



شركة الاستشارات المالية الدولية  
INTERNATIONAL FINANCIAL ADVISORS

ANNUAL REPORT 2014



MAINTAINING VALUES  
AND CREATING VALUE



شركة الاستشارات المالية الدولية  
INTERNATIONAL FINANCIAL ADVISORS





H.H. Shiekh  
**Nawaf Al Ahmad Al Jaber Al Sabah**  
The Crown Prince of the State of Kuwait



H.H. Shiekh  
**Sabah Al Ahmad Al Jaber Al Sabah**  
The Amir of the State of Kuwait





# CONTENTS

Members of the Board	7
Report to the shareholders	8
Financial Statements	16





# MEMBERS OF THE BOARD

Saleh Saleh Al-Selmi

Chairman

Talal Jassim Al-Bahar

Vice Chairman

Wafa Ahmed Al-Qatami

Board Member

Nedal Khaled Al Maso'd

Board Member

Abdulwahab Ahmad Al-Nakib

Board Member

# REPORT TO THE SHAREHOLDERS

Dear Shareholders,

## Overview

The economic recession in Kuwait continued in 2014 for the sixth year since the world financial crisis in 2008. 2014 also witnessed the beginning of oil crisis that affected both the local and GCC markets. Furthermore, the performance of Kuwait Stock Exchange (KSE) was generally negative and all indexes; the traded value index, the traded volume index, the transactions index and the general index, underperformed. Liquidity in 2014 also decreased by 45% compared with liquidity of 2013, which shows a significant decline of traders' confidence in the market.

It is difficult to anticipate the KSE performance in 2015, since no serious actions have been taken to reform the economy and overcome the recession. The uncertainty still prevails and confidence in the market and its components are at its lowest point. The last half of 2014 carried unpleasant news with the fall of oil prices, losing more than 40% of barrel prices since the end of June, in addition to external and political influences.

We, as a Kuwaiti company that is correlated with the Kuwaiti economy, hope to see more efforts made towards addressing the economic situation and accelerating the amendments of Capital Markets Authority.

## Financial Performance

International Financial Advisors Company recorded losses amounting KD34 million (loss of Fils 51 per share) compared to profit of KD3 million (profit Fils 4 per share) in 2013. The losses were incurred due to goodwill impairments and provisions on its investments and assets in subsidiaries and associated companies.

The accumulated losses reached KD65.5 million hence the board of directors has recommended the partial write off of its accumulated losses, for the amount of KD28,668,662, using the available reserves, which was accumulated over the years and

since the takeover by the new management in May 2002. It is worth noting that after the partial write-off of the accumulated losses, the Company will still retain reserves of KD44,730,465. Furthermore, the new management has managed to increase the capital from KD15 million to KD72 million solely by using the retained earnings, and without opting to call capital from the shareholders

## **Company's Performance in 2014**

### **Investments**

In 2014 the company exited non-core assets and investments, especially in the food sector, generating revenues of KD5.5 million. The company also achieved a profit of KD2 million.

IFA's successful investment strategy is manifested in Neova Sigorta Insurance company-a Turkish based company, in which IFA owns 25% stake. Neova Sigorta, which has a paid up capital of 68.8 million Turkish Lira, achieved net profit of 19.4 million Turkish Lira in 2014. The company maintains high liquidity that amounts to 258 million Turkish Lira as of 31/12/2014. Neova introduced a new insurance concept to the Turkish insurance sector and achieved a great success in a short period to become one of the top 15 companies among non-life companies. Neova Sigorta reached its objectives in year 2014 with a high Gross written premium exceeded 380 million Turkish lira by a growth of 19% compared to the Budget and a growth of 48% compared to the previous year 2013, and raised its market share from 1.23% in year 2013 to 1.67% in year 2014 by a growth of 35%.

### **Advisory Services**

The Company continued to expand its advisory services in 2014 and successfully provided corporate finance services of over KD21 million. IFA aims to strengthen its position as a leader in providing financial advisory, restructuring, acquisition and finance services.

## Associated and Subsidiaries

### IFA Hotels & Resorts

IFA Hotels & Resorts reflected its 2013 company restructure and business expansion by updating its brand identity, also launched The 8, its newest project on the crescent of the Palm, adding another stunning residential resort to its island portfolio. At eight-storeys, the mixed-use development will add an additional 300 units to be furnished with a bespoke collection created by design house Kenzo Maison. "The 8" is inspired by the fashion, glamour and jet-set lifestyle of Miami Beach, transporting the Miami Beach vibe to Dubai.

In April, IFA HR announced that it has been awarded the first Middle East master franchise agreement from Keller Williams – the largest real estate franchise in North America, after the successful marketing and sales of IFAHR's prestigious USD\$38million Zimbali Suites development in South Africa, where units were sold out within hours of launching.

In May 2015 IFA HR joined forces with Commercial Real Estate Company to launch their first-ever vacation club business. The USD\$50million joint venture brings together two significant hospitality forces in the Middle East. Aria Vacation Club will focus on growing the club into key locations such as London, Singapore and Makkah. Expansion into tourism hot-spots and growth areas that are highly attractive to both Middle Eastern and other regional travellers such as Turkey, Malaysia and Indonesia are also a priority. In December, the company was awarded the top spot in the New Hotel Construction & Design category at the prestigious Arabian Property Awards 2014-2015 for its Mövenpick Hotel Jumeirah Lakes Towers project. Laguna Tower is divided into hotel and residential areas segmented vertically. The hotel consists of 168 rooms while the remaining areas offer 307 residential units. Finally, IFAHR has a massive expansion plan for YOTEL where the next 3 locations to open in the U.S. are in Miami, Brooklyn's Williamsburg and San Francisco's Mid-Market neighborhood.

### **Arzan Financial Group for Financing & Investment**

Arzan Wealth, a subsidiary of Arzan Group, achieved several milestones in 2014 and was able to successfully advise on the acquisition of four real estate assets in four different countries out of which three were part of its highly regarded yielding strategy that offers high security of principal and a predictable and stable monthly income stream.

In 2014, Arzan Venture, also a subsidiary of Arzan Group met entrepreneurs from different countries with diverse backgrounds, looked at 100 different opportunities and invested in three unique companies. Arzan Venture also built a strong investment process that will allow it to add value into the invested companies. Furthermore, the company will continue to support entrepreneurs throughout the MENA by sponsoring events, investing and mentoring with more focus on closing deals and following up on its existing investments.

As for Arzan Credit and Collections, and in order to improve the collection efficiency and earnings, the Credit division transformed the existing Collections unit into a fully-fledged third party Collections Company under the name of "Arzan Collections Company" with the objective to provide collection services both to Arzan Financial Group and third parties. A new team of professionals was recruited for the task, and all delinquencies have been maintained at a very low ratio.

Finally, the Board of Directors is confident about the company's future, especially after the partial write off of its accumulated losses, where the company aims to create shareholders value, and replicate its successful achievements going forward.

**Saleh Saleh Al-Selmi**  
Chairman



# CONTENTS

Independent auditors report	14
Consolidated statement of Profit or loss	16
Consolidated statement of comprehensive income	18
Consolidated statement of financial position	19
Consolidated statement of changes in equity	20
Consolidated statement of cash flows	22
Notes to the consolidated financial statements	24



**Al-Qatami, Al-Aiban & Partners.**  
Auditors & Consultants  
Souq Al Kabeer Building - Block A - 9th Floor  
Tel.: (965) 2244 3900/9  
Fax: (965) 2243 8451  
P.O. Box 2986, Safat 13030 - Kuwait  
E-mail: [gt@kw.gt.com](mailto:gt@kw.gt.com)  
[www.gtkuwait.com](http://www.gtkuwait.com)

**Rödl**  
Middle East  
Burgan - International Accountants

**Ali Al Hassawi Partners**  
P.O. Box: 22351 Safat 13084 Kuwait  
Sharq - Dasman Complex - Block 2 - 9 Floor  
Tel.: 22414956-3  
Fax: 22426862-6 / 22464574  
E-mail: [info-kuwait@rodlme.com](mailto:info-kuwait@rodlme.com)  
[www.rodlme.com](http://www.rodlme.com)

---

## Independent auditors' report

To the shareholders of  
International Financial Advisors – KPSC  
Kuwait

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Financial Advisors – Kuwaiti Public Shareholding Company and Subsidiaries, 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 is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards applied in Kuwait 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.





**Al-Qatami, Al-Aiban & Partners.**  
Auditors & Consultants  
Souq Al Kabeer Building - Block A - 9th Floor  
Tel.: (965) 2244 3900/9  
Fax: (965) 2243 8451  
P.O. Box 2986, Safat 13030 - Kuwait  
E-mail: gt@kw.gt.com  
www.gtkuwait.com

**Rödl**  
Middle East  
Burgan - International Accountants

**Ali Al Hassawi Partners**  
P.O. Box: 22351 Safat 13084 Kuwait  
Sharq - Dasman Complex - Block 2 - 9 Floor  
Tel.: 22414956-3  
Fax: 22426862-6 / 22464574  
E-mail: info-kuwait@rodme.com  
www.rodme.com

#### *Opinion*

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

#### *Emphasis of matter*

Without qualifying our opinion, we draw attention to note 7 to the consolidated financial statements.

#### **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 the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, 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 nor of the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any material violations, of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2014, that might have had a material effect on the business of the Parent Company or on its financial position.

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

Ali A. Al-Hasawi  
(Licence No. 30-A)  
of Rödl Middle East  
Burgan – International Accountants

Kuwait  
5 May 2015

## Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
<b>Revenue</b>			
Interest income	9	505,747	539,491
Management fees and similar income	10	553,536	2,067,283
Dividend income		218,713	129,990
Net income from hoteliers and related services	11	16,494,377	8,369,444
Net loss from investments	12	(85,137)	(1,682,561)
Gain on sale of unconsolidated subsidiaries	8	1,856,935	-
Gain on sale of asset classified as held for sale		-	11,301,639
Net (loss)/gain from investment properties	14	(1,425,743)	38,778,043
Gain/(loss) on sale of properties under development	15	1,893,426	(1,864,019)
Share of results of associates and joint ventures	28.6	(1,113,532)	(4,450,124)
Loss on disposal of shares in associate		-	(78,306)
Other income	16	(1,848,292)	(2,109,721)
		<b>17,050,030</b>	<b>51,001,159</b>
<b>Expenses and other charges</b>			
Staff costs		(6,882,260)	(6,756,858)
Other operating expenses and charges		(12,158,460)	(12,075,014)
Impairment of investment in associates and Joint ventures	28	(15,539,748)	(4,757,699)
Impairment of available for sale investments	26	(2,964,235)	(768,850)
Write back of provision for amounts due from related parties- net		-	1,012,058
Impairment of goodwill	29	(7,946,410)	-
Impairment of investments in time share		-	(500,000)
Impairment of property, plant and equipment	32	(2,458,481)	-
Depreciation	32	(4,771,695)	(3,480,591)
Interest and similar expenses	17	(11,637,546)	(11,697,068)
		<b>(64,358,835)</b>	<b>(39,024,022)</b>

## Consolidated statement of profit or loss (continued)

	Notes	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
Loss/(profit) before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and taxation on overseas subsidiaries		(47,308,805)	11,977,137
Provision for contribution to KFAS		-	(84,583)
Provision for Zakat		-	(93,981)
Provision for NLST		-	(234,952)
Taxation on overseas subsidiaries		(57,069)	(1,477,494)
<b>(Loss)/profit for the year</b>		<b>(47,365,874)</b>	<b>10,086,127</b>
<b>(Loss)/profit for the year attributable to :</b>			
Owners of the parent company		(34,055,858)	2,926,182
Non-controlling interests		(13,310,016)	7,159,945
<b>(Loss)/profit for the year</b>		<b>(47,365,874)</b>	<b>10,086,127</b>
<b>Basic and diluted(loss)/earnings per share attributable to the owners of the parent company</b>	18	<b>(50.62) Fils</b>	<b>4.36 Fils</b>

The notes set out on pages 24 to 91 form an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
<b>(Loss)/profit for the year</b>	<b>(47,365,874)</b>	10,086,127
<b>Other comprehensive income :</b>		
<i>Items that will be reclassified subsequently to the statement of profit or loss:</i>		
<i>Available for sale investments:</i>		
- Net change in fair value arising during the year	2,585,646	(1,382,535)
- Transferred to consolidated statement of profit or loss on sale	(181,127)	(1,990,120)
- Transferred to consolidated statement of profit or loss on impairment	2,964,235	768,850
Share of other comprehensive (loss)/income of associates	(2,506,866)	3,308,087
Exchange differences arising on translation of foreign operations	1,333,840	(2,346,711)
Total other comprehensive income/(loss)	4,195,728	(1,642,429)
<b>Total comprehensive (loss)/income for the year</b>	<b>(43,170,146)</b>	8,443,698
Total comprehensive (loss)/income for the year attributable to:		
Owners of the parent company	(30,093,585)	2,247,474
Non-controlling interests	(13,076,561)	6,196,224
	<b>(43,170,146)</b>	8,443,698

The notes set out on pages 24 to 91 form an integral part of these consolidated financial statements.

