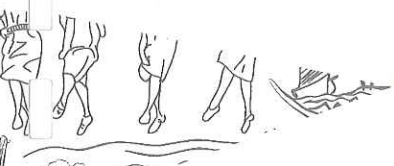

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Building a better
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First Qatar Real Estate Development Company K.S.C. (Closed)

FINANCIAL STATEMENTS

31 DECEMBER 2014

Building a better working world

Ernst & Young
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED)

Report on the Financial Statements

We have audited the accompanying financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (the "Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of income, statement of comprehensive income, statement of changes in equity and 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 Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 polices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

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

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

25 March 2015
Kuwait

STATEMENT OF INCOME

Year ended 31 December 2014

	Notes	*2014* *KD*	*2013* *KD*
Rental income		**225,059**	377,111
Properties operating expense		**(107,039)**	(126,633)
Net rental income		**118,020**	250,478
Sales of inventory properties		**7,390,623**	1,742,788
Cost of sales-inventory properties		**(6,412,090)**	(1,350,698)
Profit on sale of inventory properties		**978,533**	392,090
Change in fair value of investment properties	9	**30,643**	50,158
Gain on sale of financial assets carried at fair value through profit or loss		**23,093**	49,282
Unrealised gain on financial assets carried at fair value through profit or loss		**125,517**	13,926
Share of results of an associate		**(2,826)**	9,249
Dividend income		**65,366**	55,565
Other income	5	**3,666,381**	75,096
Administrative expenses		**(825,639)**	(628,970)
Finance costs		**(66,067)**	(87,677)
PROFIT BEFORE ZAKAT, CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND DIRECTORS' REMUNERATION		**4,113,021**	179,197
Zakat		**(41,373)**	(2,218)
Contribution to KFAS		**(23,223)**	-
Directors' remuneration	18	**(47,500)**	(52,500)
Reversal of directors' remuneration -2013	18	**22,500**	-
PROFT FOR THE YEAR	6	**4,023,425**	124,479
BASIC AND DILUTED EARNINGS PER SHARE	7	**8 fils**	0.2 fils

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 *KD*	*2013* *KD*
Profit for the year	**4,023,425**	124,479
Other comprehensive income		
Other comprehensive income to be reclassified to statement of income in subsequent periods:		
Exchange differences on translation of foreign operations	**(15,726)**	9,210
Other comprehensive (loss) income for the year	**(15,726)**	9,210
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,007,699**	133,689

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	*2014* *KD*	*2013* *KD*
ASSETS			
Non-current assets			
Property and equipment		**23,956**	74,842
Property under development	8	**32,546,207**	28,416,674
Investment in an associate		**169,986**	188,538
Investment properties	9	**8,121,533**	8,052,551
Term deposit	10	**-**	1,396,980
		40,861,682	38,129,585
Current assets			
Inventory properties		**424,958**	6,837,048
Financial assets carried at fair value through profit or loss	11	**6,605,921**	6,666,711
Accounts receivable and prepayments	12	**2,569,497**	1,640,310
Cash and cash equivalents	13	**11,454,711**	4,094,110
		21,055,087	19,238,179
TOTAL ASSETS		**61,916,769**	57,367,764
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**50,000,000**	50,000,000
Statutory reserve	15	**560,693**	302,662
General reserve	15	**258,031**	-
Foreign currency translation reserve		**(45,676)**	(29,950)
Retained earnings / (accumulated losses)		**1,974,648**	(1,532,715)
Total equity		**52,747,696**	48,739,997
Non-current liabilities			
Employees' end of service benefits		**179,506**	188,969
Islamic financing payables	16	**881,458**	5,575,093
		1,060,964	5,764,062
Current liabilities			
Islamic financing payables	16	**4,854,430**	1,137,495
Accounts payable and accruals	17	**3,253,679**	1,726,210
		8,108,109	2,863,705
Total liabilities		**9,169,073**	8,627,767
TOTAL EQUITY AND LIABILITIES		**61,916,769**	57,367,764

