

Consolidated financial statements and independent auditors' report

**Tamdeen Real Estate Company – KPSC**

**and Subsidiaries**

**Kuwait**

31 December 2014

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## Independent auditors' report

To the shareholders of  
Tamdeen Real Estate Company – KPSC  
Kuwait

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Tamdeen Real Estate Company – Kuwaiti Public Shareholding Company (the “Parent Company”) and Subsidiaries, (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

*Opinion*

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

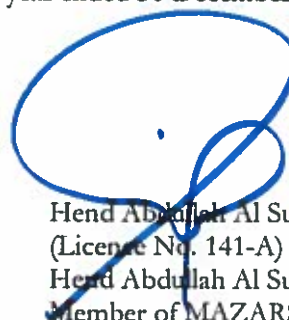
**Report on Other Legal and Regulatory Matters**

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, and its executive regulations 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 and its executive regulations and by the Parent Company's memorandum of incorporation and articles of association, have occurred during the year that might have had a material effect on the business or financial position of the group.

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



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



Hend Abdulla Al Surayea  
(Licence No. 141-A)  
Hend Abdullah Al Surayea & Co.  
Member of MAZARS

Kuwait  
17 March 2015

## Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
<b>Revenue</b>			
Operational income		8,834	8,642
Operational expenses	8	(3,251)	(3,129)
Net operational income		5,583	5,513
Other operational income	9	1,023	777
Fees from management of investment portfolios		63	39
Change in fair value of investment properties	14	150	220
Impairment in value of properties under development	15	-	(1,441)
Net income from investments	10	6,261	5,183
Share of results of associates	13	8,056	4,285
Other income		62	251
Foreign currency exchange loss		(16)	(23)
		<b>21,182</b>	<b>14,804</b>
<b>Expenses and other charges</b>			
Staff costs		2,115	1,859
General and administrative expenses		2,698	2,363
Finance costs		4,592	4,126
		<b>9,405</b>	<b>8,348</b>
<b>Profit for the year before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration</b>		<b>11,777</b>	<b>6,456</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	-
Provision for Zakat		(16)	-
Provision for National Labour Support Tax (NLST)		(99)	(71)
Board of directors' remuneration		(60)	(50)
<b>Profit for the year</b>		<b>11,602</b>	<b>6,335</b>
<b>Attributable to :</b>			
Owners of the Parent Company		7,399	4,424
Non-controlling interests		4,203	1,911
		<b>11,602</b>	<b>6,335</b>
<b>Basic and diluted earnings per share attributable to the owners of the Parent Company</b>	11	<b>19.3 Fils</b>	<b>11.4 Fils</b>

The notes set out on pages 10 to 55 form an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Profit for the year	11,602	6,335
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	28	26
Available for sale investments:		
- Net change in fair value during the year	22,670	24,026
- Transferred to consolidated statement of profit or loss on sale	(2,320)	(129)
- Transferred to consolidated statement of profit or loss on impairment in value	3,014	534
Share of other comprehensive income of associates	3,833	5,653
Total other comprehensive income	27,225	30,110
<b>Total comprehensive income for the year</b>	<b>38,827</b>	<b>36,445</b>
<b>Attributable to:</b>		
Owners of the Parent Company	25,325	21,609
Non-controlling interests	13,502	14,836
	<b>38,827</b>	<b>36,445</b>

*The notes set out on pages 10 to 55 form an integral part of these consolidated financial statements.*

## Consolidated statement of financial position

	Note	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	1,439	1,510
Investments in associates	13	155,790	93,808
Investment properties	14	21,250	21,100
Properties under development	15	38,941	34,714
Available for sale investments	16	134,612	111,186
		<b>352,032</b>	<b>262,318</b>
<b>Current assets</b>			
Accounts receivable and other debit balances	17	15,210	11,352
Investments at fair value through profit or loss		1,081	904
Investments in lands and real estate held for trading	18	11,609	11,341
Short term deposits	26	5,684	1,413
Cash and bank balances	26	5,555	3,573
		<b>39,139</b>	<b>28,583</b>
<b>Total assets</b>		<b>391,171</b>	<b>290,901</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	19	39,178	37,312
Share premium		11,132	11,132
Treasury shares	20	(3,462)	(754)
Reserve of profit on sale of treasury shares		739	739
Legal reserve	21	9,675	8,918
Voluntary reserve	21	11,073	10,316
Foreign currency translation reserve		273	245
Cumulative changes in fair value		49,922	32,024
Retained earnings		17,108	13,885
<b>Equity attributable to owners of the Parent Company</b>		<b>135,638</b>	<b>113,817</b>
<b>Non-controlling interests</b>		<b>72,901</b>	<b>56,568</b>
<b>Total equity</b>		<b>208,539</b>	<b>170,385</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for end of service indemnity		851	713
Refundable rental deposits		1,155	1,206
Term loans	22	146,750	102,812
		<b>148,756</b>	<b>104,731</b>
<b>Current liabilities</b>			
Accounts payable and other credit balances	23	24,206	9,848
Term loans	22	5,000	5,000
Due to banks	24	4,670	937
		<b>33,876</b>	<b>15,785</b>
<b>Total liabilities</b>		<b>182,632</b>	<b>120,516</b>
<b>Total equity and liabilities</b>		<b>391,171</b>	<b>290,901</b>

Meshaal Jassim Al-Marzouq  
Chairman

Ali Yacoub Ghafil Al-Aryan  
Vice-Chairman

The notes set out on pages 10 to 55 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

Equity attributable to owners of the Parent Company												
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2014	37,312	11,132	(754)	739	8,918	10,316	245	32,024	13,885	113,817	56,568	170,385
Net change in treasury shares	-	-	(2,708)	-	-	-	-	-	-	(2,708)	-	(2,708)
Non-controlling interests arising on acquisition of subsidiaries (Note 13-c)	-	-	-	-	-	-	-	-	-	-	12,414	12,414
Dividend paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	-	-	(1,139)	(1,139)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,444)	(8,444)
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(2,954)	(2,954)	-	(2,954)
Bonus shares (Note 19-b)	1,866	-	-	-	-	-	-	-	(1,866)	-	-	-
Transactions with the owners	1,866	-	(2,708)	-	-	-	-	-	(4,820)	(5,662)	2,831	(2,831)
Profit resulting from the share capital decrease of an associate (Note 13-a)	-	-	-	-	-	-	-	-	2,158	2,158	-	2,158
Profit for the year	-	-	-	-	-	-	-	-	7,399	7,399	4,203	11,602
Total other comprehensive income for the year	-	-	-	-	-	-	28	17,898	-	17,926	9,299	27,225
Total comprehensive income for the year	-	-	-	-	-	-	28	17,898	7,399	25,325	13,502	38,827
Transferred to reserves (Note 21)	-	-	-	-	757	757	-	-	(1,514)	-	-	-
Balance as at 31 December 2014	39,178	11,132	(3,462)	739	9,675	11,073	273	49,922	17,108	135,638	72,901	208,539

## Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company										Non-controlling interests KD'000	Total KD'000
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000		
Balance as at 1 January 2013	37,312	11,132	(650)	739	8,464	9,862	219	14,865	13,335	95,278	42,944	138,222
Net change in treasury shares	-	-	(104)	-	-	-	-	-	-	(104)	-	(104)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,212)	(1,212)
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(2,966)	(2,966)	-	(2,966)
Transactions with the owners	-	-	(104)	-	-	-	-	-	(2,966)	(3,070)	(1,212)	(4,282)
Profit for the year	-	-	-	-	-	-	-	-	4,424	4,424	1,911	6,335
Total other comprehensive income for the year	-	-	-	-	-	-	26	17,159	-	17,185	12,925	30,110
Total comprehensive income for the year	-	-	-	-	-	-	26	17,159	4,424	21,609	14,836	36,445
Transferred to reserves (Note 21)	-	-	-	-	454	454	-	-	(908)	-	-	-
Balance as at 31 December 2013	37,312	11,132	(754)	739	8,918	10,316	245	32,024	13,885	113,817	56,568	170,385

The notes set out on pages 10 to 55 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
<b>OPERATING ACTIVITIES</b>			
Profit for the year		11,602	6,335
Adjustments:			
Depreciation		261	294
Provision for end of service indemnity		182	132
Net unrealised gain from investments at fair value through profit or loss		(184)	(229)
Change in fair value of investment properties		(150)	(220)
Net gain on sale of available for sale investments		(2,258)	(228)
Impairment in value of available for sale investments		3,014	534
Impairment in value of properties under development		-	1,441
Dividends income		(6,811)	(5,246)
Interest income		(22)	(14)
Share of results of associates		(8,056)	(4,285)
Finance costs		4,592	4,126
		2,170	2,640
End of service indemnity paid		(45)	(54)
		2,125	2,586
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		(3,853)	2,177
Accounts payable and other credit balances		(6,421)	(2,006)
Refundable rental deposits		(51)	68
<b>Net cash (used in)/from operating activities</b>		<b>(8,200)</b>	<b>2,825</b>
<b>INVESTING ACTIVITIES</b>			
Net purchase of available for sale investments		(144)	(403)
Proceeds from sale of available for sale investments		5,208	712
Proceeds from sale of Investments at fair value through profit or loss		10	-
Additions to investments in lands and real estate held for trading		(268)	-
Paid for acquisition of subsidiary companies	13c	(7,605)	-
Paid to purchase additional shares in subsidiary companies		(500)	-
Paid to purchase additional shares in associates		(6,132)	(7,310)
Net additions to properties under development		(4,227)	(787)
Net purchase of property, plant and equipment		(190)	(108)
Dividends income received		6,811	5,246
Dividends income received from associates		2,100	2,479
Interest income received		22	14
<b>Net cash used in investing activities</b>		<b>(4,915)</b>	<b>(157)</b>

## Consolidated statement of cash flows (Continued)

	Note	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
<b>FINANCING ACTIVITIES</b>			
Cash dividends to shareholders		(2,943)	(2,957)
Cash dividends paid to non-controlling interests by subsidiary		(1,139)	(1,158)
Change in non-controlling interests		(4,505)	(85)
Change in due to banks		3,733	(7,709)
Net proceeds from term loans		28,688	14,812
Finance costs paid		(4,466)	(4,317)
<b>Net cash from/(used in) financing activities</b>		<b>19,368</b>	<b>(1,414)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,253</b>	<b>1,254</b>
Cash and cash equivalents at the beginning of the year		4,986	3,732
<b>Cash and cash equivalents at the end of the year</b>	<b>26</b>	<b>11,239</b>	<b>4,986</b>

*The notes set out on pages 10 to 55 form an integral part of these consolidated financial statements.*

## Notes to the consolidated financial statements

### 1 Incorporation and activities of the Parent Company

Tamdeen Real Estate Company – KPSC (the “Parent Company”) was incorporated in Kuwait on 16 December 1982 in accordance with the Companies Law. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company’s shares are traded on the Kuwait Stock Exchange.

The principal activities of the Parent Company are represented in the real estate investments inside and outside the State of Kuwait, for the purposes of ownership, resale, leasing and renting. The Parent Company is also engaged in the development of real estate projects and construction contracts of buildings, managing the properties of others, establishing and managing real estate investment funds, real estate studies and consultancy, and investing in companies with activities similar to its own and exploiting the financial surpluses available at the Company through its investment in financial portfolios managed by professional companies and authorities.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the “Companies Law”), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013.

On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance. The Parent Company has amended its Memorandum of Incorporation and Articles of Association according to the new Law and it was approved by the shareholders at the Extraordinary General Assembly held on 23 June 2014.

The address of the Parent Company: PO Box 21816, Safat 13079, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2014 were authorised for issue by the Parent Company’s board of directors on 17 March 2015 and are subject to the approval of the general assembly of the shareholders.

### 2 Basis of preparation

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

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

The Group has elected to present the “consolidated statement of comprehensive income” in two statements: “consolidated statement of profit or loss” and “consolidated statement of comprehensive income”.

### 3 Statement of compliance

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

### 4 Changes in accounting policies

The accounting policies adopted in the preparation of the Group’s consolidated financial statements are consistent with those used in previous year, except for the adoption of new and amended standards discussed below:

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information, on these new standards which are relevant to the Group, is presented below:

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

#### *IAS 32 Financial Instruments: Presentation - Amendments*

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of "currently has a legally enforceable right of set-off".
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendments had no material effect on the Group's consolidated financial statements for any periods presented.

#### *IAS 36 Impairment of Assets - Amendments*

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

The amendments have been applied retrospectively in accordance with their transitional provisions. The adoption of the amendments had no material effect on the disclosures in the Group's consolidated financial statements for any period presented.

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

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

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

#### 4.2 IASB Standards issued but not yet effective

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

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

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

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

#### *IFRS 9 Financial Instruments*

The IASB has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting. The new standard introduces extensive changes to ISA 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on application of hedge accounting.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, so the Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statement.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and provides a new control-based revenue recognition model using five step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligations.

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### *IFRS 15 Revenue from Contracts with Customers (continued)*

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

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

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

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

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

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

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

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

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

These amendments are not expected to have any material on the Group's consolidated financial statements.

##### *IAS 1 Disclosure Initiative – Amendments*

The Amendments to IAS 1 make the following changes:

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

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

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

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

These amendments are not expected to have any martial impact on the Group's consolidated financial statements.

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### *IAS 27 Equity Method in Separate Financial Statements - Amendments*

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

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

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

The Amendments are aimed at clarifying the following aspects:

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

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

##### *Annual Improvements to IFRSs 2012–2014 Cycle*

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

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

(iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

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

These amendments are not expected to have any material impact to the Group's consolidated financial statements.

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### *Annual Improvements to IFRSs 2010–2012 Cycle:*

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

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

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

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

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

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

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

##### *Annual Improvements 2011-2013 Cycle*

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

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

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

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

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

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

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies

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

#### 5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

#### 5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.2 Business combinations (continued)

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 profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

#### 5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

#### 5.4 Investment in associates

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

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

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

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.4 Investment in associates (continued)

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of an associate' in the consolidated statement of profit or loss.