## Consolidated statement of financial position

	Notes	31 Dec. 2014 KD	31 Dec. 2013 KD
<b>Assets</b>			
Cash and cash equivalents	19	6,460,734	6,695,027
Investments at fair value through profit or loss	20	1,114,621	3,562,854
Receivables and other debit balances	21	19,304,942	18,499,996
Loans to customers	22	-	1,092,800
Due from related parties	23	3,134,001	12,878,614
Trading properties	24	4,023,921	4,212,858
Asset classified as held for sale	25	5,487,720	-
Available for sale investments	26	35,060,848	34,064,743
Investment properties	27	10,828,524	58,361,664
Investment in associates and joint ventures	28	29,183,734	51,661,172
Goodwill	29	40,761,426	48,665,305
Properties under development	30	158,251,603	152,715,382
Capital work in progress	31	45,662,545	335,065
Property, plant and equipment	32	119,404,731	124,544,941
<b>Total assets</b>		<b>478,679,350</b>	<b>517,290,421</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks	19	980,744	990,488
Payables and other credit balances	33	63,205,914	76,810,372
Due to related parties	23	26,052,377	23,369,522
Borrowings	34	174,399,170	165,261,762
Advances received from customers	35	132,256,127	123,996,415
<b>Total liabilities</b>		<b>396,894,332</b>	<b>390,428,559</b>
<b>Equity</b>			
Share capital	36	72,000,000	72,000,000
Share premium	36	11,973,061	11,973,061
Treasury shares	36	(32,757,404)	(32,869,551)
Treasury shares reserve	36	104,935	-
Statutory and voluntary reserves	37	61,426,066	61,426,066
Fair value reserve		15,479,976	12,618,088
Foreign currency translation reserve		(4,961,510)	(6,061,895)
Accumulated losses		(65,513,413)	(30,132,882)
<b>Total equity attributable to the owners of the parent company</b>		<b>57,751,711</b>	<b>88,952,887</b>
Non-controlling interests		24,033,307	37,908,975
<b>Total equity</b>		<b>81,785,018</b>	<b>126,861,862</b>
<b>Total liabilities and equity</b>		<b>478,679,350</b>	<b>517,290,421</b>

Saleh Saleh Al-Selmi  
Chairman

  
Talal Jassim Al-Bahar  
Vice Chairman

The notes set out on pages 24 to 91 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
<b>Balance at 1 January 2014</b>	72,000,000	11,973,061	(32,869,551)	-	61,426,066	12,618,088	(6,061,895)	(30,132,882)	88,952,887	37,908,975	126,861,862
Purchase of treasury shares	-	-	(46,849)	-	-	-	-	-	(46,849)	-	(46,849)
Sale of treasury shares	-	-	158,996	-	-	-	-	-	158,996	-	158,996
Profit on sale of treasury shares	-	-	-	104,935	-	-	-	-	104,935	-	104,935
Profit arising on partial disposal of subsidiary shares	-	-	-	-	-	-	-	(19,455)	(19,455)	-	(19,455)
Acquisition of non-controlling interest in a subsidiary and joint venture	-	-	-	-	-	-	-	(466,020)	(466,020)	(367,069)	(833,089)
Acquisition of shares in subsidiary	-	-	-	-	-	-	-	(839,198)	(839,198)	(737,566)	(1,576,764)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	305,528	305,528
Transactions with owners	-	-	112,147	104,935	-	-	-	(1,324,673)	(1,107,591)	(799,107)	(1,906,698)
Loss for the year	-	-	-	-	-	-	-	(34,055,858)	(34,055,858)	(13,310,016)	(47,365,874)
<b>Other comprehensive income</b>											
Available for sale investments:											
- Net change in fair value arising during the year	-	-	-	-	-	2,585,646	-	-	2,585,646	-	2,585,646
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	(181,127)	-	-	(181,127)	-	(181,127)
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	-	-	2,964,235	-	-	2,964,235	-	2,964,235
Share of other comprehensive loss of associates	-	-	-	-	-	(2,506,866)	-	-	(2,506,866)	-	(2,506,866)
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-	1,100,385	-	1,100,385	233,459	1,333,840
Total other comprehensive income	-	-	-	-	-	2,861,888	1,100,385	-	3,962,273	233,459	4,195,728
Total comprehensive income /(loss) for the year	-	-	-	-	-	2,861,888	1,100,385	(34,055,858)	(30,093,585)	(13,076,561)	(43,170,146)
<b>Balance at 31 December 2014</b>	<b>72,000,000</b>	<b>11,973,061</b>	<b>(32,757,404)</b>	<b>104,935</b>	<b>61,426,066</b>	<b>15,479,976</b>	<b>(4,961,510)</b>	<b>(65,513,413)</b>	<b>57,751,711</b>	<b>24,033,307</b>	<b>81,785,018</b>

## Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company									
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
<b>Balance at 1 January 2013</b>	72,000,000	11,973,061	(32,869,551)	61,408,598	11,913,806	(4,678,905)	(33,084,165)	86,662,844	16,255,835	102,918,679
Purchase of treasury shares	-	-	(86,462)	-	-	-	-	(86,462)	-	(86,462)
Sale of treasury shares	-	-	86,462	-	-	-	-	86,462	-	86,462
Profit on sale of treasury shares	-	-	-	17,468	-	-	-	17,468	-	17,468
Profit arising on partial disposal of subsidiary shares	-	-	-	-	-	-	25,101	25,101	-	25,101
Net change in non-controlling interests	-	-	-	-	-	-	-	-	15,456,916	15,456,916
Transactions with owners	-	-	-	17,468	-	-	25,101	42,569	15,456,916	15,499,485
Profit for the year	-	-	-	-	-	-	2,926,182	2,926,182	7,159,945	10,086,127
<b>Other comprehensive income</b>										
Available for sale investments:										
- Net change in fair value arising during the year	-	-	-	-	(1,382,535)	-	-	(1,382,535)	-	(1,382,535)
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	(1,990,120)	-	-	(1,990,120)	-	(1,990,120)
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	-	768,850	-	-	768,850	-	768,850
Share of other comprehensive income of associates	-	-	-	-	3,308,087	-	-	3,308,087	-	3,308,087
Exchange difference arising on translation of foreign operation	-	-	-	-	-	(1,382,990)	-	(1,382,990)	(963,721)	(2,346,711)
Total other comprehensive income/(loss)	-	-	-	-	704,282	(1,382,990)	-	(678,708)	(963,721)	(1,642,429)
Total comprehensive income/(loss) for the year	-	-	-	-	704,282	(1,382,990)	2,926,182	2,247,474	6,196,224	8,443,698
<b>Balance at 31 December 2013</b>	72,000,000	11,973,061	(32,869,551)	61,426,066	12,618,088	(6,061,895)	(30,132,882)	88,952,887	37,908,975	126,861,862

The notes set out on pages 24 to 91 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
<b>OPERATING ACTIVITIES</b>		
<b>(Loss)/profit for the year</b>	<b>(47,365,874)</b>	10,086,127
Adjustments:		
Gain on sale of available for sale investments	(30,144)	(145,957)
Gain on sale of investment properties	(760,413)	-
(Gain)/loss on sale of properties under development	(1,893,426)	1,864,019
Gain on sale of subsidiaries	(1,856,935)	-
Gain on sale of asset classified as held for sale	-	(11,301,639)
Loss on disposal of shares in associate	-	78,306
Change in fair value of investment properties	2,186,156	(38,778,043)
Impairment of goodwill	7,946,410	-
Impairment of available for sale investments	2,964,235	768,850
Impairment of investment in associates and joint ventures	15,539,748	4,757,699
Impairment of property, plant and equipment	2,458,481	-
Impairment of investment in time share	-	500,000
Dividend income	(218,713)	(129,990)
Interest income	(505,747)	(539,491)
Interest and similar expenses	11,637,546	11,697,068
Net provision written back for due from related parties	-	(1,012,058)
Provisions	1,225,252	1,830,414
Depreciation	4,771,695	3,480,591
Share of results of associates and joint ventures	1,113,532	4,450,124
Foreign exchange loss on non-operating liabilities	552,896	381,180
	<b>(2,235,301)</b>	<b>(12,012,800)</b>
<b>Changes in operating assets and liabilities:</b>		
Investments at fair value through profit or loss	2,448,233	2,436,515
Receivables and other debit balances	(1,422,568)	(1,793,614)
Loans to customers	-	2,027,895
Due from related parties	9,154,613	(8,640,051)
Trading properties	188,937	1,253,403
Payables and other credit balances	(17,878,016)	8,406,896
Due to related parties	4,940,483	5,288,080
Advances received from customers	8,259,712	(12,201,715)
Cash from/(used in) operating activities	<b>3,456,093</b>	<b>(15,235,391)</b>
Dividend income received	218,713	129,990
Interest income received	505,747	539,491
Interest and similar expenses paid	(11,637,546)	(11,697,068)
<b>Net cash used in operating activities</b>	<b>(7,456,993)</b>	<b>(26,262,978)</b>



## Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of shares in a consolidated subsidiary		105,188	762,781
Proceeds from sale of subsidiaries		2,474,557	-
Proceeds from sale of shares in associate		-	59,134
Proceeds from sale of asset classified as held for sale		-	19,333,077
Net movement in investment in associates and joint ventures		2,957,282	(3,349,079)
Net movement in properties under development		(3,642,794)	15,456,145
Additions to capital work in progress		(193,657)	(9,767,358)
Net movement in property, plant and equipment		(2,089,966)	6,081,043
Proceeds from sale of available for sale investments		70,927	5,127,329
Net movement in investment properties		2,162,512	(763,759)
Purchase of available for sale investments		(549,035)	(1,157,143)
<b>Net cash from investing activities</b>		<b>1,295,014</b>	<b>31,782,170</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from bank loans		27,449,440	63,554,426
Repayment of bank loans		(18,954,699)	(78,018,089)
Repayment of related party loan		-	(9,943,636)
Change in non-controlling interests		(2,733,082)	13,755,515
Purchase of treasury shares		(46,849)	(86,462)
Proceeds from sale of treasury shares		263,931	103,931
<b>Net cash from/(used in) financing activities</b>		<b>5,978,741</b>	<b>(10,634,315)</b>
Decrease in cash and cash equivalents		(183,238)	(5,115,123)
Foreign currency adjustment		(41,311)	(3,195,321)
Cash and cash equivalents at beginning of the year	19	5,704,539	14,014,983
<b>Cash and cash equivalents at end of the year</b>	19	<b>5,479,990</b>	<b>5,704,539</b>

The notes set out on pages 24 to 91 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

31 December 2014

### 1. Parent company incorporation and activities

International Financial Advisors – KPSC (“the parent company”) is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company.

The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolios management and trading in future contracts.

The group comprises the parent company and its subsidiaries as detailed in note 8.

The address of the parent company’s registered office is PO Box 4694, Safat 13047, State of Kuwait.

The Extraordinary General Assembly held on 19 June 2014 approved the amendments to the parent company’s memorandum of incorporation and articles of association in compliance with the new companies’ law, whereas these amendments have been documented in the commercial register on 18 February 2015.

The board of directors of the parent company approved these consolidated financial statements for issuance on 5 May 2015. The general assembly of the parent company’s shareholders has the power to amend these consolidated financial statements after issuance.

### 2. Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets available for sale and investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the parent company.

### 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 the International Accounting Standards Board (IASB), as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

### 4. Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except for adoption of new standards, amendments to certain standards and interpretations discussed below.

#### 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 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

## Notes to the consolidated financial statements (continued)

31 December 2014

### 4. Changes in accounting policies (continued)

#### *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 did not result into any material impact on the group's consolidated financial statements.

#### *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 adoption of the amendments did not result into any material impact on the group's consolidated financial statements.

The amendments have been applied retrospectively in accordance with their transitional provisions.

#### *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 amendments 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 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

## Notes to the consolidated financial statements (continued)

31 December 2014

### 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.

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.

The group's management has yet to assess the impact of this new standard on the group's consolidated financial statements.

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

IFRS 15 replaced IAS 18 Revenues 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 obligation.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 4. Changes in accounting policies (continued)

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

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

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 –
  - o non-cash consideration and asset exchanges
  - o contract costs
  - o rights of return and other customer options
  - o supplier repurchase options
  - o warranties
  - o principal versus agent
  - o licencing
  - o breakage
  - o non-refundable upfront fees, and
  - o consignment and bill-and-hold arrangements.