Fahad Khalid Al-Ghunaim
Chairman

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Foreign currency translation reserve KD*	*(Accumulated losses)/retained earnings KD*	*Total KD*
At 1 January 2014	50,000,000	302,662	-	(29,950)	(1,532,715)	48,739,997
Profit for the year	-	-	-	-	4,023,425	4,023,425
Other comprehensive loss	-	-	-	(15,726)	-	(15,726)
Total comprehensive (loss) income for the year	-	-	-	(15,726)	4,023,425	4,007,699
Transfer to reserves	-	258,031	258,031	-	(516,062)	-
At 31 December 2014	**50,000,000**	**560,693**	**258,031**	**(45,676)**	**1,974,648**	**52,747,696**
At 1 January 2013	50,000,000	302,662	-	(39,160)	(1,657,194)	48,606,308
Profit for the year	-	-	-	-	124,479	124,479
Other comprehensive income	-	-	-	9,210	-	9,210
Total comprehensive income for the year	-	-	-	9,210	124,479	133,689
At 31 December 2013	50,000,000	302,662	-	(29,950)	(1,532,715)	48,739,997

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	***2014*** ***KD***	*2013* *KD*
OPERATING ACTIVITIES			
Profit for the year		**4,023,425**	124,479
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation		**40,188**	57,875
Provision for employees' end of service benefits		**53,837**	95,558
Change in fair value of investment properties	9	**(30,643)**	(50,158)
Gain on sale of financial assets carried at fair value through profit or loss		**(23,093)**	(49,282)
Unrealised gain on financial assets carried at fair value through profit or loss		**(125,517)**	(13,926)
Share of results of an associate		**2,826**	(9,249)
Dividend income		**(65,366)**	(55,565)
Loss on disposal of property and equipment		**15,000**	-
Finance costs		**66,067**	87,677
		3,956,724	187,409
Working capital adjustments:			
Inventory properties		**6,412,090**	1,459,264
Accounts receivable and prepayments		**(929,187)**	(628,541)
Accounts payable and accruals		**1,527,469**	(1,936,711)
Cash flows from (used in) operations		**10,967,096**	(918,579)
Employees' end of service benefits paid		**(63,300)**	(476)
Net cash flows from (used in) operating activities		**10,903,796**	(919,055)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(11,957)**	(5,586)
Proceeds from sale of property and equipment		**7,655**	-
Purchase of investment properties	9	**(38,339)**	(244,570)
Disposal of investment properties	9	**-**	951,431
Additions to property under development	8	**(4,129,533)**	(2,313,715)
Purchase of financial assets carried at fair value through profit or loss		**-**	(94,266)
Proceeds from sale of financial assets carried at fair value through profit or loss		**209,400**	222,389
Dividend income received		**65,366**	55,565
Term deposit		**1,186,980**	(1,396,980)
Net cash flows used in investing activities		**(2,710,428)**	(2,825,732)
FINANCING ACTIVITIES			
Receipt of Islamic financing payables		**-**	5,276,541
Repayment of Islamic financing payables		**(976,700)**	(773,953)
Finance costs paid		**(66,067)**	(320,726)
Net cash (used in) from financing activities		**(1,042,767)**	4,181,862
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,150,601**	437,075
Cash and cash equivalents at the beginning of the year		**4,094,110**	3,657,035
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**11,244,711**	4,094,110

The attached notes 1 to 23 form part of these financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) ("the Company") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 25 March 2015. The ordinary general assembly of the shareholders of the Company has the power to amend these financial statements after their issuance.

The financial statements of the Company for the year ended 31 December 2013 were approved by the shareholders at the annual general meeting held on 27 March 2014.

The Company is a closed shareholding Company registered and incorporated in Kuwait on 11 May 2004. Its registered office is at Kuwait, Abu Baker Al Sideek St., Gulf Tower, 18th Floor, Al Qibla, Block 14.

