information of the Group's investment in associates:

	Zamzam		Qitaf		Athman		Qeblah JV	Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	**2014**	2013
	KD	KD	***KD***	KD	***KD***	KD	***KD***	***KD***	KD
Non-current assets	**128,149,600**	131,298,775	**-**	11,531,651	**11,946,790**	11,519,055	**38,736,295**	**178,832,685**	154,349,481
Current assets	**22,331,893**	7,473,202	**-**	196,027	**1,048,464**	107,246	**2,299,641**	**25,679,998**	7,776,475
Non-current liabilities	**-**	-	**-**	(966,894)	**-**	-	**(29,629,805)**	**(29,629,805)**	(966,894)
Current liabilities	**(5,376,674)**	(2,033,910)	**-**	(334,097)	**(1,000)**	(1,000)	**(15,101,392)**	**(20,479,066)**	(2,369,007)
Equity	**145,104,819**	136,738,067	**-**	10,426,687	**12,994,254**	11,625,301	**(3,695,261)**	**154,403,812**	158,790,055
Proportion of the Group's ownership	**36.84%**	38.26%	**-**	28.41%	**32.60%**	32.60%	**37.11%**	**-**	-
Group's share in the equity	**53,457,904**	52,322,303	**-**	2,961,179	**4,235,737**	3,789,499	**(1,371,311)**	**51,081,126**	59,072,981
Provision goodwill on acquisition	**-**	-	**-**	-	**-**	-	**3,837,320**	**3,837,320**	-
	53,457,904	52,322,303	**-**	2,961,179	**4,235,737**	3,789,499	**2,466,009**	**54,918,446**	59,072,981
Revenues	**23,511,442**	11,470,120	**2,682,692**	1,406,702	**2,252,591**	715,964	**730,249**	**29,176,974**	13,592,786
Cost of revenue	**(10,164,249)**	(5,406,303)	**(112,238)**	(1,754,130)	**-**	-	**-**	**(10,276,487)**	(7,160,433)
Amortisation and impairment	**(8,336,433)**	(6,103,264)	**(1,508,713)**	-	**-**	-	**(3,072,088)**	**(12,917,234)**	(6,103,264)
Administrative expenses	**(152,314)**	(195,124)	**(25,246)**	(22,602)	**-**	(692)	**-**	**(177,560)**	(218,418)
Profit (loss) for the year	**4,858,446**	(234,571)	**1,036,495**	(370,030)	**2,252,591**	715,272	**(2,341,839)**	**5,805,693**	110,671
Group's share in profit (loss) on the year	**1,859,066**	(89,758)	**94,321**	(105,088)	**734,277**	233,157	**-**	**2,687,664**	38,311
Other adjustments								**-**	1,011,074
Net share of results								**2,687,664**	1,049,385

The carrying value of Zamzam includes an amount of KD 7,003,036 as at 31 December 2014 (2013 : KD 7,003,036) which represents the Parent Company's share in the gain on transfer of leasehold property to Zamzam during 2013 (in accordance with IAS 28).
The associates had no contingent liabilities or capital commitments as at 31 December 2014 and 31 December 2013.
Other adjustments for the previous year mainly include KD 978,073 that represents the realised portion of gain on downstream transaction that was eliminated at the time of transfer of leasehold property to Zamzam during 2013 (as noted in Note 22).

9- FINANCIAL ASSETS AVAILABLE FOR SALE

	2014 KD	2013 KD
Unquoted securities	1,931,161	2,543,824
Unquoted real estate funds	5,525,744	4,269,688
	7,456,905	6,813,512

Unquoted securities include investments amounting to KD 621,614 (2013: KD 1,267,716) that are carried at cost less impairment, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments.

During the previous year, the Group recorded an impairment of KD 95,414 against unquoted real estate fund based on information available. The management of the Parent Company is not aware of any circumstances that would indicate any further impairment in the value of these investments at the financial position date.

Fair value hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 20.

10- ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 **KD**	2013 KD
Trade accounts receivable	**2,123,528**	1,584,324
Amounts due from related parties (Note 16)*	**14,466,995**	14,716,275
Advances to contractors	**41,069**	39,592
Prepaid expenses	**130,592**	154,966
Other receivables	**1,060,678**	239,778
	17,822,862	16,734,935

*mainly includes amounts paid by the Group on behalf of a related party with respect to the construction of a project in the Kingdom of Saudi Arabia.

As at 31 December 2014, receivables at initial value of KD 29,604,512 (2013: KD 29,483,027) were impaired and provided to the extent of KD 13,013,989 (2013: KD 13,182,428). It is not the Group's policy to obtain collateral over receivables.
Movement in the allowance for impairment of receivables were as follows:

	2014 **KD**	2013 KD
Opening balance	**13,182,428**	7,006,057
Net (write back) charge of impairment loss during the year	**(168,439)**	6,176,371
Closing balance	**13,013,989**	13,182,428

The analysis of unimpaired other receivables is as follows:

			Past due but not impaired				
	Total KD	Neither past due nor impaired KD	< 30 days KD	30 – 60 days KD	60 – 90 days KD	90 – 120 days KD	More than 120 days KD
31 December 2014	**1,060,678**	**25,117**	**26,418**	**19,914**	**18,613**	**32,921**	**937,695**
31 December 2013	239,778	3,767	4,473	4,237	2,825	4,237	220,239

11- SHARE CAPITAL, STATUTORY AND VOLUNTARY RESERVES

	2014	2013
	KD	KD
Authorised, issued and paid up capital consists of 322,000,000 (2013: 322,000,000) shares of 100 fils each, paid in cash.	**32,200,000**	32,200,000
	==========	==========

The board of directors has recommended directors remuneration of KD 100,000(2013: 130,000) and cash dividend of 5 fils per share (2013: 5 fils per share) for the financial year ended 31 December 2014 which is subject to approval of the Annual General Meeting of the shareholders. The cash dividend shall be payable to shareholders registered in the Parent Company's records as of the Annual General Meeting date.

Statutory Reserves
As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' remuneration after adjusting for brought forward accumulated losses is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the share capital.

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

Voluntary reserve
As required by the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' remuneration after adjusting for brought forward accumulated losses is transferred to voluntary reserve. Such annual transfers may discontinue by a resolution at the ordinary general assembly upon a recommendation by the board of directors. There are no restrictions on distribution from voluntary reserve.

12- MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of a subsidiary that has material non-controlling interest is provided below:

Name	**Country of domicile**	**Non-contolling interest**	
		2014	2013
Al Safwa Joint Venture ("Safwa JV")	Kuwait	**60%**	60%

	Safwa JV	
	2014	2013
	KD	KD
Accumulated balance of material non-controlling interests	**5,713,713**	4,857,076
Profit allocated to material non-controlling interests	**1,255,563**	216,876

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised income statement:

	Safwa JV	
	2014	2013
	KD	KD
Revenue	**2,209,666**	846,878
Cost of sales	**(47,813)**	(42,344)
Administrative expenses	**(72,709)**	(443,073)
Profit for the year	**2,089,144**	361,461
Total comprehensive income	**2,089,144**	361,461
Attributable to non-controlling interests	**1,255,563**	216,876

Summarised statement of financial position:

	Safwa JV	
	2014	2013
	KD	KD
Investment properties	**8,916,104**	7,157,332
Other non-current assets	**-**	1,202,285
Accounts receivable	**599,191**	-
Other current assets	**320,850**	-
Total assets	**9,836,145**	8,359,617
Accounts payable	**329,041**	264,490
Total liabilities	**329,041**	264,490
Total equity	**9,507,104**	8,095,127
Attributable		
Equity holders of Parent Company	**3,793,391**	3,238,051
Non-controlling interests	**5,713,713**	4,857,076
	9,507,104	8,095,127

Summarised cash flow information for the year ended 31 December:

	Safwa JV	
	2014	2013
	KD	KD
Operating activities	**(336,923)**	2,328,151
Net (decrease) increase in cash and cash equivalents	**(336,923)**	2,328,151

13 - MURABAHA PAYABLES

	2014 KD	2013 KD
Gross amount	**6,882,940**	7,709,913
Less: deferred profit payable	**(161,345)**	(264,533)
	6,721,595	7,445,380

The average profit rate attributable to murabaha payables is 5% (2013: 6%) per annum. Murabaha payables amounting to KD 721,595(2013: KD 1,445,380) are with related parties (Note 16).