The group's management has yet to assess the impact of IFRS 15 on these consolidated financial statements.

##### *IFRS 10 and IAS 28 Sale or Contribution of Assets between and 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.

The groups' management has yet to assess the impact of these amendments on the group's consolidated financial statements.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 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.

The groups' management has yet to assess the impact of this amendment 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.

The groups' management has yet to assess the impact of this amendment on the group's consolidated financial statements.

##### *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.

The groups' management has yet to assess the impact of these amendments on the group's consolidated financial statements.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 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.

The groups' management has yet to assess the impact of this amendment 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.

The groups' management has yet to assess the impact of these amendments 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 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

##### *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 profit or loss.
- (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).

## Notes to the consolidated financial statements (continued)

31 December 2014

### 4. Changes in accounting policies (continued)

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

##### *Annual Improvements to IFRSs 2010–2012 Cycle: (continued)*

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 IAS 16 and IAS 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 IAS 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.

##### *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 IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property.

The groups' management has yet to assess the impact of these annual improvements on the group's consolidated financial statements.

### 5. Summary of 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 controls subsidiaries if it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's 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 effective date of acquisition, or up to the effective date of disposal, as applicable.



## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.1 Basis of consolidation (continued)

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.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

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

#### 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 acquire either at fair value or at the proportionate share of the acquire's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire 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 acquire'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 acquire.

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 acquire and c) acquisition-date fair value of any existing equity interest in the acquire, 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 the consolidated statement of 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.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.4 Investment in associates and joint ventures

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Joint ventures is an arrangement that the group controls jointly with one or more other investor, and over which the group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Investments in associates and joint ventures 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 and joint venture is not recognised separately and is included in the amount recognised as investment in associates and joint ventures.

Under the equity method, the carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate and joint venture, 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 and joint venture is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate and joint venture.

The difference in reporting dates of the associates and joint ventures 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 and joint ventures 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 and joint venture. The group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture 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 under a separate heading in the consolidated statement of profit or loss.

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

#### 5.5 Segment reporting

The group has four operating segments: the assets management, treasury and investments, real estate and other. 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 transactions 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.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.

Revenue arises from rendering of services and is measured by reference to the fair value of consideration received or receivable.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

##### **5.6.1 Rendering of services**

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 income**

Interest income is reported on an accrual basis using the effective interest method.

##### **5.6.3 Dividend income**

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

##### **5.6.4 Rental income**

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

##### **5.6.5 Income from hotel operations and other related services**

Income from hotel includes hotel services revenue, food and beverage and room revenue.

Income from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services on the performance of services. Income from hotel operations and other related services is shown net of all direct expenses in the consolidated statement of profit or loss

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.6 Revenue recognition (continued)

##### 5.6.6 *Income from sale of properties*

Revenue on sale of condominiums is recognised when risk and reward related to property has been transferred to customer. Risk and reward are transferred when legal notice is served to customer to take the possession of the property or on actual hand over to the customer. Income from sale of properties is shown net of all direct expenses in the consolidated statement of profit or loss.

##### 5.6.7 *Revenue from Beach club operation*

Revenue from beach club and related services are recognised when the services are rendered.

#### 5.7 Operating expenses

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

#### 5.8 Cost of sale of properties

Cost of sale of properties includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of sale of condominiums is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

#### 5.9 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.

#### 5.10 Taxation

##### 5.10.1 *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, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

##### 5.10.2 *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.

##### 5.10.3 *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.

For the years ended 31 December 2014, the parent company has no liabilities towards KFAS due to accumulated losses. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior year is permitted.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.10 Taxation

##### 5.10.4 Taxation on overseas subsidiaries

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

#### 5.11 Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees for qualifying assets, and the borrowing costs incurred in accordance with the group's accounting policies.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under development over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

Plant and Equipments, Furniture and Fixtures, Motor Vehicles and Yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

The Aircraft is depreciated over a 15 years period after deducting the recoverable value estimated by professional aircraft valuers to be 85% of original value after that period.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years
Aircraft	15 years

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.12 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. 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 properties" and "gain/loss on sale of investment properties"

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.

#### 5.13 Property under development

Property under development represents properties under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to property under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any are transferred to trading properties. Property under development is stated after deducting cost of properties sold during the year.

#### 5.14 Capital work-in-progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed according to circumstances to make sure that there is no impairment loss in value or that the carrying value may not be recoverable. If any such indication exists and when the carrying value is declined, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalized as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised.

#### 5.15 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.15 Intangible assets (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

#### 5.16 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.

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 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 cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses reduce first the carrying amount of any goodwill allocated to that asset. Any remaining impairment loss is charged pro rata to the other assets. 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 asset's is recoverable amount exceeds its carrying amount.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.17 Financial instruments

##### 5.17.1 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.

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

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

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.

##### 5.17.2 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:

- loans and 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.



## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.17 Financial instruments (continued)

##### *Loans and receivables*

Loans and 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.

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.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The group categorises loans and receivables into following categories:

- *Loans and advances*

Loans and advances are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- *Trade receivables*

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

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances, together with fixed deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less due to banks.

- *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 consolidated statement of profit or loss 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.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.17 Financial instruments (continued)

- **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 the consolidated statement of 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 the consolidated statement of 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 the consolidated statement of 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 the consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

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

The group's financial liabilities include borrowings, trade and other payables, advances received from customers and due to related parties.

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

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

These are stated using effective interest rate method. Payables and other credit balances, due to related parties, borrowings and advances received from customers are classified as financial liabilities other than at FVTPL.

- **Trade payables**

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

- **Borrowings**

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.

- **Advances received from customers**

Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements.

- **Due to related parties**

Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.17 Financial instruments (continued)

##### 5.17.4 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.

##### 5.17.5 Trade and settlement date accounting

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.

##### 5.17.6 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.

##### 5.17.7 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 (44).

#### 5.18 Trading properties

Trading properties include purchase and development costs of completed unsold real estate properties. Development costs include planning, maintenance and service costs. Trading properties are recorded at the lower of cost and net realisable value. Cost are those expense incurred in brining each property to its present condition. Net realisable value is based on estimated selling price less any further cost expected to be incurred on disposal.

#### 5.19 Non-current assets held for sale

When the group intends to sell a non-current asset, and if sale is highly probable within 12 months, the assets is classified as "held for sale" and presented separately in the consolidated statement of financial position.

Assets classified as "held for sale" are remeasured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.20 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 companies' law and the parent company's articles of association.

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.

Accumulated losses include all current and prior period losses. All transactions with owners of the parent company are recorded separately within equity.

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

#### 5.21 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 "treasury shares reserve"), 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.

#### 5.22 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.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 5.23 Foreign currency translation

##### 5.23.1 Functional and presentation currency

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.

##### 5.23.2 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 the consolidated statement of 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.

##### 5.23.3 Foreign operations

In the group's consolidated 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 the consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

#### 5.24 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.

#### 5.25 Fiduciary assets

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

#### 5.26 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 6. Significant management judgements and estimation uncertainty

The preparation of the group's consolidated financial statements requires management to make judgments, estimations 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.

The group classifies financial assets as held for trading 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 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 classified as 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 held for development or investment property.

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 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

##### 6.1.4 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 Estimates 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.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 6. Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.1 Impairment of goodwill and other intangible assets

The group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

##### 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 associated companies, 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 available for sale equity 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 judgment.

##### 6.2.4 Impairment of trade receivables and due from related parties

An estimate of the collectible amount of trade accounts receivable and due from related parties 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.

##### 6.2.5 Impairment of loans to customers

An estimate of the collectible amount of loans to customers 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. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

##### 6.2.6 Estimation of impairment of property, plant and equipment and capital work-in progress and their useful lives

The group's management tests annually whether property plant and equipment and capital work-in progress have suffered impairment in accordance with the accounting policies stated within note 5 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The group's management determines the useful lives of property plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 6. Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.7 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 5.2).

##### 6.2.8 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. (see note 44).

##### 6.2.9 Percentage of completion

The group recognises accrual for capital work in progress and properties under development based on the percentage of completion method. The percentage of work completion is determined by the independent lead consultant of the respective projects.

The percentage of completion method is applied on a cumulative basis in each accounting year to the current estimates of accrual for capital work in progress and property under development. Any change in estimate for determination of accruals for capital work in progress and property under development is recognised in current consolidated statement of financial position.

##### 6.2.10 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. The group engaged independent valuation specialists to determine fair value as at 31 December 2014 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual, prices that would be achieved in a arm's length transaction at the reporting date

### 7. Fundamental accounting concept

The accumulated losses of the group reached KD65,513,413 and the paid up capital of the parent company is KD 72,000,000 while reserves balances amounted to KD73,399,127. The directors of the parent company proposed to write-off the accumulated losses against the balances of the reserves.



## Notes to the consolidated financial statements (continued)

31 December 2014

### 8. Subsidiary companies

8.1 Details of the group's material consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Ownership percentage		Country of incorporation	Principal activity	Establishment / acquisition date
	31 Dec. 2014	31 Dec. 2013			
	%	%			
IFA Hotels and Resorts Co.– KPSC	57.357	55.939	Kuwait	Hotel operations	2003
Seven Seas Resorts Co. – KSCC	48.299	48.299	Kuwait	Hotel operations	2003
Gulf Real Estate Co. – WLL	46.318	46.318	Kuwait	Real estate	2004
IFA Aviation Co. – KSCC	74.8	74.8	Kuwait	Aviation	2006
Radeem Real Estate Co. – SAL	99.7%	99.7	Lebanon	Real estate	2006
Dana Real Estate Co. – SAL	90	90	Lebanon	Real estate	2006
IFA Investments (Switzerland) SA	100	-	Switzerland	Investments	2014
Suhail Telecommunication Services Company-KSCC	99	-	Kuwait	Telecommunication	2014

### 8.2 Subsidiaries with material non-controlling interests

The group includes one subsidiary, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		(Loss)/profit allocated to NCI		Accumulated NCI	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	%	%	KD	KD	KD	KD
IFA Hotels and Resorts Co. – KPSC ('IFAHR')	42.646%	44.061%	(13,242,044)	7,477,442	22,300,398	36,104,185
Individually immaterial subsidiaries with non controlling interests			(67,972)	(317,497)	1,732,909	1,804,790
			(13,310,016)	7,159,945	24,033,307	37,908,975

No dividends were paid to the NCI during the years 2014 and 2013.

Summarised financial information for IFA Hotels & Resorts Company - KPSC, before intra group eliminations, is set out below:

## Notes to the consolidated financial statements (continued)

31 December 2014

### 8. Subsidiary companies (continued)

#### 8.2 Subsidiaries with material non-controlling interests (continued)

The financial year end of IFA Hotels and Resorts Company-KPSC is 31 December 2014, but for the purpose of consolidation of this subsidiary in to the group's consolidated financial statements, the financial statements for the period ended 30 September 2014 have been used after appropriate adjustments are made for the effects of any significant transactions or events that occur between that date and the reporting date of the parent company financial statements as of 31 December 2014:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Non-current assets	190,435,845	211,774,079
Current assets	185,770,373	179,375,560
<b>Total assets</b>	<b>376,206,218</b>	<b>391,149,639</b>
Non-current liabilities	138,577,527	128,097,188
Current liabilities	183,761,740	180,090,116
<b>Total liabilities</b>	<b>322,339,267</b>	<b>308,187,304</b>
Equity attributable to the owners of the parent company	31,566,553	46,858,150
Non-controlling interest	22,300,398	36,104,185
<b>Total equity</b>	<b>53,866,951</b>	<b>82,962,335</b>
	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Revenue</b>	<b>29,378,200</b>	<b>17,070,329</b>
(Loss)/profit for the year attributable to the owners of the parent company	(16,369,187)	10,873,389
(Loss)/profit for the year attributable to NCI	(13,242,044)	7,477,442
<b>(Loss)/profit for the year</b>	<b>(29,611,231)</b>	<b>18,350,831</b>
Total Other comprehensive income/(loss)	720,439	(4,018,256)
<b>Total comprehensive (loss)/income for the year</b>	<b>(28,890,792)</b>	<b>14,332,575</b>
Total comprehensive (loss)/income for the year attributable to the owners of the parent company	(15,606,256)	6,736,533
Total comprehensive (loss)/income for the year attributable to NCI	(13,284,536)	7,596,042
<b>Total comprehensive (loss)/income for the year</b>	<b>(28,890,792)</b>	<b>14,332,575</b>
	31 Dec. 2014	31 Dec. 2013
	KD	KD
Net cash used in operating activities	(674,308)	(1,777,913)
Net cash from investing activities	366,467	17,230,846
Net cash used in financing activities	(8,953,243)	(14,266,767)
<b>Net cash (outflow)/inflow</b>	<b>(9,261,084)</b>	<b>1,186,166</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 8. Subsidiary companies (continued)

#### 8.3 Sale of subsidiaries:

During the year the group sold 50% of its equity shares in Al Rammah National General Trading and Contracting Co. – WLL, an unconsolidated subsidiary for a total consideration of KD1,435,357 resulting in profit from sale of KD1,054,477.