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

#### 5.5 Segment reporting

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

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

#### 5.6 Revenue

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised;

##### 5.6.1 Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.6 Revenue (continued)

##### 5.6.1 *Rendering of services (continued)*

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*  
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

- *Fee income from providing transaction services*  
Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

##### 5.6.2 *Interest and similar income*

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

##### 5.6.3 *Dividend income*

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

#### 5.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

#### 5.8 Borrowing costs

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

#### 5.9 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

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

• Machines and equipment	20% to 33.33%
• Vehicles	20% to 25%
• Furniture, fixtures and office equipment	5% to 33.33%

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.9 Property, plant and equipment (continued)

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

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

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

#### 5.10 Investment properties

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

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

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

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

#### 5.11 Property under development

Property under development represents property held for future use as investment property and is initially measured at cost. Subsequently, property under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

#### 5.12 Investments in lands and real estate held for trading

Trading properties are stated at the lower of cost or net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

#### 5.13 Impairment testing of goodwill and non financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.13 Impairment testing of goodwill and non financial assets (continued)

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

#### 5.14 Financial instruments

##### 5.14.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.14 Financial instruments (continued)

##### 5.14.1 *Recognition, initial measurement and derecognition (continued)*

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

##### 5.14.2 *Classification and subsequent measurement of financial assets*

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Receivables
- Financial assets at fair value through profit or loss (FVTPL)
- Available-for-sale (AFS) financial assets.

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

##### • *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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

The Group categorises receivables into following categories:

##### • *Receivables and other financial assets*

Trade receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "Other debit balances/Other financial assets"

##### • *Cash and bank balances and Short term deposits*

Cash on hand and demand deposits are classified under cash and bank balances and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.14 Financial instruments (continued)

##### 5.14.2 Classification and subsequent measurement of financial assets (continued)

- **Financial assets at FVTPL**

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- **AFS financial assets**

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

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

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

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

AFS financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

##### 5.14.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include terms loans, due to banks, accounts payable and other credit balances.

The subsequent measurement of financial liabilities depends on their classification. The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL)".

- **Financial liabilities other than at fair value through profit or loss**

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.14 Financial instruments (continued)

##### 5.14.3 Classification and subsequent measurement of financial liabilities (continued)

- *Borrowings (terms loans and due to banks)*

Borrowings are carried on the date of the consolidated statement of financial position at their principal amounts. Interest is charged as an expense as it accrues, with unpaid interest included in the creditors' balances. All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- *Murabaha finance payables*

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

##### 5.14.4 Amortised cost of financial instruments

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

##### 5.14.5 Offsetting of financial instruments

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

##### 5.14.6 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 31.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.15 Equity, reserves and dividend payments

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to available for sale financial assets

Retained earnings includes all current and prior period retained profits. All transactions with owners of the Parent are recorded separately within equity.

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

#### 5.16 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "Reserve of profit on sale of treasury shares"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

#### 5.17 Provisions, contingent assets and contingent liabilities

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

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

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

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

#### 5.18 Foreign currency translation

##### 5.18.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.18 Foreign currency translation (continued)

##### 5.18.2 Foreign currency transactions and balances

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

##### 5.18.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

#### 5.19 End of service indemnity

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

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

#### 5.20 Taxation

##### 5.20.1 National Labour Support Tax (NLST)

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

##### 5.20.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

##### 5.20.3 Zakat

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

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.21 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception.

#### 5.22 Fiduciary assets

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

### 6 Significant management judgments and estimation uncertainty

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

#### 6.1 Significant management judgments

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

##### 6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or other comprehensive income.

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

Designation of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets.

When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are designated as at fair value through profit or loss.

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

All other financial assets are classified as available for sale.

##### 6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

## Notes to the consolidated financial statements (continued)

### 6 Significant management judgments and estimation uncertainty (continued)

#### 6.1 Significant management judgments (continued)

##### 6.1.2 Classification of real estate (continued)

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

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

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

##### 6.1.3 Control assessment

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

#### 6.2 Estimation uncertainty

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

##### 6.2.1 Impairment of available for sale investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including the future cash flows and the discount factors for unquoted equities.

During the year ended 31 December 2014, impairment loss recognised for available for sale investments amounted to KD3,014 thousand (2013: KD534 thousand).

##### 6.2.2 Impairment of associates

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

##### 6.2.3 Impairment of receivables

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2014, no impairment losses were recognised for receivables (2013: KD Nil).

##### 6.2.4 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

## Notes to the consolidated financial statements (continued)

### 6 Significant management judgments and estimation uncertainty (continued)

#### 6.2. Estimation uncertainty (continued)

##### 6.2.5. Impairment investment in lands and real estate held for trading

Investments in land and real estate held for trading (Inventories) are held at the lower of cost or net realisable value. An estimate is made of their net realisable value on an individual basis.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

##### 6.2.6. Useful lives of depreciable assets

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

##### 6.2.7 Fair value of financial instruments

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

### 7 Subsidiary companies

#### 7.1 The consolidated subsidiary companies of the Group are as follows:

Subsidiary companies	Percentage of ownership in subsidiary companies		Country of incorporation	Principal activity	Date of incorporation	Date of control
	31 Dec. 2014 %	31 Dec. 2013 %				
Tamdeen Investment Company-KPSC (effective holding 56.93%) (a)	51.37	51.37	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company - KSC (Closed) (effective holding 78.47%)	75.69	75.69	Kuwait	Real estate	17 March 2007	17 March 2007
Tamdeen for Real Estate Development Company -KSC (Closed) [previously: Tamdeen Housing Company – KSC (Closed)] (b)	-	45.41	Kuwait	Real estate	21 July 2008	21 July 2008
Al Adiyat International Real Estate Company – KSC (Closed)	97.75	97.75	Kuwait	Real estate	25 June 2006	1 April 2012

## Notes to the consolidated financial statements (continued)

### 7 Subsidiary companies (continued)

#### 7.1 The consolidated subsidiary companies of the Group are as follows: (continued)

- (a) The registered shareholdings of the Parent Company in this subsidiary is 51.37%. However, the effective ownership percentage in this subsidiary (Tamdeen Investment Company – KPSC) for consolidation purposes is 56.93% after due addition of the Group's share in the treasury shares held by this subsidiary to the registered shareholding of the Parent Company. The total cost of acquisition of its own shares by Tamdeen Investment Company – KPSC which is attributable to the Group amounted to KD3,805 thousand, and the cost of acquisition did not significantly differ from the net carrying value of the NCI.
- (b) During the current year, Tamdeen for Real Estate Development Company – KSC (Closed) [previously: Tamdeen Housing Company – KSC (Closed)] increased its share capital by an amount of KD10,000 thousand to become KD11,000 thousand but the Group did not fully subscribe for this increase, resulting in the decrease of its share in this Company from 45.41% to 38%. Thus the book value of the investment in Tamdeen for Real Estate Development Company – KSC (Closed) [previously: Tamdeen Housing Company – KSC (Closed)] was reclassified from investment in subsidiary to investment in associate (Note 13) during the current year.

#### 7.2 Subsidiaries with material non-controlling interests

The Group includes only one subsidiary with material non-controlling interests (NCI):

	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2014	31 Dec. 2013	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Tamdeen Investment Company- KPSC*	43.07%	48.63%	4,205	1,926	72,896	56,155
Immaterial subsidiaries with non- controlling interests			(2)	(15)	5	413
			4,203	1,911	72,901	56,568

\* The NCI of Manshar Real Estate Company – KSC (Closed) is included within Tamdeen Investment Company's NCI.