Murabaha payables amounting to KD 6,069,863(2013: 6,083,836) are secured by an investment property with a carrying value of KD 11,209,000(2013: KD 10,550,000) (Note 6).

14- OBLIGATIONS UNDER FINANCE LEASE

	2014 KD	2013 KD
Lease obligations	**1,789,559**	1,727,733
Less: current portion	**(83,254)**	(64,108)
Long term obligations under finance lease	**1,706,305**	1,663,625

Obligations under finance lease relate to project at Al-Madina Al-Monawara and represent the future instalments due for the net present value of minimum lease payments for property interests acquired under finance lease which is classified as leasehold property. The instalments due within twelve months from the financial position date are shown under current liabilities.

The minimum lease payments are as follows:

	2014 KD	2013 KD
2014	-	112,995
2015	156,280	150,660
2016	156,280	150,660
2017	156,280	150,660
Thereafter	2,461,410	2,372,895
Total minimum lease payments	2,930,250	2,937,870
Less: estimated lease amount representing finance charges relating to future years	(1,140,691)	(1,210,137)
Present value of minimum finance lease rental payments	1,789,559	1,727,733
Current portion of lease obligations	(83,254)	(64,108)
Non-current portion of lease obligations	1,706,305	1,663,625

15 ACCOUNTS PAYABLE AND ACCRUALS

	2014	2013
	KD	KD
Payables to contractors for investment properties and leasehold property under development (Note 6)*	3,494,790	25,032,420
Amounts due to related parties (Note 16)	18,777,281	11,105,693
Accrued expenses	1,718,038	2,000,217
Advances from customers	1,322,070	1,461,750
Due to leasehold property manager and maintenance contractor	10,489,784	7,458,899
Other payables	2,577,971	4,147,361
	38,379,934	51,206,340

*D uring the year, the Parent Company had a liability equivalent to KD 25,829,299 to the developer. Pursuant to the settlement agreement, the developer has agreed to settle the liability for a reduced amount of KD 13,046,887 (Note 7).

Included in payables to contractors for leasehold property under development is an amount of KD 626,233 (2013: KD 558,534) which is due after one year from the financial position date and accordingly it is classified as non-current accounts payable.

16- RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities which are controlled or managed by them or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	Ultimate Parent Company KD	Intermediate Parent Company KD	Major shareholders KD	Associates KD	Others KD	**2014 KD**	2013 KD
Management fees	-	-	-	377,555	215,170	**592,725**	1,264,833
Finance income	25,134	-	-	-	-	**25,134**	1,296,413
Finance costs	(205,317)	(89,214)	-	-	-	**(294,531)**	-
Impairment loss on accounts receivable	-	-	-	-	-	**-**	(6,278,388)
Other transactions during the year							
Purchase of Qebla JV	-	2,465,900	-	-	-	**2,465,900**	-
Transfer of Qitaf JV	-	-	1,982,645	-	-	**1,982,645**	-
Gain on settlement	-	-	139,137	-	-	**139,137**	-
Gain on sale of associate	-	-	188,894	-	-	**188,894**	-
Gain from sale of leasehold property (Note 22)	-	-	-	-	-	**-**	11,359,495
Gain from extinguishment of financial liabilities (Note 22)	-	-	-	-	-	**-**	8,127,901

Balances with related parties included in the consolidated statement of financial position are as follows:

	Ultimate Parent Company KD	Intermediate Parent Company KD	Major shareholders KD	Associates KD	Others KD	**2014 KD**	2013 KD
Financial assets available for sale	-	-	-	-	4,048,616	**4,048,616**	3,658,404
Financial assets at fair value through statement of income	-	-	300,064	-	-	**300,064**	542,972
Bank balances and cash	1,550,087	-	-	-	-	**1,550,087**	3,516,734
Accounts receivable and prepayments	-	-	-	14,072,436	394,559	**14,466,995**	14,716,275
Accounts payable and accruals	-	400,000	-	17,574,339	802,942	**18,777,281**	11,105,693
Murabaha payable (Note 13)	-	721,595	-	-	-	**721,595**	1,445,380

Compensation of key management personnel
The remuneration of directors in their capacity as executives and other members of key management during the year is as follows:

	2014 KD	2013 KD
Salaries and short term benefits	**906,899**	1,412,250
Employees' end of service benefits	**108,155**	101,992
	1,015,054	1,514,242

17 SEGMENTAL INFORMATION

Primary segment information

For management purposes the Group is organised into two major business segments. The principal activities and services under these segments are as follows:

Real estate : Purchase, sale, development and renting of properties including hospitality services.

Investment : Managing portfolio of investments.

The management monitors the operating results of its business units separately for the purpose making decision about resource allocation and performance assessment.

Segment performance is evaluated based on income (loss) for real estate segment and return on investment for investment segment.

2014	**Real estate KD**	**Investment KD**	**Unallocated KD**	**Total KD**
Segment revenues from continuing operations	**4,557,081**	**3,131,059**	**376,595**	**8,064,735**
Segment results	(580,125)	254,501	376,595	50,971
Gain on sale of associate	-	188,894	-	188,894
Share of results of associates	-	2,687,664	-	2,687,664
Depreciation	(147,739)	-	-	(147,739)
Net write back of impairment loss on accounts receivable	168,439	-	-	168,439
Gain from extinguishment of financial liabilities (Note 7)	10,191,041	-	-	10,191,041
Directors' remuneration	-	-	(100,000)	(100,000)
Profit for the year	**9,631,616**	**3,131,059**	**276,595**	**13,039,270**
Assets and liabilities				
Segment assets	68,615,765	7,756,969	3,368,105	79,740,839
Investment in associates (Note 8)	-	53,156,614	-	53,156,614
Total assets	**68,615,765**	**60,913,583**	**3,368,105**	**132,897,453**
Total liabilities	**39,660,145**	**5,241,204**	**2,647,152**	**47,548,501**

2013	Real estate KD	Investment KD	Unallocated KD	Total KD
Segment revenues from continuing operations	4,998,085	2,457,511	502,406	7,958,002
Segment results	(487,977)	1,408,126	502,406	1,422,555
Share of results of associates	-	1,049,385	-	1,049,385
Depreciation	(163,670)	-	-	(163,670)
Impairment loss on financial assets available for sale	-	(95,414)	-	(95,414)
Net charge of impairment loss on accounts receivable	(6,176,371)	-	-	(6,176,371)
Gain from extinguishment of financial liabilities (Note 22)	16,620,595	-	-	16,620,595
Directors' remunerations	-	-	(130,000)	(130,000)
Results from discontinued operations (Note 22)	18,011,413	-	-	18,011,413
Profit for the year	27,803,990	2,362,097	372,406	30,538,493
Assets and liabilities				
Segment assets	56,791,752	7,442,165	17,218,408	81,452,325
Investment in associates (Note 8)	-	51,773,939	-	51,773,939
Total assets	56,791,752	59,216,104	17,218,408	133,226,264
Total liabilities	58,286,267	-	2,647,152	60,933,419

Secondary segment information
The Group operates in different geographical areas. A geographical analysis based on location of revenue, results, assets and liabilities based on location is as follows:

2014	***Kuwait KD***	***GCC KD***	***Total KD***
Segment revenues	**1,412,715**	**6,652,020**	**8,064,735**
Non-current assets	**11,209,000**	**33,112,538**	**44,321,538**
2013	*Kuwait KD*	*GCC KD*	*Total KD*
Segment revenues	**3,175,365**	4,782,637	7,958,002
Non-current assets	**10,550,000**	30,072,182	40,622,182

Non-current assets for this purpose consist of furniture and computers, leasehold property under development, prepaid operating lease and investment properties.