During the year the group sold 100% of its equity shares in BPL Global Middle East General Trading and Contracting Co.- WLL an unconsolidated subsidiary for a total consideration of KD1,039,200 resulting in profit from sale of KD802,458.

#### 8.4 Acquisition of additional shares from non-controlling interests

The group acquired the remaining 15% shareholding held by non-controlling interests in IFA Hotels and Resort Limited, South Africa for a total consideration of KD180,194 resulting in a loss of KD466,020 which has been recognised in the equity.

As shown in note (28) during the year the group acquired the remaining 50% of joint venture (Zimbali Estates Pty Ltd).

#### 8.5 Business combination

During the year, the group acquired 100% equity shares in Suhail Telecommunication Services Company - KSCC - Kuwait for a total consideration of KD22,000.

The details of acquisition of Suhail Telecommunication Services Company - KSCC at the date of the acquisition was as follows:

Name of subsidiary	Interest acquired	Total net assets	Net assets acquired	Purchase consideration	Gain on bargain purchase
	%	KD	KD	KD	KD
Suhail Telecommunication Services Company – KSCC	100%	100,944	100,944	22,000	(87,944)

The fair value of the identifiable assets and liabilities has been determined at the date of acquisition and approximate their carrying values.

8.6 The group has pledge 89% group's shares of IFA-Hotels and Resorts (Subsidiary) against group's borrowings (note 34).

### 9. Interest income

Interest income resulted from financial assets:

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Loans to customers	363,920	46,440
Cash and cash equivalents	70,002	423,622
Late payments by customers	54,922	52,361
Loans to related parties	16,903	17,068
	<b>505,747</b>	<b>539,491</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 10. Management fees and similar income

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Management fees on assets under management	98,247	183,157
Consulting fees from managed assets	83,414	582,444
Advisory services income	371,875	1,301,682
	<b>553,536</b>	<b>2,067,283</b>

Management fees and similar income relate to income arising from the group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory services.

### 11. Net income from hoteliers and related services

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
<b>Income:</b>		
Hotel operations	26,652,527	14,921,583
Beach club operations	2,168,170	1,259,037
Management fees	467,764	390,188
Rental	89,739	499,521
	<b>29,378,200</b>	<b>17,070,329</b>
Direct costs	(12,883,823)	(8,700,885)
	<b>16,494,377</b>	<b>8,369,444</b>

Sale of properties represents revenue from trading properties and properties under development which have been originally purchased by the group and then developed and sold to customers.

### 12. Net loss from investments

Net loss from investments, analysed by category is as follows:

	31 Dec. 2014			31 Dec. 2013		
	Investments at fair value through profit or loss	Available for sale investments	Total	Investments at fair value through profit or loss	Available for sale investments	Total
	KD	KD	KD	KD	KD	KD
Gain/(loss) on sale	108,768	30,144	138,912	(1,846,031)	145,957	(1,700,074)
Change in fair value	(224,049)	-	(224,049)	17,513	-	17,513
	<b>(115,281)</b>	<b>30,144</b>	<b>(85,137)</b>	<b>(1,828,518)</b>	<b>145,957</b>	<b>(1,682,561)</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 13. Net gain/(loss) on financial asset

Net gain/(loss) on financial assets, analysed by category is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Loans and receivables		
- Cash and cash equivalents	70,002	423,622
- Loans to customer and related parties	380,823	63,508
Investment at fair value through profit or loss	(73,663)	(1,698,528)
Available for sale investments		
- Recognised directly in consolidated statement of comprehensive income	2,585,646	(1,306,019)
- Recycled from other comprehensive income to consolidated statement of profit or loss		
• on impairment	2,964,235	692,334
• on sale	(181,127)	(1,990,120)
- Recognised directly in consolidated statement of profit or loss	26,112	(1,844,163)
	<b>5,772,028</b>	<b>(5,659,366)</b>
Net gain/(loss) recognised in the consolidated statement of profit or loss	<b>3,186,382</b>	<b>(4,353,347)</b>
Net gain/(loss) recognised in the consolidated statement of comprehensive income	<b>2,585,646</b>	<b>(1,306,019)</b>
	<b>5,772,028</b>	<b>(5,659,366)</b>

### 14. Net (loss)/gain from investment properties

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Gain on sale of investment properties (Note 27.2- c)	760,413	-
Change in fair value arising from revaluation (Note 27.2 -b)	13,364,745	38,778,043
	<b>14,125,158</b>	<b>38,778,043</b>
Loss on settlements of disputes (Note 27.2 -a)	(15,550,901)	-
	<b>(1,425,743)</b>	<b>38,778,043</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 15. Gain/(loss) on sale of properties under development

Gain/(loss) on sale of properties under development represents the revenue and the costs related to the properties under development which have been originally purchased by the group for the purpose of development and resale to customers.

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Sales revenue	5,392,298	23,257,522
Cost of sales	(3,498,872)	(25,121,541)
	<b>1,893,426</b>	<b>(1,864,019)</b>

### 16. Other income

The other income consists of the following:

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Properties rental income	27,586	7,895
Foreign currency exchange loss	(657,248)	(381,180)
Net income from ticket sales and related services	241,929	172,992
Reversal of excess provision on loans to customers (Note 22.2)	143,682	470,884
Income/(loss) on default of customers to the terms in the sale contracts of the sold residential units	657,084	(675,236)
Interest on delayed land payment	(388,609)	(1,819,213)
Assets management expenses	(352,010)	-
Guaranteed return expenses on units	(485,452)	-
Energy costs	(1,188,476)	-
Management fees expenses	(864,642)	-
Other miscellaneous income	1,017,864	114,137
	<b>(1,848,292)</b>	<b>(2,109,721)</b>

### 17. Interest and similar expenses

Interest and similar expenses result from the group's short, medium and long term borrowing activities. All these financial liabilities of the group are stated at amortised cost.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 18. Basic and diluted (loss)/earnings per share attributable to the owners of the parent company

(Loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the owners of the parent company, by the weighted average number of shares outstanding of the parent company during the year after deducting treasury shares as follows:

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
(Loss)/profit for the year attributable to the owners of the parent company (KD)	(34,055,858)	2,926,182
Weighted average number of shares outstanding (excluding treasury shares) (share)	672,744,624	670,387,146
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company (Fils)	(50.62)	4.36

### 19. Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise the following accounts:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Cash and bank balances	5,902,975	6,132,420
Fixed deposits	557,759	562,607
Cash and cash equivalents	6,460,734	6,695,027
Due to bank	(980,744)	(990,488)
Cash and cash equivalents as per consolidated statement of cash flows	5,479,990	5,704,539

The group's fixed deposits yield interest at an average rate of 0.075% (2013: 0.075%) per annum.

Due to bank represents KD 1 Million overdraft facility from a local bank. The facility carries interest at 4% (2013: 4%) per annum and is secured by way of certain investments at fair value through profit or loss (note 20). As at 31 December 2014, the group had drawn an amount of KD980,744 (2013: KD990,488) from this facility.

### 20. Investments at fair value through profit or loss

	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Held for trading:</b>		
<b>Local</b>		
Quoted securities	763,510	1,468,546
Unquoted securities	232,156	232,334
	995,666	1,700,880
<b>Foreign</b>		
Quoted securities	118,955	1,861,974
<b>Total</b>	1,114,621	3,562,854

Quoted securities with carrying value of KD158,173 (2013: KD80,274) pledged against due to bank (note 19).

## Notes to the consolidated financial statements (continued)

31 December 2014

### 21. Receivables and other debit balances

	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Financial assets</b>		
Trade receivables	6,675,282	5,252,568
Advances	313,146	1,118,906
Kuwait Clearing Company receivable	112,191	143,075
Staff receivables	50,422	26,909
<b>Non financial assets</b>		
Prepaid expenses	2,279,807	2,662,314
Advances to contractors	1,969,586	1,323,569
Other miscellaneous receivables	7,904,508	7,972,655
	<b>19,304,942</b>	<b>18,499,996</b>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of their fair value. These financial assets which are measured at amortised cost are expected to be paid within six months, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

### 22. Loans to customers

22.1 Loans balances and effective interest rates are as follows:

	31 Dec. 2014	Effective interest rate	31 Dec. 2013	Effective interest rate
	KD		KD	
Margin loans	1,043,789	2% - 5%	1,043,789	2% - 5%
Staff loans	4,405	-	15,438	-
Loans to clients	1,315,663	2% - 5%	1,315,860	2% - 5%
	<b>2,363,857</b>		<b>2,375,087</b>	
Provision for credit losses	<b>(2,363,857)</b>		<b>(1,282,287)</b>	
	<b>-</b>		<b>1,092,800</b>	



## Notes to the consolidated financial statements (continued)

31 December 2014

### 22. Loans to customers (continued)

22.2 The movement in the provision for credit losses is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Balance at 1 January	1,282,287	1,478,757
Charge for the year (included in other operating expenses)	1,225,252	274,414
Reversal of excess provision	(143,682)	(470,884)
	<b>2,363,857</b>	<b>1,282,287</b>

Provision for credit losses is made in accordance with Central Bank of Kuwait requirements including provision on the balance of regular facilities for which no specific provision are made.

22.3 The maturity profile of loans to customers is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Between one month and six months	4,405	15,132
Between six months and one year	1,315,669	1,316,172
Over one year	1,043,783	1,043,783
	<b>2,363,857</b>	<b>2,375,087</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 23. Due from / to related parties

	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Due from related parties:</b>		
IFA Properties Brokerage Company	-	726,902
Al Wafir Marketing Services Company	88,330	-
Marasi Al Ofuq General Trading Co. – WLL	1,551,746	1,551,746
Keller Willian Franchise	206,707	-
Al Deera Holding Company – KPSC	1,199,850	1,838,240
International Resorts Company – KPSC	-	468,257
Souq Residence FZ Co.	-	8,666,643
Souq Palm FZ Co.	403,034	-
Other related parties	1,170,684	1,113,176
	<b>4,620,351</b>	<b>14,364,964</b>
Provision for doubtful debts	<b>(1,486,350)</b>	<b>(1,486,350)</b>
	<b>3,134,001</b>	<b>12,878,614</b>
<b>Due to related parties:</b>		
IFA Zimbali H & R (Pty) Ltd	1,173,767	1,030,937
Al Tital Investment Co. – WLL	1,303,409	1,223,947
Kuwait Real Estate Company – KPSC	8,443,876	7,317,181
Al Rana General Trading Co. – WLL	1,600,518	2,497,585
Kuwait Holding Co. – KSCC	2,053,275	2,059,073
United Investment Portugal Company	375,801	-
IFA Consulting Services Co. – WLL	105,958	222,381
International Resorts Company – KPSC	143,487	-
Al Dahiya Investment Co. – WLL	5,439,142	5,298,992
The Palm Golden Mile (JV)	-	2,054,177
IFA One Real Estate Co.	15,453	1,017,459
EFG Hermes-KSCC	3,956,080	-
Kuwait Invest Real Estate-KSCC	603,019	-
Other related parties	838,592	647,790
	<b>26,052,377</b>	<b>23,369,522</b>

Amounts due to related parties are non-interest bearing, unsecured and repayable on demand.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 24. Trading properties

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Residential apartments in Dubai (UAE)	145,900	-
Properties in South Africa	3,878,021	4,212,858
	<b>4,023,921</b>	<b>4,212,858</b>

The trading properties in Dubai represent unsold residential units. Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprised of land at cost and development expenditure related to unsold properties.

Trading properties in South Africa have been pledged as security against borrowing facilities of the group (note 34).

### 25. Asset classified as held for sale

The balance at 31 December 2014, represents 49% holding in Kuwait Invest Real Estate Company. This investment was acquired during the year by one of group's subsidiary and classified as held for sale because the group's management had decided to commit to a plan to sell this investment, therefore, its carrying amount will be recovered principally through the sale transaction rather than through continuing use. Subsequent to the reporting date, this investment was sold.

In 2013, management decided to dispose its 25% equity investment in Raimon Land Public Company Limited ('Raimon') in line with the group's strategy to focus on its core business. Consequently, assets and liabilities allocable to Raimon were classified as assets held for sale. On 30 September 2013, shares in Raimon were sold for a total of KD19,317,061 in cash resulting in a gain of KD11,301,639.