#### 7.3 Summarised financial information for Tamdeen Investment Company - KPSC, before intraGroup eliminations, is set out below:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Non-current assets	242,032	148,736
Current assets	10,882	3,583
<b>Total assets</b>	<b>252,914</b>	<b>152,319</b>
Non-current liabilities	(74,368)	(35,410)
Current liabilities	(23,108)	(1,444)
<b>Total liabilities</b>	<b>(97,476)</b>	<b>(36,854)</b>
<b>Equity attributable to the shareholders of the Parent Company</b>	<b>82,542</b>	<b>59,310</b>
<b>Non-controlling interests (including non controlling interests in the subsidiary's statement of financial position)</b>	<b>72,896</b>	<b>56,155</b>

## Notes to the consolidated financial statements (continued)

### 7 Subsidiary companies (continued)

7.3 Summarised financial information for Tamdeen Investment Company - KPSC, before intraGroup eliminations, is set out below: (continued)

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Revenue	12,987	6,398
Profit for the year attributable to the shareholders of the Parent Company	5,034	2,035
Profit for the year attributable to NCI	4,414	2,010
Profit for the year	9,448	4,045
Other comprehensive income for the year attributable to the owners of the Parent Company	15,352	12,973
Other comprehensive income for the year attributable to NCI	11,006	12,197
Total other comprehensive income for the year	26,358	25,170
Total comprehensive income for the year attributable to the shareholders of the Parent Company	20,386	15,008
Total comprehensive income for the year attributable to NCI	15,420	14,207
Total comprehensive income for the year	35,806	29,215
Dividends paid to non controlling interests	1,139	1,158

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Net cash flow from operating activities	(7,914)	(1,986)
Net cash flow from investing activities	(4)	1,007
Net cash flow from financing activities	15,008	1,685
Net cash outflow	7,090	706

### 8 Operational expenses

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Direct staff costs	992	863
Other real estate expenses	2,259	2,266
	3,251	3,129

## Notes to the consolidated financial statements (continued)

### 9 Other operational income

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Yacht club membership revenue	86	40
Projects management fees and consultancies	533	352
Services revenue – Al Kout Complex	236	233
Other miscellaneous revenue	168	152
	<b>1,023</b>	<b>777</b>

### 10 Net income from investments

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Net gain on sale of available for sale investments	2,258	228
Impairment in value of available for sale investments	(3,014)	(534)
Net unrealised gain from investments at fair value through profit or loss	184	229
Dividends income	6,811	5,246
Interest income	22	14
	<b>6,261</b>	<b>5,183</b>

### 11 Basic and diluted earnings per share attributable to owners of the Parent Company

Earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
Profit for the year attributable to owners of the Parent Company (KD'000)	<b>7,399</b>	<b>4,424</b>
Weighted average of the number of outstanding shares (excluding treasury shares) (in thousand)	<b>382,743</b>	<b>388,783</b>
<b>Basic and diluted earnings per share attributable to owners of the Parent Company</b>	<b>19.3 Fils</b>	<b>11.4 Fils</b>

The weighted average numbers of shares outstanding during the previous year have been restated to add the bonus shares issued during the year (Note 25).

The earnings per share reported during the previous year ended 31 December 2013 was 11.9 Fils.

## Notes to the consolidated financial statements (continued)

### 12 Property, plant and equipment

	Machines and equipment KD'000	Vehicles KD'000	Furniture, fixtures and office equipment KD'000	Total KD'000
<b>31 December 2014</b>				
<b>Cost</b>				
At beginning of the year	602	58	2,442	3,102
Additions during the year	81	-	109	190
Disposals during the year	-	(6)	(2)	(8)
<b>At end of the year</b>	<b>683</b>	<b>52</b>	<b>2,549</b>	<b>3,284</b>
<b>Accumulated depreciation</b>				
At beginning of the year	520	37	1,035	1,592
Charge for the year	56	10	195	261
Relating to disposals	-	(6)	(2)	(8)
<b>At end of the year</b>	<b>576</b>	<b>41</b>	<b>1,228</b>	<b>1,845</b>
<b>Net book value</b>				
<b>At end of the year</b>	<b>107</b>	<b>11</b>	<b>1,321</b>	<b>1,439</b>
<b>31 December 2013</b>				
<b>Cost</b>				
At beginning of the year	597	46	2,352	2,995
Additions during the year	5	12	91	108
Disposals during the year	-	-	(1)	(1)
<b>At end of the year</b>	<b>602</b>	<b>58</b>	<b>2,442</b>	<b>3,102</b>
<b>Accumulated depreciation</b>				
At beginning of the year	430	28	841	1,299
Charge for the year	90	9	195	294
Relating to disposals	-	-	(1)	(1)
<b>At end of the year</b>	<b>520</b>	<b>37</b>	<b>1,035</b>	<b>1,592</b>
<b>Net book value</b>				
<b>At end of the year</b>	<b>82</b>	<b>21</b>	<b>1,407</b>	<b>1,510</b>

## Notes to the consolidated financial statements (continued)

### 13 Investments in associates

This item comprises the investments of the Group in the following associates:

Company's name	Place of Incorporation	31 December 2014			31 Dec. 2013		
		Ownership %		Value	Ownership %		Value
		Direct	Indirect*	KD'000	Direct	Indirect*	KD'000
Ajmal Holding Company – BSC (a,b)	Bahrain	19	38	682	19	19	11,626
Tamdeen Holding Company – KSC (Holding Closed) (b,e)	Kuwait	30	40	27,538	30	40	22,224
Fucom for Central Markets – KSC (Closed)	Kuwait	25	-	490	25	-	354
Tamdeen Shopping Centers Company – KSC (Closed) (e)	Kuwait	30	-	39,479	30	-	37,460
Tamdeen Franchises Holding Company – KSC (Holding Closed) (c)	Kuwait	-	-	-	20	20	13,682
Tamdeen Resorts Company – WLL (c,d)	Kuwait	-	-	-	22	46	6,390
Al Maysam Combined General Trading Company – WLL (b)	Kuwait	20	40	2,398	20	20	1,601
Kuwait National Cinema Company – KPSC (c,e)	Kuwait	-	45	51,600	-	-	-
Tamdeen Pearl Real Estate Company – KSC (Closed) (c, e)	Kuwait	-	31	27,533	-	-	-
Tamdeen for Real Estate Development Company – KSC (Closed) (b, & note 7.1-b)	Kuwait	15	35	5,599	-	-	-
Gulf and Asia Holding Company – (Holding)	Kuwait	-	20	471	-	20	471
				155,790			
							93,808

\* Indirect holding through two subsidiaries [Tamdeen Investment Company – KPSC and Manshar Real Estate Company – KSC (Closed) (Note 7)].

- (a) During the year, the Group received shares of a Company outside the State of Kuwait of total value equivalent to KD11,231 thousand against the decrease of the share capital of Ajmal Holding Company - BSC, which resulted in decrease in the value of the investment in this associate by the same amount, and also resulted in an effect on the retained earnings by an amount of KD2,158 thousand as a result of the restructuring of the share capital of this associate.
- (b) The Parent Company's management confirms that the Group do not exercise control over the decisions of Ajmal Holding Company – BSC, Tamdeen Holding Company – KSC (Holding Closed), Al Maysam Combined General Trading Company – WLL and Tamdeen for Real Estate Development – KSC (Closed) either directly or in participation with the indirect shares. Accordingly, the financial statements of these companies were not consolidated, and they were accounted for using the equity method within the associates above.

## Notes to the consolidated financial statements (continued)

### 13 Investments in associates (continued)

- (c) During the year, the Group has increased its share in Tamdeen Franchises Holding Company – KSC (Holding Closed) by an amount of KD15,000 thousand and Tamdeen Resorts Company – WLL by an amount of KD7,000 thousand, and this has resulted in an increase in the share of the Group in these companies to 80% and 75% respectively. Consequently, the Group's previous holding in these investments have been reclassified from associates to subsidiary companies. The Group has started consolidating the financial statements of these two companies from the date when the Group exercised control over these companies in May and September 2014 respectively.