18- COMMITMENTS AND CONTINGENCIES

At 31 December 2014, the Group had commitments in respect of construction cost amounting to KD 1,408,242 (2013: KD 2,609,311).

19- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk, foreign currency risk and equity price risk. It is also subject to operational risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

The management of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The management of the Parent Company reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Parent Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the consolidated statement of financial position.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party.

Impaired and past due but not impaired financial assets of the Group are disclosed in Note 9.

The Group's credit risk bearing financial assets, before taking into account any collateral held or credit enhancements, can be analysed by industry wise sector as follows:

	2014 KD	2013 KD
Industry sector:		
Banks and financial institutions	**9,838,470**	16,737,724
Construction and real estate	**25,860,940**	16,579,969
	35,699,410	33,317,693

Liquidity risk

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

The table below summarises the maturity profile of the Group's undiscounted financial liabilities as at 31 December based on contractual undiscounted repayment obligations.

2014	**Within 3 months KD**	**3 to 6 months KD**	**6 to 12 months KD**	**Over 1 year KD**	**Total KD**
Obligations under finance lease	-	-	156,280	2,773,970	2,930,250
Murabaha payables	6,069,863	-	-	813,077	6,882,940
Accounts payable and accruals	6,520,557	16,166,889	15,074,206	618,281	38,379,934
TOTAL LIABILITIES	**12,590,420**	**16,166,889**	**15,230,486**	**4,205,328**	**48,193,124**
Commitments	-	-	**1,408,242**	-	**1,408,242**

2013	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over 1 year KD	Total KD
Obligations under finance lease	-	-	112,995	2,824,875	2,937,870
Murabaha payables	6,083,836	-	-	1,626,077	7,709,913
Accounts payable and accruals	22,425,700	14,604,599	13,617,507	558,534	51,206,340
TOTAL LIABILITIES	28,509,536	14,604,599	13,730,502	5,009,486	61,854,123
Commitments	-	-	2,609,311	-	2,609,311

Market risk

Market risk is the risk that the value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

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

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to significant profit rate risk as all its islamic financial instruments are at fixed profit rates.

Currency risk

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

The management of the Parent Company monitors the positions on a daily basis to ensure positions are maintained within established limits.

The effect on results (due to change in the fair value of monetary assets and liabilities) and on other comprehensive income, as a result of 5% increase in foreign currency rate against KD, with all other variables held constant is shown below:

	Effect on results for the year		Effect on other comprehensive income	
	2014	2013	**2014**	2013
	KD	KD	***KD***	KD
United State Dollars ("USD")	**(11,315)**	527,893	**229,620**	213,626
Saudi Riyals ("SAR")	**167,916**	10,416	**18,705**	(91,642)

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through placing limits on individual and total equity investments.

The effect on Group's results before contribution to KFAS, taxation and directors' remuneration (as a result of a change in the fair value of financial assets carried at fair value through statement of income) due to a 5 %increase in market indices, with all other variables held constant is as follows:

	Effect on results for the year	
Market indices	**2014 KD**	2013 KD
Kuwait	**25,655**	46,424

As at 31 December 2014, the Group had no quoted financial assets available for sale (2013: Nil).

20 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of Group's financial assets.

Quantitative disclosures of fair value measurement hierarchy for financial assets as at 31 December 2014:

		Fair value measurement using	
	Total	***Quoted prices in active markets (Level 1)***	***Significant unobservable inputs (Level 3)***
	KD	***KD***	***KD***
2014			
Financial assets available for sale			
Unquoted equity securities	**1,309,546**	-	1,309,546
Unquoted managed funds	**5,525,744**	-	5,525,744
Financial assets at fair value through statement of income			
Designated at fair value through statement of income	**300,064**	300,064	-
2013			
Financial assets available for sale			
Unquoted equity securities	1,276,107	-	1,276,107
Unquoted managed funds	4,269,579	-	4,269,579
Financial assets at fair value through statement of income			
Designated at fair value through statement of income	542,972	542,972	-

The management assessed that bank balances and cash, wakala receivables, accounts receivable and accounts payable and accruals approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of financial instruments (financial assets and financial liabilities), with the exception of certain financial assets available for sale carried at cost amounting to KD 621,614 (31 December 2013: 1,267,716) are not materially different from their carrying values.