### 26. Available for sale investments

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Local quoted securities	434,371	905,553
Foreign quoted securities	215,446	2,990,335
Local unquoted securities	9,677,806	12,157,479
Foreign unquoted securities	24,155,188	16,942,609
Managed funds	578,037	1,068,767
	<b>35,060,848</b>	<b>34,064,743</b>

Foreign and local unquoted investments of KD7,809,672 (2013: KD11,412,018) are carried at cost less impairment, if any, since their fair values cannot be reliably determined. Management is not aware of any circumstances that would indicate impairment in value of these investments.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 26. Available for sale investments (continued)

Foreign unquoted securities include investment in Neova Sigorta Insurance Company amounting to KD9,682,647 (2013: KD2,374,642) representing 25% (2013: 25%) equity ownership interest in the investee company. The group does not exercise significant influence over the financial and operational decision making of the investee company and does not have any representation on the board, therefore, this investment has not been equity accounted in accordance with ISA 28.

Managed funds include investments in units of private equity funds amounting to KD578,037 (2013: KD1,067,767). Fair value of these investments are determined using net asset values reported by the investment managers and the management believes that these represent the best estimate of fair value available for these investments

During the year, the group recognised an impairment loss of KD2,964,235 (2013: KD768,850) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicate that there is no further impairment.

- Available for sale investments amounting to KD8,379,535 (2013: KD6,990,563) are pledged as security against group's borrowings (note 34).

### 27. Investment properties

27.1 Investment properties represent the following:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Freehold land in Zimbali – South Africa	3,014	3,851
Land in Jordan	404,520	401,800
Land in UAE	556,170	462,886
Land in Egypt	-	354,966
Apartments in Dubai – UAE	91,660	343,724
Building in Lebanon	1,563,556	1,850,037
Apartments in Portugal	8,209,604	9,379,838
Crescent Palm Jumeirah (freehold land in the Crescent area) & Kingdom of Sheba (KOS) Vacation Club* (see 'a' below)	-	45,564,562
	<b>10,828,524</b>	<b>58,361,664</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 27. Investment properties (continued)

27.2 The movement in investment properties is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Carrying value at the beginning of the year	58,361,664	30,463,337
Transferred from capital work in progress	-	11,481,670
Transferred to properties under development	-	(23,125,145)
Transferred to capital work in progress – below (a)	(45,133,824)	-
Utilised in the settlements of disputes with Nakheel PJSC –below (a)	(15,550,902)	-
Changes in fair value arising during the year – below (b)	13,364,745	38,778,043
Disposals during the year – below (c)	(1,402,099)	-
Foreign currency adjustment	1,188,940	763,759
Ending balance	10,828,524	58,361,664
Unrealised gain recognised in the consolidated statement of income resulting from change in fair value (note 14)	13,364,745	38,778,043

(a) Investment property in Crescent Palm Jumeirah in (UAE) at the beginning of 2014 comprised of two vacant plots at Crescent – Palm Jumeirah, Dubai, UAE registered in the name of Kingdom of Sheba Vacation Club FZE (Plot A) and Kingdom of Sheba Hotel FZE (Plot B), subsidiaries of the group [2013: Plot A, Plot B, and a plot of land registered in the name of C Fourteen FZE, a sub-subsidiary of the group (Plot C)].

On 31 December 2014, based on market conditions management decided to utilise Plot B for the construction of a capital project. Accordingly, KD45,133,824, being the fair value of the said plot on that date, determined by an independent valuer, was transferred to capital work-in-progress and the difference in fair value and carrying amount of KD13,529,285 was recognised as fair value gain (note 14).

In the previous year, due to management's decision to call off the project for construction of Kingdom of Sheba Vacation Club on Plot A, the group and Nakheel PJSC went into certain disputes. During the year, a settlement was initiated to resolve all the claims and disputes with Nakheel PJSC. As a result, on 10 February 2015 the title of Plot A, having a carrying value of KD15,550,902, has been transferred to 'The Palm Jumeirah Co. LLC', a sister concern of Nakheel PJSC. In consideration of the transfer of Plot A, the group obtained right to utilise built up area and number of keys attached to Plot A on the retained Plot B. As per the settlement terms, the group can develop Plot B as mixed used resort. These rights were taken into consideration by the independent valuer when plot B was being fair valued. The said event has been treated as an adjusting event for the purposes of these consolidated financial statements.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 27. Investment properties (continued)

(b) The fair value of investment properties located outside the State of Kuwait has been estimated by independent external valuers resulting in revaluation gain of KD 13,364,745 (2013: KD38,778,043).

Investment properties were revalued by independent valuers using market comparable approach that reflects the recent transaction prices for similar properties. Refer to note 44.4 for their classification under different levels.

(c) During the year 2014, the group sold investment properties for total consideration of KD2,162,512 resulting in a gain amounting to KD760,413 (2013 KD Nil), (see note 14).

Foreign investment properties with a carrying value of KD1,658,230 (2013: KD2,213,437) have not been revalued by independent valuers which is not in compliance with the requirements of the Kuwaiti Capital Market Authority. In the opinion of management the carrying value of these investment properties approximates their fair value.

Investment properties amounting to KD8,209,604 (2013: KD9,379,838) are pledged against group's borrowings (note 34).

### 28. Investment in associates and joint ventures

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Investment in associates (Note 28.1)	29,183,734	36,632,501
Investment in joint ventures (Note 28.3)	-	15,028,671
	<b>29,183,734</b>	<b>51,661,172</b>

28.1 The details of the group's investments in associates are as follows:

Company name	Principal Activities	Place of incorporation	31 Dec. 2014		31 Dec. 2013	
			%	KD	%	KD
Zamzam Religious Tourism Co. – KSCC	Hajj & Umrah	Kuwait	20	57,990	20	41,153
Legend & IFA Developments (Pty) Ltd	Property development	South Africa	50	6,604,522	50	6,994,390
Arzan Financial Group For Financing and Investment – KPSC	Financing	Kuwait	19.36	22,521,222	19.36	29,596,958
				<b>29,183,734</b>		<b>36,632,501</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 28. Investment in associates and joint ventures (continued)

The movement of investment in associates during the year is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Carrying value at the beginning of the year	36,632,501	37,192,511
Disposal of shares in associates	-	(79,116)
Share of results of associates	777,978	327,041
Impairment of investment in associate (see b below)	(5,368,839)	-
Impairment of shareholders loss	-	(3,990,525)
Share of other comprehensive income	(2,506,866)	3,308,087
Foreign exchange translation adjustment	(351,040)	(125,497)
	<b>29,183,734</b>	<b>36,632,501</b>

Investment in Legends & IFA Developments (Pty) Limited, includes shareholders' loan of KD6,604,509 (2013: KD6,994,376) during the year the group recognised impairment loss amounting to KD Nil (2013: KD3,990,525) relating to this loan.

Investment in associate of KD3,133,623 (2013: KD5,092,138) is pledged against group's borrowings (note 34).

28.2 Summarised financial information of group's material associates are set out below:

Legend & IFA Developments (Pty) Ltd (unquoted) and Arzan Financial Group For Financing and Investment – KPSC (quoted)

	Arzan Financial Group For Financing and Investment – KPSC		Legend & IFA Developments (Pty) Ltd	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	KD	KD	KD	KD
Non-current assets	122,135,539	118,226,511	18,128,194	19,366,990
Current assets	39,795,437	44,285,666	548,639	409,083
Total assets	<b>161,930,976</b>	<b>162,512,177</b>	<b>18,676,833</b>	<b>19,776,073</b>
Non-current liabilities	33,541,725	27,560,600	2,483,093	2,839,331
Current liabilities	12,079,016	9,806,335	17,859,747	18,173,151
Total liabilities	<b>45,620,741</b>	<b>37,366,935</b>	<b>20,342,840</b>	<b>21,012,482</b>
Net assets	<b>116,310,235</b>	<b>125,145,242</b>	<b>(1,666,007)</b>	<b>(1,236,409)</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 28. Investment in associates and joint ventures (continued)

	Arzan Financial Group For Financing and Investment – KPSC		Legend & IFA Developments (Pty) Ltd	
	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Revenue	10,415,427	9,350,473	(1,790,478)	(2,484,896)
Profit/(loss) for the year	4,017,846	1,689,261	(3,783,020)	(9,554,330)
Other comprehensive (loss)/income for the year	(12,946,642)	17,087,226	(702,080)	(250,994)
Total comprehensive (loss)/income for the year	(8,928,796)	18,776,487	(4,485,100)	(9,805,324)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Arzan Financial Group For Financing and Investment – KPSC		Legend & IFA Developments (Pty) Ltd	
	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Group's ownership interest (%)	19.36%	19.36%	50%	50%
Net assets of the associate	116,310,235	125,145,242	(1,666,007)	(1,236,409)
Group's share of net assets	22,521,222	24,228,119	(833,004)	(618,204)
Other adjustments (unrecognised share of losses and foreign exchange translation)	-	-	833,018	618,218
Shareholders loan	-	-	6,604,509	6,994,376
Goodwill	5,368,839	5,368,839	-	-
Impairment of goodwill	(5,368,839)	-	-	-
Carrying amount	22,521,222	29,596,958	6,604,523	6,994,390
Fair market value	7,462,206	12,126,085	-	-

The group has accounted for its share of results of associates using unaudited management accounts as at 30 September 2014.

As a result of the impairment testing of the carrying value of the investment in Arzan Financial Group For Financing and Investment – KPSC, the group recognised an impairment loss of KD5,368,839 (2013:KD Nil).

Legend & IFA Developments (Pty) Ltd is a private company, therefore, no quoted market prices are available for the share.



## Notes to the consolidated financial statements (continued)

31 December 2014

### 28. Investment in associates and joint ventures (continued)

28.2 Set out below is the aggregate information for the individually immaterial associate, based on audited financial statements as at 31 December 2013.

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Group's share of the profits and losses	16,837	(8,847)
Group's share of total comprehensive income/(loss)	16,837	(8,847)
Aggregate carrying amount of group's interest in this associate	57,990	41,153

#### 28.3 Investments in joint ventures

The group has following joint venture investments accounted for under equity method:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Zilwa Limited (the principal activity of the joint venture is property development) – South Africa (a)	-	872,295
Zimbali Estates (PTY) Ltd. (the principal activity of the joint venture is the sale of developed property) – South Africa (b)	-	102,764
Palm Golden Mile Joint Venture (the principal activity of the Joint Venture is design, development, construction, marketing, sale of apartment and rental of shopping centers and residential apartments) – UAE	-	14,053,612
	-	15,028,671

The group recognised an impairment loss amounted to KD872,295 (2013: KD1,541,521) relating to loan granted to Zilwa Limited from the group.

During the year the group acquired the remaining 50% of joint venture (Zimbali Estates Pty Ltd), therefore, it is consolidated from the date of effective control (see note 8).

## Notes to the consolidated financial statements (continued)

31 December 2014

### 28. Investment in associates and joint ventures (continued)

28.4 Summarised financial information of group's material joint venture is set out below:

#### a) Palm Golden Mile Joint Venture

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Non-current assets	44,071,070	41,564,002
Current assets	51,246,021	51,239,514
<b>Total assets</b>	<b>95,317,091</b>	<b>92,803,516</b>
Current liabilities	70,463,391	64,696,291
<b>Total liabilities</b>	<b>70,463,391</b>	<b>64,696,291</b>
<b>Net assets</b>	<b>24,853,700</b>	<b>28,107,225</b>
	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Revenue	698,532	-
Loss for the year	(2,573,736)	(9,597,165)
<b>Total comprehensive loss for the year</b>	<b>(2,573,736)</b>	<b>(9,597,165)</b>

Reconciliation of the above summarised financial information of the joint venture with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Group's ownership interest (%)	50%	50%
Net assets of the joint venture	24,853,700	28,107,225
Group's share of net assets	12,426,850	14,053,613
Loss on settlement	(9,559,973)	-
Net payable due to joint venture written off	(2,866,877)	-
<b>Carrying amount</b>	<b>-</b>	<b>14,053,613</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 28. Investment in associates and joint ventures (continued)

28.4 Summarised financial information of group's material joint venture is set out below: (continued)

The group has accounted for its share of result of the joint venture using unaudited management accounts as at 30 September 2014.

The Palm Golden Mile Joint Venture was a 50-50 percent joint venture between IFA Hotels and Resorts FZE and Istithmar PJSC, a sister concern of Nakheel PJSC (together the "Venturers").

During the year ended 31 December 2011, Nakheel PJSC initiated a legal proceeding for the claim of KD8,000,200 (equivalent to AED 100 million) against Souq Residences FZCO. Whereas, Souq Residence FZCO lodged a counter claim of KD73,618,400 (equivalent to AED 920 million), against sale of retail space in Golden Mile.