The process of integrating the business of Tamdeen Franchises Holding Company – KSC (Holding Closed) occurred in phases, and the Group recognized a net profit of amount KD1,150 thousand which is represented in the Group's share in the reserves of the previously held ownership share, and which has been reclassified to the consolidated statement of profit or loss for the year ended 31 December 2014 within share of results of associates.

The acquisition process has been accounted for based on the specified value of the acquired companies' assets and liabilities at the date of acquisition, and the following is an illustration for the fair value of net assets acquired and which is approximately equivalent to its book value based on management's estimation as at the date of acquisition:

	Tamdeen Franchises Holding Company KD'000	Tamdeen Resorts Company KD'000	Total KD'000
<b>Assets:</b>			
Investments in associates	47,549	27,531	75,080
Available for sale investments	2,026	-	2,026
Accounts receivable and other debit balances	5	-	5
Cash and cash equivalents	2,875	11,520	14,395
<b>Liabilities:</b>			
Term loans and due to banks	(15,250)	-	(15,250)
Accounts payable and other credit balances	(118)	(20,534)	(20,652)
Provision for end of service indemnity	(1)	-	(1)
<b>Net assets acquired</b>	<b>37,086</b>	<b>18,517</b>	<b>55,603</b>
Share of non-controlling interests	(7,293)	(5,121)	(12,414)
<b>Group's share in net assets acquired</b>	<b>29,793</b>	<b>13,396</b>	<b>43,189</b>
Deduct: Fair value of Tamdeen Investment Company - KPSC previously held share in the investment	(7,293)	(4,258)	(11,551)
Deduct: Fair value of the Parent Company's previously held share in the investment	(7,500)	(2,138)	(9,638)
<b>Acquisition cost</b>	<b>15,000</b>	<b>7,000</b>	<b>22,000</b>
Deduct: Cash and cash equivalents at acquisition date	(2,875)	(11,520)	(14,395)
<b>Cash used in/(resulting from) acquisition of subsidiaries at end of the year</b>	<b>12,125</b>	<b>(4,520)</b>	<b>7,605</b>

## Notes to the consolidated financial statements (continued)

### 13 Investments in associates (continued)

The consolidation of the financial statements of Tamdeen Franchises Holding Company – KSC (Holding Closed) has resulted in the appearance of a new associate which is Kuwait National Cinema Company.

The consolidation of the financial statements of Tamdeen Resorts Company – WLL has resulted in the appearance of a new associate which is Tamdeen Pearl Real Estate Company – KSC (Closed).

- (d) During the previous year, the share capital of Tamdeen Resorts Company – WLL was increased by an amount of KD9,000 thousand to become KD9,250 thousand, and the Parent Company and Tamdeen Investment Company – KPSC (subsidiary Company) subscribed in this increase by a total amount of KD6,250 thousand including an amount of KD3,250 thousand from related parties.
- (e) Summarised financial information in respect of each of the Group's material associates, are set out in the following notes (i,ii,iii,iv). The summarised financial information in these notes represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

#### (i) Tamdeen Holding Company – KSC (Holding Closed) (unquoted investment)

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Non-current assets	44,253	35,074
Current assets	105	2,002
Non-current liabilities	(8)	(7)
Current liabilities	(5,155)	(5,321)
Equity attributable to the shareholders of the associate	39,195	31,748

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Revenue	1,815	1,622
Profit for the year	1,369	1,316
Other comprehensive income for the year	6,077	5,278
Total comprehensive income for the year	7,446	6,595

## Notes to the consolidated financial statements (continued)

### 13 Investments in associates (continued)

#### (i) Tamdeen Holding Company – KSC (Holding Closed) (unquoted investment) (continued)

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Holding Company – KSC (Holding Closed) is set out below:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Net assets of the associate attributable to the shareholders of the associate	39,195	31,748
Proportion of the Group's ownership interest in the associate	70%	70%
Other adjustments	101	-
Carrying value of the investment	27,538	22,224

#### (ii) Tamdeen Shopping Centers Company – KSC (Closed) (unquoted investment)

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Non-current assets	187,530	159,605
Current assets	62,861	77,322
Non-current liabilities	(81,375)	(81,577)
Current liabilities	(23,004)	(16,292)
Non controlling interest	(6,486)	(6,261)
Equity attributable to the shareholders of the associate	139,526	132,797

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Revenue	21,184	20,177
Profit for the year	8,942	8,200
Other comprehensive income for the year	3,022	1,102
Total comprehensive income for the year	11,954	9,307
Dividends received from the associate during the year	1,500	1,500

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Shopping Centers Company – KSC (Closed) is set out below:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Net assets of the associate attributable to the shareholders of the associate	139,526	132,797
Proportion of the Group's ownership interest in the associate	30%	30%
Other adjustments	(2,379)	(2,379)
Carrying value of the investment	39,479	37,460

## Notes to the consolidated financial statements (continued)

### 13 Investments in associates (continued)

#### (iii) Kuwait National Cinema Company – KPSC (quoted investment)

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Non-current assets	72,345	-
Current assets	12,653	-
Non-current liabilities	(1,166)	-
Current liabilities	(19,959)	-
Equity attributable to the shareholders of the associate	63,873	-

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Revenue	17,970	-
Profit for the year	8,995	-
Other comprehensive income for the year	8,637	-
Total comprehensive income for the year	17,633	-
Dividends received from the associate during the year	2,154	-

A reconciliation of the above summarised financial information to the carrying value of the investment in Kuwait National Cinema Company – KPSC is set out below:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Net assets of the associate attributable to the shareholders of the associate	63,873	-
Proportion of the Group's ownership interest in the associate	44.52%	-
Goodwill	14,461	-
Other adjustments	8,701	-
Carrying value of the investment	51,600	-

All the associates of the Group are not listed in active markets except for Kuwait National Cinema Company – KPSC and the fair value of the Group's investments in this associate amounted to KD43,200 thousand as at 31 December 2014.

#### (iv) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment)

Tamdeen Pearl Real Estate Company – KSC (Closed) has been established recently, and its net assets amounting to KD89,566 thousand as at 31 December 2014, are represented mainly in lands and properties held for trading and do not have any significant commitments.

## Notes to the consolidated financial statements (continued)

### 13 Investments in associates (continued)

#### (iv) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment) (continued)

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Pearl Real Estate Company – KSC (Closed) is set out below:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Net assets of the associate attributable to the shareholders of the associate	89,566	-
Proportion of the Group's ownership interest in the associate	30.74%	-
Carrying value of the investment	27,533	-

#### (i) Aggregate information of the associates that are not individually material to the Group:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
The Group's share in profit for the year	1,336	960
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	9,640	34,124

### 14 Investment properties

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Value at beginning of the year	21,100	20,880
Change in fair value during the year	150	220
Value at end of the year	21,250	21,100

The balance of the Group's investment properties amounting to KD21,250 thousand (2013: KD21,100 thousand) represents the estimated fair value of Al-Manshar Rotana Hotel property which is totally managed and operated by Rotana Hotel Management Corporation LTD and which has been separated during the year 2012 from Al-Manshar Commercial and Residential Complex property which has been demolished and is currently being redeveloped (Note 15). These investment properties are totally mortgaged against term loans (Note 22).

The estimation of fair value by an independent real estate valuer has resulted in a change in fair value of KD150 thousand (2013: KD220 thousand) being recognized in the consolidated statement of profit or loss (note 31.4).