The Company's main licensed activities are acquisition of shares and stocks in other companies, lend money to the companies in which it holds stocks, acquisition and lease of patent rights, trade and industrial marks, ownership of real estate properties within the limits permitted by law and investment of surplus funds in securities and properties managed by specialized entities. All activities are carried out in compliance with the Articles of Association and the Memorandum of Incorporation of the Company.

2.1 BASIS OF PREPARATION

Basis of preparation
The financial statements are prepared under the historical cost convention modified to include the measurement of fair value of investment properties and financial assets carried at fair value through profit or loss.

The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Company's functional and presentation currency.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Sale of inventory properties
A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term.

Dividend income
Dividend income is recognised when the Company's right to receive payment is established.

Operating leases – Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	4 to 5 years
Computers	4 years
Vehicles	5 years

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

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

Property under development
Property under development for the future use as property and equipment are stated at cost less any impairment in value. The carrying value of these properties is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Investment in an associate
The Company's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The share of profit of associates is shown on the face of the statement of income. 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 associates.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associate. The Company 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 Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises impairment in the statement of income.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the statement of income.

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

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

Transfers are made to investment properties when, and only when, there is a change in use. For a transfer from investment properties 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 Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Term deposit
Term deposit represent deposit with a bank and having an original maturity period of more than one year from the date of origination and earn an interest.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory properties (continued)
Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Financial instruments – initial recognition and subsequent measurement

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

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

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

The Company's financial assets include term deposit, investments at fair value through profit or loss, receivables, cash and cash equivalents. At 31 December, the Company did not have any held-to-maturity investments or financial assets available for sale, or derivatives instruments.

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

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

Accounts receivables
Accounts receivable are stated at the balance due, net of provisions for an uncollectible amount. An estimate for doubtful debts is made, when collection of full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

***(i)* Financial assets (continued)**

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company 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 Company has retained.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

(ii) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.
The Company's financial liabilities include accounts payable and Islamic financing payables consisting of murabaha payable and ijarah payable. At 31 December, the Company did not have any financial liabilities at fair value through profit or loss or as derivatives instruments.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

***(ii)* Financial liabilities (continued)**
Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

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

Murabaha payable
Murabaha payable represents the amount payable, on a deferred settlement basis, for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Ijarah payable
Ijarah payable is an Islamic transaction involving the purchase and immediate lease of an asset at cost plus and agreed profit. The amount due is settled on a deferred payment basis. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

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

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

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

Fair value of financial instruments
The Company measures financial instruments, such as financial assets at fair value through profit or loss and non-financial assets such as investment properties at each reporting date.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

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

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

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

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

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the carrying amount of foreign associates is translated into the Company's presentation currency at the rate of exchange ruling at the reporting date, and the share of results from associates are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognised in statement of comprehensive income. On disposal of a foreign associate, the deferred cumulative amount recognized in equity relating to the particular foreign associate is the recognized in the statement of income.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)
These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments have no impact on the Company, since the Company does not have any offsetting arrangements.

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

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Company.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income. The Company has used judgement and estimates principally in, but not limited to, the following:

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

The Company classifies financial assets as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through profit or loss depends on how management monitor the performance of these investments. 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 classified as financial assets at fair value through profit or loss. All other investments are classified as financial assets available for sale.

Classification of property
The Company determines whether a property is classified as investment property or inventory property.

Investment property comprises properties which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Company develops and intends to sell on completion of construction.

Estimation of net realisable value for inventory properties
Inventory properties are stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company having taken suitable external advice and also in the light of recent market transactions.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation of investment properties
The fair value of investment property is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Company assets.

Valuation of unquoted investments
Valuation of unquoted investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- earnings multiple;
- expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted investments requires estimation.