During the year, an out of court settlement was initiated to resolve all the claims and disputes with Nakheel PJSC. As a result, a Share Purchase Agreement (SPA) dated 16 November 2014 was executed between the Venturers and Nakheel PJSC, whereby:

- 50 percent shares held by the group in Souq Residences FZCO and Souq Palm FZCO, were sold to Nakheel PJSC at KD 0.080 (equivalent to AED 1) ; and
- Any receivable/payable balances between the group and The Palm Golden Mile Joint Venture were waived by either party, resulting in the group writing back net liability of KD2,866,877 (equivalent to AED35,827,005) owed to the joint venture.

28.5 Set out below is the aggregate information for the individually immaterial joint ventures, based on unaudited management accounts as at 31 December 2013.

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Group's share of the profits and losses	-	16,634
Group's share of total comprehensive loss	-	16,634
Aggregate carrying amount of group's interest in these joint ventures	-	975,059

28.6 Share of loss from associates and joint ventures:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Groups' share of results from associate	777,978	327,041
Groups' share of results from joint ventures	(1,891,510)	(4,777,165)
	(1,113,532)	(4,450,124)

## Notes to the consolidated financial statements (continued)

31 December 2014

### 29. Goodwill

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Beginning balance	48,665,305	48,678,399
Impairment of goodwill	(7,946,410)	-
Foreign exchange translation adjustments	42,531	(13,094)
Ending balance	40,761,426	48,665,305

#### *Test for impairment*

The group performed its annual impairment test in December 2014 and 2013. For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises.

The recoverable amount of goodwill was determined based on comparison between the carrying value of the investment and the fair value of the IFAHR shares quoted in the Kuwait Stock Exchange as at 31 December 2014. The management of the group determined the carrying value of the investment in subsidiary to be in excess of its fair value by KD7,946,410 (2013: KD Nil) which was recognized in the consolidated statement of profit or loss as impairment.

### 30. Properties under development

The movement in properties under development is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Carrying value at the beginning of the year	152,715,385	149,299,941
Additions during the year	3,206,355	5,717,773
Transferred to materials in sites and stores	-	(1,040,092)
Transfers to capital work in progress	-	(2,389,840)
Transfer from investment properties	-	23,125,145
Cost absorbed during the year	(611,862)	(22,175,936)
Foreign exchange translation adjustments	2,941,725	178,394
	158,251,603	152,715,385

Properties under development relates to the revenue project which are offered for sale. Cost of project expected to be completed after 12 months has been classified as non-current assets.

In the opinion of the management, there has been no impairment in the carrying values of the property under development as at 31 December 2014 (2013: KD Nil.).

## Notes to the consolidated financial statements (continued)

31 December 2014

### 30. Properties under development (continued)

	31 Dec. 2014	31 Dec. 2013
	KD	KD
The above balance consists of the following:		
<b>Cost of land:</b>		
- The Trunk, Palm Jumeirah	563,489	552,181
- Kingdom of Sheba Heritage Place	4,287,224	4,201,187
- C14 property	23,598,732	23,125,146
- Balqis Residence	24,387,467	23,898,053
- Zimbali Prescint Real Estate	547,564	598,046
	<b>53,384,476</b>	<b>52,374,613</b>
Construction, piling and enabling works	80,658,427	78,985,413
Other construction related costs	24,208,700	21,355,356
	<b>158,251,603</b>	<b>152,715,382</b>

Properties under development amounting to KD 52,836,912 (2013:51,776,567) are pledged against group's borrowings (note 34).

### 31. Capital work in progress

31.1 Capital work in progress consists of the following:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Crescent Palm Jumeirah (transferred from investment properties)	45,133,824	-
Construction pilling and enabling works	528,721	335,065
	<b>45,662,545</b>	<b>335,065</b>

31.2 The movement in capital work in progress is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Carrying value at the beginning of the year	335,065	100,519,081
Additions during the year	187,949	8,686,365
Transferred from investment properties (Note 27.2) (a)	45,133,824	-
Transferred to investment properties	-	(11,481,670)
Transferred to property, plant and equipment –note 32	-	(100,438,570)
Transferred from properties under development	-	2,389,840
Foreign currency translation adjustments	5,707	660,019
	<b>45,662,545</b>	<b>335,065</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 32. Property, plant and equipment

	Freehold land	Buildings on freehold land	Building on leasehold Land	Plant and equipment	Furniture and fixture	Motor vehicles	Total
31 December 2014	KD	KD	KD	KD	KD	KD	KD
<b>Cost</b>							
At 1 January 2014	7,886,624	105,580,908	9,597,793	5,410,058	6,966,389	179,493	135,621,265
Additions	-	94,734	10,364	495,870	1,343,626	73,758	2,018,352
Disposals	-	-	(903,442)	(50,866)	(185,791)	(776)	(1,140,875)
Reclassifications	-	-	-	(910,615)	910,615	-	-
Foreign currency adjustment	(2,119)	1,109,520	(36,693)	(30,590)	(151,119)	(2,910)	886,089
<b>At 31 December 2014</b>	<b>7,884,505</b>	<b>106,785,162</b>	<b>8,668,022</b>	<b>4,913,857</b>	<b>8,883,720</b>	<b>249,565</b>	<b>137,384,831</b>
<b>Accumulated depreciation and impairment</b>							
At 1 January 2014	-	3,270,606	2,527,755	2,034,936	3,094,471	148,556	11,076,324
Charge for the year	-	2,169,163	498,817	1,109,296	973,031	21,388	4,771,695
Relating to disposals	-	-	(51,854)	(38,500)	(126,466)	-	(216,820)
Relating to reclassifications	-	-	-	(185,454)	185,454	-	-
Impairment	-	2,458,481	-	-	-	-	2,458,481
Foreign currency adjustment	-	8,700	(16,236)	(13,248)	(86,646)	(2,150)	(109,580)
<b>At 31 December 2014</b>	<b>-</b>	<b>7,906,950</b>	<b>2,958,482</b>	<b>2,907,030</b>	<b>4,039,844</b>	<b>167,794</b>	<b>17,980,100</b>
<b>Net carrying amount</b>							
<b>At 31 December 2014</b>	<b>7,884,505</b>	<b>98,878,212</b>	<b>5,709,540</b>	<b>2,006,827</b>	<b>4,843,876</b>	<b>81,771</b>	<b>119,404,731</b>

Land and building with a carrying value of KD2,587,647 (2013: KD 2,658,876) located in South Africa have been pledged as security for term loan facility obtained by subsidiary's of group located in South Africa. Further building with carrying value of KD92,671,919 (2013: KD 88,085,244) located in UAE has been pledged as security for loan facility obtained by subsidiary's of group located in UAE (see note 34).

During the year, the management has assessed a building erected on a freehold land in South Africa to be impaired based in independent valuer report. As a result the group recognised an impairment loss amounting to KD2,458,481 (2013: KD Nil) in consolidated statement of profit or loss.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 32. Property, plant and equipment (continued)

	Freehold land	Buildings on freehold land	Building on leasehold Land	Plant and equipment	Furniture and fixture	Motor vehicles	Yacht	Aircraft	Total
31 December 2013	KD	KD	KD	KD	KD	KD	KD	KD	KD
<b>Cost</b>									
At 1 January 2013	1,681,722	18,711,965	9,570,124	2,416,091	5,997,752	268,616	1,386,106	3,954,045	43,986,421
Additions	-	284,505	5,870	517,555	780,290	5,001	-	-	1,593,221
Disposals	-	-	-	(4,470)	(34,951)	(12,256)	(1,386,106)	(3,954,045)	(5,391,828)
Transferred from capital work in progress (note 31)	6,326,508	89,243,184	-	2,222,409	2,646,469	-	-	-	100,438,570
Foreign currency adjustment	(121,606)	(2,658,746)	21,799	258,473	(2,423,171)	(81,868)	-	-	(5,005,119)
<b>At 31 December 2013</b>	<b>7,886,624</b>	<b>105,580,908</b>	<b>9,597,793</b>	<b>5,410,058</b>	<b>6,966,389</b>	<b>179,493</b>	<b>-</b>	<b>-</b>	<b>135,621,265</b>
<b>Accumulated depreciation</b>									
At 1 January 2013	-	2,006,511	2,232,368	1,531,942	2,963,242	211,994	878,682	449,058	10,273,797
Charge for the year	-	1,505,419	490,627	603,220	729,108	13,607	138,610	-	3,480,591
Relating to disposals	-	-	-	(4,470)	(11,722)	(1,851)	(1,017,292)	(449,058)	(1,484,393)
Foreign currency adjustment	-	(241,324)	(195,240)	(95,756)	(586,157)	(75,194)	-	-	(1,193,671)
<b>At 31 December 2013</b>	<b>-</b>	<b>3,270,606</b>	<b>2,527,755</b>	<b>2,034,936</b>	<b>3,094,471</b>	<b>148,556</b>	<b>-</b>	<b>-</b>	<b>11,076,324</b>
<b>Net carrying amount</b>									
<b>At 31 December 2013</b>	<b>7,886,624</b>	<b>102,310,302</b>	<b>7,070,038</b>	<b>3,375,122</b>	<b>3,871,918</b>	<b>30,937</b>	<b>-</b>	<b>-</b>	<b>124,544,941</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 33. Payables and other credit balances

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Accrued interest payable	7,092,149	7,204,202
Accounts payable (a - below)	24,181,126	23,991,138
Dividends payable	515,320	517,645
Obligations against purchase of land (b - below)	1,201,284	2,354,353
Kuwait Foundation for the Advancement of Science	2,448,681	2,475,903
National Labour Support Tax	7,618,757	7,693,399
Zakat provision	639,348	667,310
Provision for staff end of service benefits and leave	2,311,229	2,429,335
Deferred income	2,128,126	1,849,464
Accrued retention payable	-	7,329,259
Accrued construction costs	733,722	6,306,953
Redeemable preference shares	2,889,252	2,831,270
Refundable deposits on cancellation and resale of units	1,521,039	2,373,357
Land transfer fee payable	1,054,704	1,147,342
Provision for loans receivable	1,556,000	1,556,000
Other payables	7,315,177	6,083,442
	<b>63,205,914</b>	<b>76,810,372</b>

(a) Accounts payable include payable to the ex-contractor Dubai Contracting Company (DCC) with respect of Balqis Residence FZE and Kingdom of Sheba Heritage Palace FZE, subsidiaries of the UAE subsidiary. During the previous year, DCC contract was terminated under agreement dated 8 October 2013 to discharge all the contractual and financial obligations. As a result, KD14,652,757 (equivalent to AED183,103,399) was determined as payable to DCC in two instalments of KD1,464,448 (equivalent to AED18,300,000) and KD13,188,310 (equivalent to AED164,803,399) due on 31 March 2014 and 31 March 2015 respectively. The group made an overpayment of KD347,564 (equivalent to AED4,343,221) with the first instalment, resulting in the unpaid balance of KD12,840,745 (equivalent to AED160,460,181), which is due to be paid on 31 March 2015 included in the above balance. Certain amounts were reclassified from accrued retention payable and accrued construction cost to accounts payable. Such reclassification had no impact on the consolidated statement of profit or loss for the year.

(b) Liability towards purchase of land comprises of an amount due on purchase of plot of land in the Crescent area of the Palm Jumeirah, Dubai and a plot located at Jumeirah Lake in Dubai.



## Notes to the consolidated financial statements (continued)

31 December 2014

### 34. Borrowings

The loan balances and bank facilities of the group are represented at the date of the consolidated statement of financial position by the following:

	Currency	Period due		Effective interest rates	Purpose	Assets pledged	31 Dec.	31 Dec.
		From	To				2014	2013
1	USD	28-12-2005	28-12-2019	2.87%	Financing the group's investments	Shares of parent company and IFA H& R shares	35,266,800	33,999,000
2	EUR	15-06-2007	28-12-2019	2.68%	Financing the group's investments	Shares of IFA H& R and an AFS investments	7,054,242	7,699,924
3	KD	26-06-2013	30-06-2019	4.75%	Repayment of indebtedness	Local portfolio with 120% coverage	23,000,000	25,000,000
4	KD	05-01-2013	31-12-2019	3.75%	Local equity financing	Financial portfolio with 200% coverage	8,555,000	8,555,000
5	AED	01-05-2007	30-06-2018	7% - 12%	Projects financing	Properties located in Palm Jumeirah, U.A.E and collections deposited in account opened in a foreign bank	80,042,196	64,844,950
6	Rand	23/05/2007	21/05/2017	2% - 8.5%	Financing the group's investments	Mortgage of certain property, plant and equipment and certain trading properties in South Africa subsidiaries	12,193,868	15,152,924
7	USD	01/01/2010	31/12/2016	9%	Acquisition of properties	Land included in properties under development	2,977,299	3,195,678
8	EUR	15/09/2011	15/03/2024	6.5%	Acquisition of properties	Investment properties owned by the subsidiary	5,021,760	6,460,749
9	GBP	01/08/2008	31/07/2018	4.5%	Financing the group's investments	Assets of Yotel Airports Limited	288,005	353,537
							<b>174,399,170</b>	<b>165,261,762</b>

The borrowings are pledged against certain group's assets as follow:

	31 Dec. 2014	31 Dec. 2013
	<b>KD</b>	<b>KD</b>
Investments at fair value through statement of income (Note 20)	<b>158,173</b>	80,274
Trading properties (Note 24)	<b>4,023,921</b>	4,212,858
Available for sale investments (Note 26)	<b>8,379,535</b>	6,990,563
Investment in associate (Note 28)	<b>3,133,623</b>	5,092,138
Investment properties (Note 27)	<b>8,209,604</b>	9,379,838
Properties under development (Note 30)	<b>52,836,912</b>	51,776,567
Property, plant and equipment (Note 32)	<b>95,295,566</b>	90,744,120
Investment in subsidiary (Note 8)	<b>60,778,583</b>	65,126,026
<b>Total assets pledged</b>	<b>238,815,917</b>	<b>233,402,384</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 35. Advances received from customers

These balances represent amounts collected in advance from customers of a subsidiary company of the group on the sale of residential flats currently under construction by the group. Advances from those customers are transferred to income upon completion of the construction of the sold unit and handing it over to the customer.