The investment in unquoted equity securities and unquoted managed funds are measured at fair value at the end of each reporting period. Unquoted equity investments are valued based on net book value method using latest available financial statements of the investee entities, wherein the underlying assets are fair valued. The unquoted managed funds are valued based on the net asset value or market value as disclosed in the portfolio statement submitted by the fund managers.

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2 financial instruments, and no transfers into and out of Level 3 financial instruments.

Movement in the Level 3 financial instruments is as follows.

	As at 1 January	*Gain recorded in other comprehensive income*	*Net purchases, (sales and settlements)*	*Impairment/ Redemption recorded during the year*	*As at 31 December ber*
	KD	*KD*	*KD*	*KD*	*KD*
Financial assets available for sale – unquoted investments					
2014	5,545,686	522,144	920,625	(153,165)	6,835,290
2013	5,700,164	32,261	(137,429)	(49,310)	5,545,686

21- CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the year ended 31 December 2014 and 31 December 2013 except that during the year ended 31 December 2013, the management of the Parent company has negotiated for settlement of financial liabilities amounting to KD 92,688,480 by transferring its interest in leasehold property (Note 6) and further financial liabilities amounting to KD 20,988,965 were settled for a reduced amount (Note 22).These significantly reduced the Group leverage that has impacted the debt to equity ratio as noted in table below.

The Group monitors capital using net debt to equity ratio which is net debt divided by total capital. The Group includes within net debt, murabaha payables, obligation under finance leases, accounts payable and accruals (excluding unearned revenue), less bank balances and cash as reported in the consolidated statement of financial position. Total capital represents equity attributable to the Parent Company less cumulative changes in fair values.

	2014	2013
	KD	KD
Murabaha payables	**6,721,595**	7,445,380
Obligations under finance leases	**1,789,559**	1,727,733
Accounts payable and accruals	**38,379,934**	51,206,340
Less: Bank balance and cash	**(9,839,470)**	(16,653,043)
Net debt	**37,051,618**	43,726,410
Total capital	**78,814,293**	67,454,584
Net debt to equity ratio	**47.01%**	64.82%

22 DISCONTINUED OPERATIONS

During the previous year, on 30 June 2013, the Group signed a Contract namely The Zamzam 2013 JV ("Zamzam Contract") with certain lenders and creditors ("creditors"), who are also the major shareholders (directly or indirectly) of the Parent Company. Under the Zamzam Contract, the Parent Company transferred its 100% interest in the Zamzam Tower and the property and equipment related to the Zamzam Tower (together referred as "leasehold property") to a newly unincorporated entity "The Zamzam 2013 JV"("Zamzam") in exchange for settlement of its liabilities against these creditors. For further details and the financial impact of this transaction, refer to Note 6 of the annual consolidated financial statements of the Group for the year ended 31 December 2013.

The results from the leasehold property for the year ended 31 December 2013 are presented below.

	2013
	KD
Revenues	10,915,427
Cost of revenues	
- operating costs	(5,110,255)
- amortisation of leasehold property	(3,595,696)
	(8,705,951)
Operating profit	2,209,476
Gain on sale of leasehold property	11,359,495
Payable to other venturers' in Zamzam*	(1,626,780)
Provision no longer required	6,780,720
Profit for the year from discontinued operations before contribution to KFAS and taxation	18,722,911
Contribution to KFAS and taxation from discontinued operations (Note 4)	(711,498)
Profit for the year from discontinued operations	18,011,413

*represents other venturers' share in the operating profit of the leasehold property for the three months **ended 30 June 2013.**

MUNSHAAT

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