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property and equipment
A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of property under development
A decline in the value of property under development could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property under development whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

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

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB Standards relevant to the Company have been issued but are not yet mandatory, and have not yet been adopted by the Company:

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

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

Annual improvements
Annual improvements for 2010 – 2011 and 2011 -2013 cycle which are effective from 1 July 2014 are not expected to have a material impact on the Company.

Additional disclosures will be made in the financial statements when these standards, revisions and amendments become effective. The Company, however, expects no material impact from the adoption of the amendments on its financial position or performance.

5 OTHER INCOME

	2014 *KD*	*2013* *KD*
Interest income	**26,436**	22,009
Foreign exchange gain	**188,740**	411
Recovery from legal case settlement	**3,448,943**	-
Miscellaneous income	**2,262**	52,676
	3,666,381	75,096

During the year, the Company has recovered KD 3,448,943 net of legal expenses of KD 143,964 from a third party on account of out-of-court settlement, for withdrawing lease rights on properties under development, as detailed in Note 19.

6 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2014 *KD*	*2013* *KD*
Staff costs	**481,944**	400,256
Rent	**40,656**	34,848
Inventories recognised as expenses on sale of inventory property	**6,412,090**	1,350,698

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December, the Company did not have any dilutive shares.

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

	2014 *KD*	*2013* *KD*
Profit for the year	**4,023,425**	124,479
Weighted average number of ordinary shares outstanding during the year	**500,000,000**	500,000,000
Basic and diluted earnings per share	**8 fils**	0.2 fils

8 PROPERTY UNDER DEVELOPMENT

	2014 *KD*	*2013* *KD*
Cost at the beginning of the year	**28,416,674**	26,102,959
Additions	**4,129,533**	2,313,715
Cost at the end of the year	**32,546,207**	28,416,674

Property under development represents a plot of land located in Pearl Island, Qatar and is currently under development and the construction is expected to complete by 2017.

Property under development comprise value of land and development costs amounting to KD 22,932,996 and KD 9,613,211 (2013: KD 22,932,996 and KD 5,483,678) respectively.

At 31 December 2014, the fair value of the land determined by accredited independent valuator is KD 34,822,060 (2013: KD 32,271,269).

The amount of borrowing costs capitalised during the year ended 31 December 2014 was KD 656,650 (2013: KD 276,020). The average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.4% (2013: 4.4%), which is the effective interest rate of the specific borrowing

9 INVESTMENT PROPERTIES

	2014 *KD*	*2013* *KD*
Balance at 1 January	**8,052,551**	8,709,254
Additions	**38,339**	244,570
Disposals	-	(951,431)
Change in fair value	**30,643**	50,158
Balance at 31 December	**8,121,533**	8,052,551

The fair value of investment properties has been determined based on the valuation obtained from independent, real estate assessors and this come under level- 2 of the fair value measurement hierarchy (Note 23).

Investment properties are located in Oman and are registered in the name of Special Purpose Entities (SPE) created for the acquisition of the investment properties. These SPE's are beneficially owned by the Company.

10 TERM DEPOSIT

Term deposit represents restricted fixed deposit with a foreign bank. This deposit is denominated in Qatari Riyals and carry interest of Nil % (2013: 1.25%) per annum. Term deposit is pledged against Islamic financing payables amounting to KD Nil (2013: 4,946,347) (Note 16).

11 FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 *KD*	*2013* *KD*
Quoted equity securities	**1,702,038**	2,008,702
Unquoted equity securities	**2,850,814**	2,848,746
Managed funds	**2,053,069**	1,809,263
	6,605,921	6,666,711

The investment portfolio is managed by a related party (Note 18). Certain investments with carrying value amounting of KD 4,191,788 (2013: KD 4,490,697) are pledged against Islamic financing payables of KD 1,323,458 (2013: KD 1,766,241) (Note 16).