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Balance at the beginning of the year	123,996,415	136,198,130
Advances received during the year	5,774,711	5,592,921
Revenue recognised during the year	(40,422)	(18,679,678)
Foreign currency adjustment	2,525,423	885,042
Balance at end of the year	132,256,127	123,996,415

### 36. Equity

#### 36.1 Share capital

The authorised and paid up share capital of the parent company as at 31 December 2014 comprised of 720,000,000 shares of 100 Fils each, all issued and fully paid (2013: 720,000,000 shares of 100 Fils each).

#### 36.2 Share premium

Share premium is not available for distribution, unless otherwise stipulated by local laws.

#### 36.3 Treasury shares

	31 Dec. 2014				31 Dec. 2013			
	Number of shares	%	Cost KD	Market Value KD	Number of shares	%	Cost KD	Market Value KD
	47,110,564	6.54	32,757,404	1,884,423	49,513,128	6.88	32,869,551	2,153,821

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 37. Statutory and Voluntary reserves

The Companies Law and the parent company's articles of association require that 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the legal reserve. The shareholders of parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal 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.

The parent company's articles of association requires that, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

No transfers are required in a year when losses are made or where cumulative losses exist.

### 38. Fiduciary accounts

The group manages investment portfolios on behalf of others, mutual funds, and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management as at 31 December 2014 amounted to KD52,082,306 (2013: KD77,343,907). The group earned management fees of KD98,247 (2013: KD183,157) from these activities.

### 39. Proposed dividends

The directors did not propose dividend for the year ended 31 December 2014. This proposal is subject to the approval of the parent company's shareholders at the Annual General Assembly.

The Annual General Assembly of the shareholders held on 22 May 2014 approved the consolidated financial statements of the group for the year ended 31 December 2013 without dividend

### 40. Contingent liabilities

Certain customers have initiated legal proceeding against UAE subsidiary for the delay in completion of its projects and cancellation of units. Since these litigations are in the preliminary stage, the probable outcome cannot be estimated reliably. However, the group management is of the view that these cases will ultimately be decided in favour of the group. However, on prudence basis, the management has sufficiently provided for the expected loss that could result from these litigation in consultation with groups legal advisor.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 41. Capital Commitments

#### Capital expenditure commitments

At 31 December 2014, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai – UAE , Beirut –Lebanon, and South Africa. The group's share in the estimated funding commitments on these projects is as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Estimated and contracted commitment outstanding on account of revenue projects	27,001,086	15,633,091

The group expects to finance the future expenditure commitments from the following sources:

- sale of investment properties;
- advances from customers;
- aising additional share capital;
- advances provided by the shareholders, related entities, joint ventures; and
- borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 42. Segmental information

The group activities are concentrated in four main segments: asset management, treasury and investments, real estate and others. The segments' results are reported to the higher management in the group. In addition, the segments revenue, assets are reported based on the geographic locations which the group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Asset Management		Treasury and Investments		Real Estate		Others		Total	
	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment income/(loss)	553,536	2,067,283	1,382,726	(5,541,510)	16,989,646	56,593,002	(1,875,878)	(2,117,616)	17,050,030	51,001,159
<b>Segment (loss)/profit for the year</b>	<b>(4,218,159)</b>	<b>(1,413,308)</b>	<b>(28,274,571)</b>	<b>(22,765,127)</b>	<b>14,886,131</b>	<b>56,593,002</b>	<b>(29,759,275)</b>	<b>(22,328,440)</b>	<b>(47,365,874)</b>	<b>10,086,127</b>
Depreciation									4,771,695	3,480,591
Impairment									28,908,874	10,857,548
Reversal of excess provision on related party balances – net									-	(1,012,058)
Finance costs									11,637,546	11,697,068
Interest income									505,747	539,491
<b>Statement of financial position</b>										
Total segmental assets	119,404,731	125,637,741	111,600,618	143,658,612	224,254,313	215,624,970	-	-	455,259,662	484,921,323
Total segmental liabilities	-	-	(174,399,170)	(165,261,762)	(132,256,127)	(123,996,415)	-	-	(306,655,297)	(289,258,177)
<b>Net segmental assets</b>	<b>119,404,731</b>	<b>125,637,741</b>	<b>(62,798,552)</b>	<b>(21,603,150)</b>	<b>91,998,186</b>	<b>91,628,555</b>	<b>-</b>	<b>-</b>	<b>148,604,365</b>	<b>195,663,146</b>
Unallocated assets									23,419,688	32,369,098
Unallocated liabilities									(90,239,035)	(101,170,382)
<b>Net Assets</b>									<b>81,785,018</b>	<b>126,861,862</b>

#### Geographical information:-

	Assets		Revenue	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	KD	KD	KD	KD
Kuwait	116,548,855	138,872,034	4,524,789	1,353,234
UAE and Asia	313,993,701	323,569,032	6,689,291	43,136,488
Africa	33,084,729	37,615,927	3,657,077	4,164,236
Others	15,052,065	17,233,428	2,178,873	2,347,201
	<b>478,679,350</b>	<b>517,290,421</b>	<b>17,050,030</b>	<b>51,001,159</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 43. Related parties transactions

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

During the period, the group entities entered into the following transactions with related parties that are not members of the group:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Balances included in the consolidated statement of financial position:</b>		
Amounts due from related parties (Note 23)	3,134,001	12,878,614
Amounts due to related parties (Note 23)	26,052,377	23,369,522
Purchase of available for sale investment	590,000	-
<b>Transactions included in the consolidated statement of profit or loss:</b>		
Interest and similar expenses	284,109	833,808
Interest income	25,284	17,068
Advisory services	371,875	1,301,682
Gain on sale of available for sale investments	-	667,621
Gain on sale of subsidiaries	1,856,935	-
Write back provision for amounts due from related parties -net	-	1,012,058
<b>Key management compensation of the group:</b>		
Short-term benefits	1,059,714	785,072

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 44.1 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 are as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Financial assets:</b>		
Cash and cash equivalents	6,460,734	6,695,027
Investments at fair value through profit or loss	1,114,621	3,562,854
Receivables and other debit balances	7,151,041	6,541,458
Loans receivable	-	1,092,800
Due from related parties	3,134,001	12,878,614
Available for sale investments	35,060,848	34,064,743
	<b>52,921,245</b>	<b>64,835,496</b>
<b>Financial liabilities:</b>		
Due to banks	980,744	990,488
Payables and other credit balances	63,205,914	76,810,372
Due to related parties	26,052,377	23,369,522
Borrowings	174,399,170	165,261,762
	<b>264,638,205</b>	<b>266,432,144</b>

#### 44.2 Fair value hierarchy

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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## Notes to the consolidated financial statements (continued)

31 December 2014

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

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Financial assets:</b>		
Available for sale investments		
- at cost	7,809,672	11,412,018
- at fair value	27,251,176	22,652,725
Investments at fair value through profit or loss		
- at fair value	1,114,621	3,562,854
Loans and receivables (at amortised costs):		
- Loans to customers	-	1,092,800
- Receivable and other debit balances	7,151,041	6,541,458
- Cash and cash equivalents	6,460,734	6,695,027
- Due from related parties	3,134,001	12,878,614
<b>Total financial assets</b>	<b>52,921,245</b>	<b>64,835,496</b>
<b>Financial liabilities at amortised cost:</b>		
- Due to banks	980,744	990,488
- Payable and other credit balances	63,205,914	76,810,372
- Due to related parties	26,052,377	23,369,522
- Borrowings	174,399,170	165,261,762
<b>Total financial liabilities</b>	<b>264,638,205</b>	<b>266,432,144</b>

Management considers that the carrying amounts of loans and receivables and all financial liabilities, which are stated at amortised cost, approximate their fair values except for certain available for sale investments which are carried at cost for reason specified in note 26.

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



## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 44.3 Fair value measurement of financial instruments

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

31 December 2014	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>Investments at fair value through profit or loss</b>					
<i>Investments held for trading:</i>					
Local:					
Quoted securities		763,510	-	232,116	995,626
Foreign:					
Quoted securities		118,995	-	-	118,995
<b>Available for sale investments</b>					
Quoted securities		649,817	-	-	649,817
Managed funds		-	578,037	-	578,037
Unquoted securities		-	-	26,023,322	26,023,322
<b>Net fair value</b>		<b>1,532,322</b>	<b>578,037</b>	<b>26,255,438</b>	<b>28,365,797</b>
<b>31 December 2013</b>					
<b>Investments at fair value through profit or loss</b>					
<i>Investments held for trading</i>					
Local:					
Quoted securities		1,468,723	-	232,157	1,700,880
Foreign:					
Quoted securities		1,861,974	-	-	1,861,974
<b>Available for sale investments</b>					
Quoted securities		3,895,888	-	-	3,895,888
Managed funds		-	1,068,767	-	1,068,767
Unquoted securities		-	-	17,688,070	17,688,070
<b>Net fair value</b>		<b>7,226,585</b>	<b>1,068,767</b>	<b>17,920,227</b>	<b>26,215,579</b>

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

#### Measurement at fair value

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

#### a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### b) Unquoted securities

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

#### c) Investment in managed funds

Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at		Fair value Hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
	31 Dec. 2014 KD	31 Dec. 2013 KD				
<i>Investment at fair value through Profit or loss:</i>						
<i>Investments held for trading:</i>						
Local:						
Quoted securities	763,510	1,468,723	1	Quoted bid prices	N/A	N/A
Unquoted securities	232,116	232,157	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Foreign:						
Quoted securities	118,995	1,861,974	1	Quoted bid prices	N/A	N/A
<b>Available for sale investments</b>						
Quoted securities	649,817	3,895,888	1	Quoted bid prices	N/A	N/A
Managed funds	578,037	1,068,767	2	NAV Basis	N/A	N/A
Unquoted securities	26,023,322	17,688,070		Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value

The impact on statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variables used to fair value the level 3 investments were changed by 5%.

For financial instruments carried at amortized cost, fair values are not materially different from their carrying values and is used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### Level 3 fair value measurements

The group's financial assets and liabilities classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investments at fair value profit or loss		Available for sale Investments	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	KD	KD	KD	KD
Opening balance	232,157	232,157	17,688,070	27,936,111
Purchases	-	-	624,232	1,524,791
Sales	(41)	-	(2,459,079)	(10,784,352)
Gains or losses recognised in:				
Other comprehensive income	-	-	10,169,099	(988,480)
Closing balance	232,116	232,157	26,023,322	17,688,070

#### 44.4 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:

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<b>31 December 2014</b>				
<b>Investment properties</b>				
Land in Jordan	-	-	404,520	404,520
Land in UAE	-	-	556,170	556,170
Apartments in Dubai – UAE	-	-	91,660	91,660
Apartments in Portugal	-	-	8,209,604	8,209,604
			<b>9,261,954</b>	<b>9,261,954</b>
<b>31 December 2013</b>				
<b>Investment properties</b>				
Land in Jordan	-	-	401,800	401,800
Land in UAE	-	-	462,886	462,886
Apartments in Dubai – UAE	-	-	343,724	343,724
Apartments in Portugal	-	-	9,379,838	9,379,838
Crescent Palm Jumeirah (freehold land in the Crescent area) & Kingdom of Sheba (KOS) Vacation Club	-	-	45,564,562	45,564,562
			<b>56,152,810</b>	<b>56,152,810</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 44.5 Fair value measurement of non-financial assets (continued)

The fair value of the investment property has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. For the valuation purpose, the group has selected to use the lower value of the two valuations in accordance with local regularities (2013: lower of two valuations). Further information regarding the level 3 fair value measurements is set out below:

##### Land in Jordan

**Basis of valuations:** Direct comparison approach having regard to market transactional evidence known to the valuer and recent sales of similar plot of land as reported by the Jordan Land Department.