## Notes to the consolidated financial statements (continued)

### 15 Properties under development

	31 Dec. 2014 KD'000	31 Dec 2013 KD'000
<b>Cost</b>		
At beginning of the year	37,198	36,411
Additions during the year (a)	4,227	787
Disposals	(123)	-
<b>At end of the year</b>	<b>41,302</b>	<b>37,198</b>
<b>Impairment in value</b>		
At beginning of the year	2,484	1,043
Additions during the year (b)	-	1,441
Related to disposals	(123)	-
<b>At end of the year</b>	<b>2,361</b>	<b>2,484</b>
<b>Net book value at end of the year</b>	<b>38,941</b>	<b>34,714</b>

- (a) The additions to the properties under development mainly represent the amounts expensed during the year for the redevelopment of Al-Kout Mall project through one of the subsidiaries (Manshar Real Estate Company – KSC). Properties under development with a carrying value of KD38,528 thousand (2013: KD 34,315 thousand) (Al-Kout Mall project) are totally mortgaged against term loans (Note 22).
- (b) During last year, the Group impaired the total cost of properties under development related to Barwa City project located in the State of Qatar for an amount of KD1,441 thousand, and this was according to management estimates about the decline in the project's value.
- (c) Due to difficulty of obtaining a reliable fair value of the properties under development, the management decided to maintain the cost method for all properties under development until the implementation stages are completed, unless there are signs of decline in the value of these properties.
- (d) Finance costs of KD379 thousand (KD Nil as at 31 December 2013) have been capitalized during the year.

### 16 Available for sale investments

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Local managed portfolios	5,208	5,204
Participations in local companies shares	4,687	6,930
Participations in capital of companies located outside Kuwait	124,717	99,052
	<b>134,612</b>	<b>111,186</b>

Participations in capital of companies located outside Kuwait include investments of the subsidiary Company [Tamdeen Investment Company – KPSC], in shares listed outside Kuwait. These participations include investments with a total fair value of KD74,095 thousand (2013: KD61,883 thousand) mortgaged against term loans (Note 22).

## Notes to the consolidated financial statements (continued)

### 17 Accounts receivable and other debit balances

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Receivable from tenants	543	1,477
Staff receivable	56	53
Prepaid expenses	157	178
Due from related parties(a)	2,190	2,893
Due from sale of investments in lands and real estate held for trading(a)	6,184	7,088
Advance payments to contractors (b)	5,535	-
Other debit balances	803	724
	15,468	12,413
Provision for doubtful debts	(258)	(1,061)
	15,210	11,352

- a) The balances due above (from related parties and from sale of investments in lands and real estate held for trading) are mainly represented by the amounts due from the sale transaction previously performed by the Group for some of its real estate plots which have been invested in for trading purposes to related parties for an amount of KD9,103 thousand and other third parties for an amount of KD10,030 thousand. The Group's management confirms that these due amounts are totally collectible from the concerned parties.
- b) The advance payments to contractors included an amount of KD5,711 thousand paid during the year to a local contractor as a 10% advance payment from the total signed contract value for Al-Kout Mall project (Fahaheel, Kuwait) which is classified under properties under development. The Group has recovered an amount of KD188 thousand from this advance payment during the year against payments made to the contractor.

### 18 Investments in lands and real estate held for trading

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Balance at beginning of the year	11,341	11,341
Additions during the year	268	-
Balance at end of the year	11,609	11,341

### 19 Share capital

- a) As of 31 December 2014, the authorized, issued and fully paid share capital in cash of the Parent Company comprised of 391,776 thousand shares of 100 Kuwaiti Fils each (2013: 373,120 thousand shares of 100 Kuwaiti Fils each).
- b) At the Annual General Meeting held on 23 June 2014, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 18,656 thousand shares of 100 Kuwaiti Fils each amounting to KD1,866 thousand.

## Notes to the consolidated financial statements (continued)

### 20 Treasury shares

	31 Dec. 2014	31 Dec. 2013
Number of shares - share	12,673,656	2,939,517
Percentage of issued shares	3.2%	0.8%
Market value (KD'000)	5,830	635
Cost (KD'000)	3,462	754

### 21 Reserves

In accordance with the Companies Law of Kuwait, 10% of the profit attributable to the owners of the Parent Company before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is transferred each year to the legal reserve until such time that the balance of the legal reserve account equals 50% of the balance of the paid up share capital.

Distribution of the legal reserve is limited to the amount required to enable the payment of dividends of 5% of paid-up share capital to be made in years when retained earnings are insufficient for the payment of dividends of that amount.

10% of this profit before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is also transferred to the voluntary reserve, and this transfer could be ceased based on the decision of the Parent Company's board of directors. Transfers to the voluntary reserve are made in accordance with the recommendation of the Parent Company's board of directors to the general assembly.

The amounts transferred during the year to the legal and voluntary reserves attributable to the Parent Company have been calculated as follows:

	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
Profit for the year	11,602	6,335
Deduct:		
Profit attributable to non-controlling interests	(4,203)	(1,911)
Profit attributable to owners of the Parent Company	7,399	4,424
Add:		
Board of directors' remuneration of the Parent Company	60	50
Provision for National Labour Support Tax (NLST) of the Parent Company	99	71
Provision for Zakat of the Parent Company	16	-
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) of the Parent Company	-	-
Profit attributable to owners of the Parent Company before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	7,574	4,545
Transferred to legal reserve (10%)	757	454
Transferred to voluntary reserve (10%)	757	454

### 22 Term loans

The settlement due dates of loans have been classified by the Parent Company's management as follows:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Within one year	5,000	5,000
Over one year	146,750	102,812
	151,750	107,812

## Notes to the consolidated financial statements (continued)

### 22 Term loans (continued)

The loans which due dates are classified over one year, included loan balances of KD99,750 thousand which represent revolving loans which can be renewed annually without preconditions at the request of the Parent Company's management, accordingly, it has been classified by the Parent Company's management as non-current loans.

All the term loans are granted to the Group by local banks. These loans are denominated in Kuwaiti Dinars with annual interest rate ranging between 1.75% and 2% (2013: ranging between 1.75% and 2%) over the discount rate announced by the Central Bank of Kuwait. The total amount of the instalments relating to the loans which are to be repaid within twelve months from the date of the consolidated statement of financial position is shown as a current liability.

The loans granted to the subsidiary companies are against the mortgage of investments in shares with a fair value of KD74,095 thousand (2013: KD61,883 thousand) (Note 16), mortgage of investments in associates by an amount of KD21,219 thousand (2013: KD Nil), and mortgage of investment properties (Note 14) and properties under development (Note 15).

### 23 Accounts payable and other credit balances

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Retentions for executed works	514	131
Income received in advance	583	711
Accrued leave and expenses	3,292	2,516
Due to related parties	66	94
Uncollected dividends of shareholders	330	305
Other creditors	13,798	-
Other credit balances	5,623	6,091
	<b>24,206</b>	<b>9,848</b>

### 24 Due to banks

Due to banks represent the balances of overdraft facilities which are granted to the Group by local banks to finance the working capital and the real estate activities. They are repayable on demand with annual floating interest rate which is equal to current interest rate in market.

### 25 Proposed appropriations

The board of directors of the Parent Company's propose to distribute cash dividends of 10% or 10 Kuwaiti Fils per share from the paid-up share capital and bonus share of 5% per share from the paid-up share capital, and this proposal is subject to the approval of the general assembly of shareholders and control authorities.