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 *KD*	*2013* *KD*
Trade receivables	**372,613**	381,387
Notes receivable	**23,975**	90,314
Advances to contractors	**1,316,062**	36,852
Amount due from related party	**91,070**	296,372
Other receivables	**765,777**	835,385
	2,569,497	1,640,310

As at 31 December 2014 provisions for impairment of trade accounts receivable is KD 3,404,900 (2013: KD 7,004,516). During the year an amount of KD 3,599,616 (2013: KD Nil) was reversed.

As at the end of the year, the ageing of unimpaired trade receivables and notes receivable are as follows:

			Past due but not impaired		
	Total *KD*	*Neither past due nor impaired* *KD*	*30 – 60 days* *KD*	*60 – 90 day* *KD*	*More than 90 days* *KD*
2014	**396,588**	**162,731**	**76,816**	**-**	**157,041**
2013	471,701	49,334	11,641	15,523	395,203

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

13 CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprises the following:

	2014	*2013*
	KD	*KD*
Cash in hand and at banks	**4,449,907**	1,643,613
Term deposits	**6,999,388**	2,274,094
Cash with portfolio manager (Note 18)	**5,416**	176,403
	11,454,711	4,094,110
Less: Term deposits whose original maturity is more than 3 months	**(210,000)**	-
Cash and cash equivalents for the purpose of statement of cash flows	**11,244,711**	4,094,110

Short-term deposits are denominated in Qatari Riyals of KD 6,789,388 (2013: KD 2,274,094) and Kuwaiti Dinar of KD 210,000 (2013: KD Nil) and carries an average interest rate of 1.125% (2013: 1.125%) per annum. Term deposit of KD 1,472,428 (2013: KD Nil) is pledged against Islamic financing payables amounting to KD 4,412,430 (2013: Nil) (Note 16).

14 SHARE CAPITAL

	Authorised, issued and fully paid	
	2014	*2013*
	KD	*KD*
500 million shares of 100 fils each (all shares were paid in cash)	**50,000,000**	50,000,000

15 RESERVES

a) Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Company before contribution to Zakat, KFAS and directors' remuneration, after offsetting accumulated losses brought forward, has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

b) General reserve

In accordance with the Company's Articles of Association 10% of the profit for the year attributable to equity holders of the Company before contribution to Zakat, KFAS and directors' remuneration has been transferred to the general reserve. There are no restrictions on the distribution from general reserve.

16 ISLAMIC FINANCING PAYABLES

Islamic financing payables are denominated in the following currencies:

	2014	*2013*
Currency:	*KD*	*KD*
KD	**1,323,458**	1,766,241
QAR	**4,412,430**	4,946,347
	5,735,888	6,712,588

16 ISLAMIC FINANCING PAYABLES (continued)

Islamic financing payables are disclosed in the statement of financial position as follows:

	2014 *KD*	*2013* *KD*
Non – current portion	**881,458**	5,575,093
Current portion	**4,854,430**	1,137,495
	5,735,888	6,712,588

Islamic financing payables amounting to KD 1,323,458 (2013: KD 1,766,241) carries an effective profit rate of 4.5% (2013: 4.5%) per annum. It is secured by pledge of investments amounting to KD 4,191,788 (2013: KD 4,490,697) (Note 11).

Islamic financing payables amounting to KD 4,412,430 (2013: 4,946,347) carries an effective profit rate of 7% (2013: 7%) per annum. It is secured by pledge of term deposit amounting to KD 1,472,428 (2013: 1,396,980) (Note 13 and 10) and inventory properties amounting to KD Nil (2013: 6,412,090).