##### Land in UAE

**Basis of valuations:** Direct comparison approach having regard to market transactional evidence known to the valuer and recent sales of similar plot of land as reported by the Dubai Land Department.

##### Apartments in Dubai – UAE

**Basis of valuations:** Comparable method. In determining the Gross Development Value (GDV) of the proposed development the valuer has used comparable method, which utilizes the evidence of transactions or current asking prices of similar properties in the immediate vicinity and, if appropriate, applies adjustment to the figures based on market research, discussion with independent agents and in some cases, developers or construction companies

##### Apartments in Portugal

**Basis of valuations:** Market comparison approach. The method is based on comparison of the property value with data, relating to the transaction of properties with similar or comparable characteristics. The used in the valuation is collected directly from the market, providing an objective indicator of values which is used as reference parameter. The method performs a comparison stratification of the data collected to be homogeneous in order to allow comparison and determine which features most relevant. Data are collected from several sources from the Real Estate Market.

##### Crescent Palm Jumeirah (freehold land in the Crescent area) –Dubai

**Basis of valuations:** Residual approach. The residual approach calculates of the GDV of the property as using the income approach. The costs of construction including soft costs, professional fees, contingency, finance costs, legal fees and developers profit are deducted from the GDV to arrive at a residual value of the property. The residual valuation is carried out when there is lack of comparable evidence of similar properties.

##### Kingdom of Sheba (KOS) Vacation Club- Dubai

**Basis of valuations:** comparable and residual method of valuation. In determining the GDV of the proposed development the valuer used comparable method, which utilizes the evidence of transactions or current asking prices of similar properties in the immediate vicinity and, if appropriate, applies adjustment to the figures based on market research, discussion with independent agents and in some cases, developers and/or construction companies.

## Notes to the consolidated financial statements (continued)

31 December 2014

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

#### 44.5 Fair value measurement of non-financial assets (continued)

Residual Method formula

1. Gross development value.
2. Less: all costs of development profits
3. Equals: Residual land value

The non-financial assets within this level can be reconciled from beginning to ending balances as follows:

	Investment properties Total	
	31 Dec. 2014	31 Dec. 2013
	KD	KD
Opening balance	56,152,810	28,074,203
Transferred from capital work in progress	-	11,481,670
Transferred to capital work in progress	(45,133,824)	
Transferred to properties under development	-	(23,125,146)
Disposal	(252,064)	-
Gains or losses recognised in consolidated statement of profit or loss:		
Change in fair value of investment properties	(1,831,191)	38,778,043
Foreign currency adjustments	326,223	944,040
Closing balance	9,261,954	56,152,810
Total amount included in the consolidated statement of profit or loss for unrealised gains on Level 3 assets	(1,831,191)	38,778,043

### 45. Risk management objectives and policies

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

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The group's risk management is carried out by the central risk management function 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 which analyse exposures by degree and magnitude of risks. 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.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 45. Risk management objectives and policies (continued)

The most significant financial risks to which the group is exposed to are described below.

#### 45.1 Market risk

##### a) Foreign currency risk management

The group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to UAE Dirhams, Euro, South Africa Rand, Sterling Pound and 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, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk 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 contracts are mainly 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 at year end:

	31 Dec. 2014	31 Dec. 2013
	KD	KD
UAE Dirhams	(96,531,375)	(87,927,777)
Euro	(11,753,325)	(13,191,402)
South African Rand	(17,434,526)	(18,982,439)
Sterling Pound	(537,007)	(2,116,688)
US Dollar	(45,414,617)	(48,511,988)

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the (loss)/profit for the year:

	31 Dec. 2014		31 Dec. 2013	
	Changes in variables %	(Loss)/profit for the year KD	Changes in variables %	Profit/(loss) for the year KD
UAE Dirhams	±3.72	±3,595,239	±0.41	±361,791
Euro	±4.17	±490,598	±0.59	±78,164
South African Rand	±6.14	±1,071,032	±20.91	±3,968,787
Sterling Pound	±2.42	±12,973	±2.36	±49,970
US Dollar	±3.67	±1,664,615	±0.34	±162,854

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 45. Risk management objectives and policies (continued)

#### 45.1 Market risk (continued)

##### a) Foreign currency risk management (continued)

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 foreign currency risk.

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

##### 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 Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of monetary financial instruments is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

##### Interest rate sensitivity analysis

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (2013: + 1% and –1%) with effect 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 held at each date of the consolidated statement of financial position. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2014		31 Dec. 2013	
	+ 1 %	-1 %	+ 1 %	-1 %
	KD'000	KD'000	KD'000	KD'000
Profit/(loss) for the year	(1,672,550)	1,672,550	(1,595,549)	1,595,549

##### c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, UK, USA, Portugal, Saudi Arabia and Dubai. Equity investments are classified either as "investments at fair value through profit or loss" or "available for sale investments".

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the group. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the loss for the year and equity for the year ended 31 December would have been as follows:

## Notes to the consolidated financial statements (continued)

31 December 2014

### 45. Risk management objectives and policies (continued)

#### 45.1 Market risk

##### c) Equity price risk (continued)

	(Loss)/profit for the year		Equity	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	KD '000	KD '000	KD '000	KD '000
Investments at fair value through profit or loss	(91,227)	776,690	-	-
Available for sale investments	-	-	(115,403)	951,736
	(91,227)	776,690	(115,403)	951,736

#### 45.2 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 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 security when appropriate.

The loans receivable consist mainly of margin loans, ongoing credit valuation is performed on financial conditions of these receivables where appropriate coverage of collaterals is monitored. The credit risk on liquid funds is limited because the counterparties are the banks with high credit-rating assigned by international credit rating agencies.

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	31 Dec. 2013
	KD	KD
Cash and cash equivalents	6,460,734	6,695,027
Investments at fair value through profit or loss	1,114,621	3,562,854
Receivables and other debit balances	17,025,135	15,837,682
Loans to customers	-	1,092,800
Due from related parties	3,134,001	12,878,614
Available for sale investments	35,060,848	34,064,743
	62,795,339	74,131,720

Except for receivables and other assets referred to in note 21, and available for sale investments referred to in note 26, loans to customers referred to in note 22, none of the above financial assets are past due or impaired. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.



## Notes to the consolidated financial statements (continued)

31 December 2014

### 45. Risk management objectives and policies (continued)

#### 45.2 Credit risk (continued)

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balance and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 45.3.

#### 45.3 Concentration of assets

The group operates in different geographical areas. The distribution of financial assets by geographic region is as follows:

	GCC	Asia	Africa	Europe	USA	Total
	KD	KD	KD	KD	KD	KD
At 31 December 2014						
Assets						
Cash and cash equivalents	5,189,348	365,529	338,068	561,886	5,903	6,460,734
Investments at fair value through profit or loss	995,666	-	-	118,955	-	1,114,621
Receivables and other debit balances	11,383,088	140,183	2,775,579	1,315,547	1,410,738	17,025,135
Due from related parties	2,858,665	233,294	15,210	26,832	-	3,134,001
Available for sale investments	9,800,385	228,642	1,394,695	11,556,306	12,080,820	35,060,848
<b>Total assets</b>	<b>30,227,152</b>	<b>967,648</b>	<b>4,523,552</b>	<b>13,579,526</b>	<b>13,497,461</b>	<b>62,795,339</b>
At 31 December 2013						
Assets						
Cash and cash equivalents	5,403,754	526,718	421,987	305,457	37,111	6,695,027
Investments at fair value through profit or loss	1,701,056	-	-	1,861,798	-	3,562,854
Receivables and other debit balances	10,490,430	161,800	2,553,218	1,260,587	1,371,647	15,837,682
Loans receivable	1,092,800	-	-	-	-	1,092,800
Due from related parties	12,430,613	337,562	91,005	19,434	-	12,878,614
Available for sale investments	15,689,946	308,125	1,315,890	4,592,567	12,158,215	34,064,743
<b>Total assets</b>	<b>46,808,599</b>	<b>1,334,205</b>	<b>4,382,100</b>	<b>8,039,843</b>	<b>13,566,973</b>	<b>74,131,720</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 45. Risk management objectives and policies (continued)

#### 45.4 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to 1 year	From 1 to 5 years	Total
	KD	KD	KD
<b>31 December 2014</b>			
<b>Financial liabilities</b>			
Due to banks	1,019,974	-	1,019,974
Payables and other credit balances	48,726,861	14,479,053	63,205,914
Due to related parties	26,052,377	-	26,052,377
Borrowings	23,905,525	195,358,198	219,263,723
Advances received from customers	13,888,148	118,367,979	132,256,127
	113,592,885	328,205,230	441,798,115
	Up to 1 year	From 1 to 5 years	Total
	KD	KD	KD
<b>31 December 2013</b>			
<b>Financial liabilities</b>			
Due to banks	1,030,108	-	1,030,108
Payables and other credit balances	55,888,334	20,922,038	76,810,372
Due to related parties	23,369,522	-	23,369,522
Borrowings	34,888,148	188,039,981	222,928,129
Advances received from customers	13,888,148	110,108,267	123,996,415
	129,064,260	319,070,286	448,134,546

## Notes to the consolidated financial statements (continued)

31 December 2014

### 45. Risk management objectives and policies (continued)

#### 45.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2014:

	Within 1 year	Over 1 year	Total
31 December 2014	KD	KD	KD
<b>Assets</b>			
Cash and cash equivalents	6,460,734	-	6,460,734
Investments at fair value through profit or loss	1,114,621	-	1,114,621
Receivables and other debit balances	19,304,942	-	19,304,942
Due from related parties	3,134,001	-	3,134,001
Trading properties	4,023,921	-	4,023,921
Asset classified as held for sale	5,487,720	-	5,487,720
Available for sale investments	-	35,060,848	35,060,848
Investment properties	-	10,828,524	10,828,524
Investment in associates and joint ventures	-	29,183,734	29,183,734
Goodwill	-	40,761,426	40,761,426
Properties under development	-	158,251,603	158,251,603
Capital work in progress	-	45,662,545	45,662,545
Property, plant and equipment	-	119,404,731	119,404,731
	<b>39,525,939</b>	<b>439,153,411</b>	<b>478,679,350</b>
<b>Liabilities</b>			
Due to banks	980,744	-	980,744
Payables and other credit balances	48,726,861	14,479,053	63,205,914
Due to related parties	26,052,377	-	26,052,377
Borrowings	14,932,615	159,466,555	174,399,170
Advances received from customers	13,888,148	118,367,979	132,256,127
	<b>104,580,745</b>	<b>292,313,587</b>	<b>396,894,332</b>

## Notes to the consolidated financial statements (continued)

31 December 2014

### 45. Risk management objectives and policies (continued)

#### 45.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2013:

	Within 1 year	Over 1 year	Total
	KD	KD	KD
<b>2013</b>			
<b>Assets</b>			
Cash and cash equivalents	6,695,027	-	6,695,027
Investments at fair value through profit or loss	3,562,854	-	3,562,854
Receivables and other debit balances	18,499,996	-	18,499,996
Loans to customers	1,092,800	-	1,092,800
Due from related parties	12,878,614	-	12,878,614
Trading properties	4,212,858	-	4,212,858
Available for sale investments	-	34,064,743	34,064,743
Investment properties	-	58,361,664	58,361,664
Investment in associates and joint ventures	-	51,661,172	51,661,172
Goodwill	-	48,665,305	48,665,305
Properties under development	-	152,715,382	152,715,382
Capital work in progress	-	335,065	335,065
Property, plant and equipment	-	124,544,941	124,544,941
	<b>46,942,149</b>	<b>470,348,472</b>	<b>517,290,421</b>
<b>Liabilities</b>			
Due to banks	990,488	-	990,488
Payables and other credit balances	55,888,334	20,922,038	76,810,372
Due to related parties	23,369,522	-	23,369,522
Borrowings	23,231,742	142,030,020	165,261,762
Advances received from customers	13,888,148	110,108,267	123,996,415
	<b>117,368,234</b>	<b>273,060,325</b>	<b>390,428,559</b>

### 46. Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management.

## Notes to the consolidated financial statements (continued)

31 December 2014

### 47. 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 dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

#### Gearing ratio

The group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Debt (a)	174,399,170	165,261,762
Cash and cash equivalents	(5,479,990)	(5,704,539)
Net debt	168,919,180	159,557,223
Equity (b)	81,785,018	126,861,862
Net debt to equity ratio	207%	126%

- a) Debt is defined as long and short term borrowings.
- b) Equity includes all capital and reserves of the group.