The general assembly of shareholders held on 23 June 2014 approved the consolidated financial statements for the year ended 31 December 2013 and directors' proposal to distribute cash dividends of 8% or equivalent to 8 Kuwaiti Fils per share and bonus shares of 5% to the shareholders, and to pay a remuneration of KD 50 thousand to the board of directors for the year ended 31 December 2013 (the general assembly of shareholders held on 26 May 2013 approved to distribute cash dividends of 8% or equivalent to 8 Kuwaiti Fils per share from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD70 thousand for the year ended 31 December 2012).

## Notes to the consolidated financial statements (continued)

### 26 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following balances of the consolidated statement of financial position:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Cash and bank balances	5,555	3,573
Short term deposits	5,684	1,413
	<b>11,239</b>	<b>4,986</b>

Short term deposits earn interest at annual rate of 1% (annual rate of 1% in 2013).

### 27 Segmental analysis

The Group activities are concentrated in two main segments: Real Estate and Investment. The segments' results are reported to the top management in the Group. The activities of the Group are principally carried out within the State of Kuwait; With the exception of participations in capital of companies located outside Kuwait (Note 16), all of the assets and liabilities are located inside Kuwait.

The following is the segments information, which conforms with the internal reporting presented to management:

	Real estate KD'000	Investment KD'000	Total KD'000
<b>Year ended at 31 December 2014</b>			
Gross income	10,011	14,422	24,433
Profit for the year	580	11,022	11,602
Total assets	88,534	302,637	391,171
Total liabilities	(85,156)	(97,476)	(182,632)
Total equity	3,378	205,161	208,539
<b>Year ended at 31 December 2013</b>			
Gross income	9,838	8,095	17,933
Profit for the year	514	5,821	6,335
Total assets	81,126	209,775	290,901
Total liabilities	(83,662)	(36,854)	(120,516)
Total equity	(2,536)	172,921	170,385

### 28 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

## Notes to the consolidated financial statements (continued)

### 28 Related party transactions (continued)

Details of significant related party transactions and balances are as follows:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
<b>Consolidated statement of financial position</b>		
Accounts receivable and other debit balances (Note 17)	2,190	2,893
Accounts payable and other credit balances (Note 23)	66	94
Purchase of additional shares in associates (Note 13)	2,722	3,250
Purchase of additional shares in subsidiaries (Note 13)	15,000	-
	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000
<b>Consolidated statement of profit or loss</b>		
Management fees income and consultancies	643	441
Operational expenses	747	636
<b>Compensation of key management personnel of the Group</b>		
Short term employee benefits and board of directors' remuneration	705	681
	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
<b>Contra accounts – off consolidated statement of financial position items</b>		
Net book value of customers' portfolios (major shareholders) managed by Tamdeen Investment Company – KPSC (subsidiary Company)	141,122	63,687

### 29 Capital commitments and contingent liabilities

At the date of the consolidated statement of financial position, the Group had contingent liabilities against letters of guarantee issued in favour of third parties of amount KD1,096 thousand (KD2,271 thousand at 31 December 2013).

The Group had capital commitments amounting to KD49,707 thousand (KD Nil at 31 December 2013) for its project classified as properties under development.

### 30 Contra accounts – off consolidated statement of financial position items

One of the subsidiary companies [Tamdeen Investment Company – KPSC] manages investment portfolios for third parties which had a net book value of KD267,562 thousand at 31 December 2014 (2013: KD165,314 thousand) including KD141,122 thousand (2013: KD63,687 thousand) related to portfolios for related parties (Note 28). These balances are not included in the consolidated statement of financial position.

## Notes to the consolidated financial statements (continued)

### 31 Summary of financial assets and liabilities by category and fair value measurement

#### 31.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
<b>Financial assets</b>		
<b>Financial assets at amortised cost:</b>		
- Accounts receivable and other debit balances	15,210	11,352
- Cash and cash equivalents	11,239	4,986
	<b>26,449</b>	<b>16,338</b>
<b>Investments at fair value through profit or loss :</b>		
- At fair value	1,081	904
<b>Available for sale investments :</b>		
-At fair value	122,563	96,275
-Carrying at cost less impairment in value, if any*	12,049	14,911
	<b>134,612</b>	<b>111,186</b>
<b>Total financial assets</b>	<b>162,142</b>	<b>128,428</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost:</b>		
- Accounts payable and other credit balances	24,206	9,848
-Term loans	151,750	107,812
- Due to banks	4,670	937
- Refundable rental deposits	1,155	1,206
<b>Total financial liabilities</b>	<b>181,781</b>	<b>119,803</b>

\* It was not possible to reliably measure the fair value of available for sale investments amounting to KD12,049 thousand (2013: KD14,911 thousand) due to non availability of reliable method that could be used to determine the fair value of such investments, accordingly, these were stated at cost less impairment, if any. Management is not aware of any circumstances that would indicate any impairment/further impairment, in the value of these investments as of the reporting date.

#### 31.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments at fair value through profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in note 31.1 to the consolidated financial statements) are carried at fair value and measurement details are disclosed in note 31.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values. The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (note 14 and 31.4).

#### 31.3 Fair value hierarchy

All financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## Notes to the consolidated financial statements (continued)

### 31 Summary of financial assets and liabilities by category and fair value measurement (continued)

#### 31.3 Fair value hierarchy (continued)

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

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

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>Financial assets at fair value at 31 December 2014</b>					
<b>Investments at fair value through profit or loss</b>					
• Quoted shares	a	1,081	-	-	1,081
<b>Available for sale investments</b>					
- Local managed portfolios					
• Quoted shares	a	246	-	-	246
- Participations in local companies shares					
• Quoted shares	a	4,961	-	-	4,961
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	113,230	-	-	113,230
• Unquoted shares	c	-	-	4,126	4,126
		119,518	-	4,126	123,644
<b>Financial assets at fair value at 31 December 2013</b>					
<b>Investments at fair value through profit or loss</b>					
• Quoted shares	a	904	-	-	904
<b>Available for sale investments</b>					
- Local managed portfolios					
• Quoted shares	a	404	-	-	404
• Unquoted shares	b	-	2,250	-	2,250
- Participations in local companies shares					
• Quoted shares	a	4,800	-	-	4,800
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	84,118	-	-	84,118
• Unquoted shares	c	-	-	4,703	4,703
		90,226	2,250	4,703	97,179

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

## Notes to the consolidated financial statements (continued)

### 31 Summary of financial assets and liabilities by category and fair value measurement (continued)

#### 31.3 Fair value hierarchy (continued)

##### Measurement at fair value

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

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

##### Financial instruments in level 1

##### a) Quoted shares (level 1)

The quoted shares present all listed shares that are traded in the financial markets. The fair values are determined by reference to the latest bid prices at the reporting date.

##### Financial instruments in level 2 and level 3

##### b) Unquoted shares (level 2)

This represents investments in unquoted securities included in local managed portfolios. Its fair value has been determined by reference to the latest financial report issued from the managers of these portfolios.

##### c) Unquoted shares (level 3)

The fair value of unquoted shares is determined by using valuation techniques. Fair value for the unquoted shares investments are approximately the summation of the estimated value of underlying investments as if realised on the date of the consolidated statement of financial position. The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each consolidated financial position date. Investment managers also used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

With regard to certain other unquoted shares, information is limited to periodic financial reports submitted by the managers of the investment. These investments are stated at the net assets value announced by the managers of the investment. As to the nature of these investments, the net assets value announced by the managers of the investment represents the best estimation of available fair values for these investments.