17 ACCOUNTS PAYABLE AND ACCRUALS

	2014 *KD*	*2013* *KD*
Payable to contractors	**1,473,350**	150,255
Payable towards acquisition of property under development	**761,154**	773,037
Accrued expenses and other payables	**552,475**	318,863
Advance from customers	**225,568**	310,440
Retention payable	**161,184**	-
Payables towards cancelled units	**79,948**	173,615
	3,253,679	1,726,210

18 RELATED PARTY TRANSACTIONS

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

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

	Shareholders ***KD***	*2014* *KD*	*2013* *KD*
Cash and cash equivalents	**2,267**	**2,267**	81,663

Key management personnel compensation

	2014 *KD*	*2013* *KD*
Salaries and short-term employee benefits	**229,491**	232,404
End of services benefits	**18,627**	82,616
	248,118	315,020

Director's remuneration of KD 52,500 for the year ended 31 December 2013 exceeded the permissible amount under the local regulations, of which only KD 30,000 was approved by the annual general meeting of the shareholders on 27 March 2014, and consequently the excess of KD 22,500 is reversed during the year. Directors' remuneration of KD 47,500 for the year ended 31 December 2014 is subject to the approval by the annual general meeting of the shareholders of the Company

The investment portfolio is managed by a related party (Note 11).

19 COMMITMENTS AND CONTINGENCIES

a) Expenditure commitments

	2014 *KD*	*2013* *KD*
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property under development	**47,693,302**	44,994,756
Operating lease commitments		
Future minimum lease payments:		
Within one year	**16,918**	24,804

Capital commitments includes an amount of KD 47,654,538 (2013: KD 44,994,756) which represents the value of commitments for contracts entered into for the development of property under development till reporting date. The total cost of development of said property estimated by accredited surveyor amounted to KD 81,659,637 (2013: KD 78,446,374).

b) Contingencies

During the year ended 31 December 2009, the Company had created provision of an amount of KD 5,769,524 relating to sale of an investment property due to uncertainty of collection. During the year ended 31 December 2012, a legal case was filed against the Company relating to development of same property amounting to KD 1,188,400. As per the final verdict by the Court, the Company paid this amount and claimed from the original buyer.

During the year Company has recovered KD 3,592,907, from a third party to whom original buyer has sold the land, through out-of-court settlement (Note 5). Subsequently, Company revised the appeal for legal case filed against original buyer, to recover the remaining balance amount of KD 3,365,017 from the original buyer. Management is of the view that the collection of this amount is doubtful, and accordingly the Company has provided for the full amount.

20 RISK MANAGEMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Company's activities are credit risk, liquidity risk and market risk. Market risk is subdivided into interest risk, currency risk and equity price risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2014 and 31 December 2013. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

20.1 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 Company seeks to limit its credit risk with respect to bank balances by only dealing with the reputed banks. Management of the Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the statement of financial position.

The Company's assets can be analysed as follows:

	2014 *KD*	*2013* *KD*
Term deposit	**-**	1,396,980
Banks balances	**11,452,013**	4,090,567
Accounts receivable	**1,250,832**	1,601,167
Total credit risk exposure	**12,702,845**	7,088,714

20 RISK MANAGEMENT (continued)

20.2 Liquidity risk

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

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

At 31 December 2014	***Less than 3 months KD***	***3 to 12 months KD***	***More than 12 months KD***	***Total KD***
Accounts payable and accruals	**529,751**	**2,179,631**	**-**	**2,709,382**
Islamic financing payables	**4,630,265**	**487,333**	**912,644**	**6,030,242**
	5,160,016	**2,666,964**	**912,644**	**8,739,624**

At 31 December 2013	*Less than 3 months KD*	*3 to 12 months KD*	*More than 12 months KD*	*Total KD*
Accounts payable and accruals	150,255	1,265,515	-	1,415,770
Islamic financing payables	974,727	559,483	6,419,448	7,953,658
	1,124,982	1,824,998	6,419,448	9,369,428

20.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest/profit rate risk, currency risk, and equity price risk.

20.3.1 Interest/profit rate risk

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

The Company is not significant exposed to interest/profit rate risk as majority of its interest bearing assets and liabilities are stated at fixed rate. Effective interest/profit rates are disclosed in notes 10, 13 and 16.