##### Level 3 fair value measurements

Reconciliation of level 3 fair value measurements is as follows:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Balance as at 1 January	4,703	1,737
Transfer inside level 3	(160)	3,500
Impairment in value – recognised in consolidated statement of profit or loss	(417)	(534)
Balance as at 31 December	4,126	4,703

## Notes to the consolidated financial statements (continued)

### 31 Summary of financial assets and liabilities by category and fair value measurement (continued)

#### 31.3 Fair value hierarchy (continued)

##### Level 3 fair value measurements (continued)

The level 3 investments have been fair valued as follows:

Financial assets	Valuation techniques and key input	Significant unobservable input	Relationship of unobservable input to fair value
Unquoted shares	Market value estimation	Book value adjusted with market risk	The higher the market risk the lower the fair value

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

#### 31.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2014 and 31 December 2013:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>31 December 2014</b>				
Investment properties				
- Al Manshar Rotana Hotel property	-	-	21,250	21,250
	-	-	21,250	21,250
<b>31 December 2013</b>				
Investment properties				
- Al Manshar Rotana Hotel property	-	-	21,100	21,100
	-	-	21,100	21,100

The fair value of the investment property has been determined based on the lower of two valuations obtained from independent valuers (one of the valuers is a bank located in Kuwait), who are specialised in valuing this type of investment properties. The significant inputs and assumptions are developed in close consultation with management. The valuers has valued the investment property using the market comparison approach. When the market comparison approach is used, adjustments have been incorporated for factors specific to the property in question, including property size, location, economic condition, similar property prices in surrounding area and permitted activities on the property.

##### Level 3 Fair value measurements

The measurement of the investment property classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment property within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Opening balance	21,100	20,880
Changes in fair value recognised in profit or loss	150	220
Ending balance	21,250	21,100

## Notes to the consolidated financial statements (continued)

### 32 Risk management objectives and policies

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

The Parent Company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management is carried out by investment management and audit committee and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns.

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

The most significant financial risks to which the Group is exposed to are as follows:

#### 32.1 Market risk

##### a) Foreign currency risk

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

The Group mainly operates in the Kuwait, GCC and other Middle Eastern countries, and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar . Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in accordance with the Group's risks management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
US Dollar	76,874	100,309

If the Kuwaiti Dinar had strengthened/weakened/against the foreign currencies by  $\pm 5\%$ , then this would have impact on the equity by KD3,844 thousand (2013: KD5,015 thousand).

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

## Notes to the consolidated financial statements (continued)

### 32 Risk management objectives and policies (continued)

#### 32.1 Market risk (continued)

##### b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its short term deposits, and its borrowings (term loans and due to banks). The borrowings mainly represent short and long term borrowings and bear fixed or variable rates of interest. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies maybe used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates of +0.5% and – 0.5% (2013: +0.5 % and – 0.5%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments exposed to interest rate risk held at the date of the consolidated statement of financial position. All other variables are held constant. There has been no change during this year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2014		Year ended 31 Dec. 2013	
	+ 0.5 % KD'000	- 0.5 % KD'000	+ 0.5 % KD'000	- 0.5 % KD'000
Effect on profit for the year	(730)	730	(532)	532

##### c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) and available for sale securities. The Group's investments are listed on the Kuwait Stock Exchange and other Gulf markets.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio where possible. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the date of the consolidated financial statements. There has been no change in the methods and assumptions used in the preparation of the sensitivity analysis.

If the prices of securities had been 5% higher/lower, the effect on the profit for the year and equity for the year ended 31 December would have been as follows:

	Profit for the year		Equity	
	Year ended 31 Dec. 2014 KD'000	Year ended 31 Dec. 2013 KD'000	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Market Stock Exchange index + 5%	54	45	5,979	4,701
Market Stock Exchange index – 5%	(54)	(45)	(5,979)	(4,701)

## Notes to the consolidated financial statements (continued)

### 32 Risk management objectives and policies (continued)

#### 32.2 Credit risk

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

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

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Available for sale investments	134,612	111,186
Accounts receivable and other debit balances	15,210	11,352
Investments at fair value through profit or loss	1,081	904
Cash and cash equivalents	11,239	4,986
	<b>162,142</b>	<b>128,428</b>

#### 32.3 Concentration of assets

The distribution of assets by geographic region was as follows:

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
<b>At 31 December 2014</b>			
<b>Geographic region:</b>			
Property, plant and equipment	1,439	-	1,439
Investments in associates	155,108	682	155,790
Investment properties	21,250	-	21,250
Properties under development	38,941	-	38,941
Available for sale investments	9,895	124,717	134,612
Accounts receivable and other debit balances	15,205	5	15,210
Investments at fair value through profit or loss	-	1,081	1,081
Investments in lands and real estate held for trading	11,609	-	11,609
Short term deposits	5,684	-	5,684
Cash and bank balances	5,555	-	5,555
	<b>264,686</b>	<b>126,485</b>	<b>391,171</b>
<b>At 31 December 2013</b>			
<b>Geographic region:</b>			
Property, plant and equipment	1,510	-	1,510
Investments in associates	82,182	11,626	93,808
Investment properties	21,100	-	21,100
Properties under development	34,714	-	34,714
Available for sale investments	12,134	99,052	111,186
Accounts receivable and other debit balances	11,351	1	11,352
Investments at fair value through profit or loss	8	896	904
Investments in lands and real estate held for trading	11,341	-	11,341
Short term deposits	1,413	-	1,413
Cash and bank balances	3,573	-	3,573
	<b>179,326</b>	<b>111,575</b>	<b>290,901</b>

## Notes to the consolidated financial statements (continued)

### 32 Risk management objectives and policies (continued)

#### 32.4 Liquidity risk

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

The contractual maturities (except for term loans which have been classified in accordance with the estimates of the parent's management – Note 22) of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	1-5 Years KD'000	Total KD'000
<b>31 December 2014</b>					
<b>Financial liabilities (undiscounted)</b>					
Refundable rental deposits	-	-	-	1,155	1,155
Accounts payable and other credit balances	-	-	24,206	-	24,206
Due to banks	-	-	4,670	-	4,670
Term loans	958	595	4,110	180,263	185,926
	<b>958</b>	<b>595</b>	<b>32,986</b>	<b>181,418</b>	<b>215,957</b>
<b>31 December 2013</b>					
<b>Financial liabilities (undiscounted)</b>					
Refundable rental deposits	-	-	-	1,206	1,206
Accounts payable and other credit balances	-	-	9,848	-	9,848
Due to banks	-	-	937	-	937
Term loans	862	419	2,786	123,404	127,471
	<b>862</b>	<b>419</b>	<b>13,571</b>	<b>124,610</b>	<b>139,462</b>

### 33 Capital management objectives

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Due to banks	4,670	937
Term loans	151,750	107,812
Less: Cash and cash equivalents	(11,239)	(4,986)
Net debt	145,181	103,763
Equity attributable to owners of the Parent Company	135,638	113,817
Non-controlling interests	72,901	56,568
Total capital	353,720	274,148

## Notes to the consolidated financial statements (continued)

### 33 Capital management objectives (continued)

The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital as follows:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Net debt	145,181	103,763
Total capital	353,720	274,148
Gearing ratio	41%	38%

### 34 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including equity, net profit and cash and cash equivalents.