20.3.2 Currency risk

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

The Company manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge foreign currency exposures.

The effect on profit (due to change in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

		Effect on profit for the year (+/-)	
Currency	***Change in currency rate (+/-)***	***2014 KD***	*2013 KD*
QAR	**5%**	**296,075**	34,951
OMR	**5%**	**39,857**	-

20 RISK MANAGEMENT (continued)

20.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Company manages the risk through diversification of investments in terms of geographic distribution and industry concentration.

The effect of equity price risk on profit of the Company as a result of a change in the fair value of equity instruments held as financial assets carried at fair value through profit or loss at the year-end due to an assumed (+/-) 5% change in market prices, with all other variables held constant, is as follows:

	Change in fair value (+/-)	*Effect on profit for the year*	
		2014 ***KD***	*2013* *KD*
Kuwait stock exchange	**5%**	**54,035**	72,224

21 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. Capital comprises share capital, statutory reserve, general reserve and retained earnings (accumulated losses), and is measured at KD 52,793,372 as at 31 December 2014 (2013: KD 48,769,947).

22 SEGMENT INFORMATION

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

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

Year ended 31 December 2014	***Real estate investing activities KD***	***Equities and other investing activities KD***	***Unallocated KD***	***Total KD***
Income	**11,095,268**	**237,586**	**191,002**	**11,523,856**
Profit for the year	**4,576,139**	**237,586**	**(790,300)**	**4,023,425**
As at 31 December 2014				
Assets	**43,662,195**	**13,775,295**	**4,479,279**	**61,916,769**
Liabilities	**8,606,806**	**-**	**562,267**	**9,169,073**

22 SEGMENT INFORMATION (continued)

Year ended 31 December 2013	*Real estate investing activities KD*	*Equities and other investing activities KD*	*Unallocated KD*	*Total KD*
Income	2,119,899	128,021	-	2,247,920
Profit for the year	685,139	128,021	(688,681)	124,479
As at 31 December 2013				
Assets	44,904,272	6,855,250	5,608,242	57,367,764
Liabilities	6,360,154	-	2,267,613	8,627,767

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy:
The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2014	***Level: 1 KD***	***Level: 2 KD***	***Level: 3 KD***	***Total fair value KD***
Financial assets carried at fair value through profit or loss				
Quoted equity investments	**1,702,038**	-	-	**1,702,038**
Unquoted equity investments	-	-	**2,850,814**	**2,850,814**
Unquoted mutual fund investments	-	**2,053,069**	-	**2,053,069**
Investment properties	-	**8,121,533**	-	**8,121,533**
	1,702,038	**10,174,602**	**2,850,814**	**14,727,454**

At 31 December 2013	*Level: 1 KD*	*Level: 2 KD*	*Level: 3 KD*	*Total fair value KD*
Financial assets carried at fair value through profit or loss				
Quoted equity investments	2,008,702	-	-	2,008,702
Unquoted equity investments	-	-	2,848,746	2,848,746
Unquoted mutual fund investments	-	1,809,263	-	1,809,263
Investment properties	-	8,052,551	-	8,052,551
	2,008,702	9,861,814	2,848,746	14,719,262

There have not been any transfers between the levels during the year. The movement in Level 3 fair value hierarchy during the year is given below:

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At 1 January 2014 KD	*Net purchases / (sales) KD*	*Realised gain recorded in statement of income KD*	*At 31 December 2014 KD*
Assets measured at fair value				
Financial assets carried at fair value through profit or loss				
Unquoted equity investments	**2,848,746**	**-**	**2,068**	**2,850,814**

	At 1 January 2013 KD	*Net purchases / (sales) KD*	*Realised gain recorded in statement of income KD*	*At 31 December 2013 KD*
Assets measured at fair value				
Financial assets carried at fair value through profit or loss				
Unquoted equity investments	2,783,272	-	65,474	2,848,746

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