Annual Report 2014

Moving Forward

البحرين الأولى
First Bahrain

H.H. Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah

Amir of the State of Kuwait

H.H. Sheikh Nawaf Al-Ahmad
Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

His Royal Highness
Prince Khalifa bin Salman Al Khalifa

The Prime Minister of the
Kingdom of Bahrain

His Majesty
King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

Crown Prince, Deputy Supreme Commander
& First Deputy Prime Minister

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www.firstbahrain.com
FirstBahrain
company/First-Bahrain-Real-Estate-Development-Co.

www.majaal.com
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Company Profile

First Bahrain Real Estate Development Co. K.S.C. (First Bahrain) is an innovative real estate investment company, dedicated to achieving sustainable returns through collaborative relationships. First Bahrain creates enduring value for all stakeholders with a demand-driven investment approach.

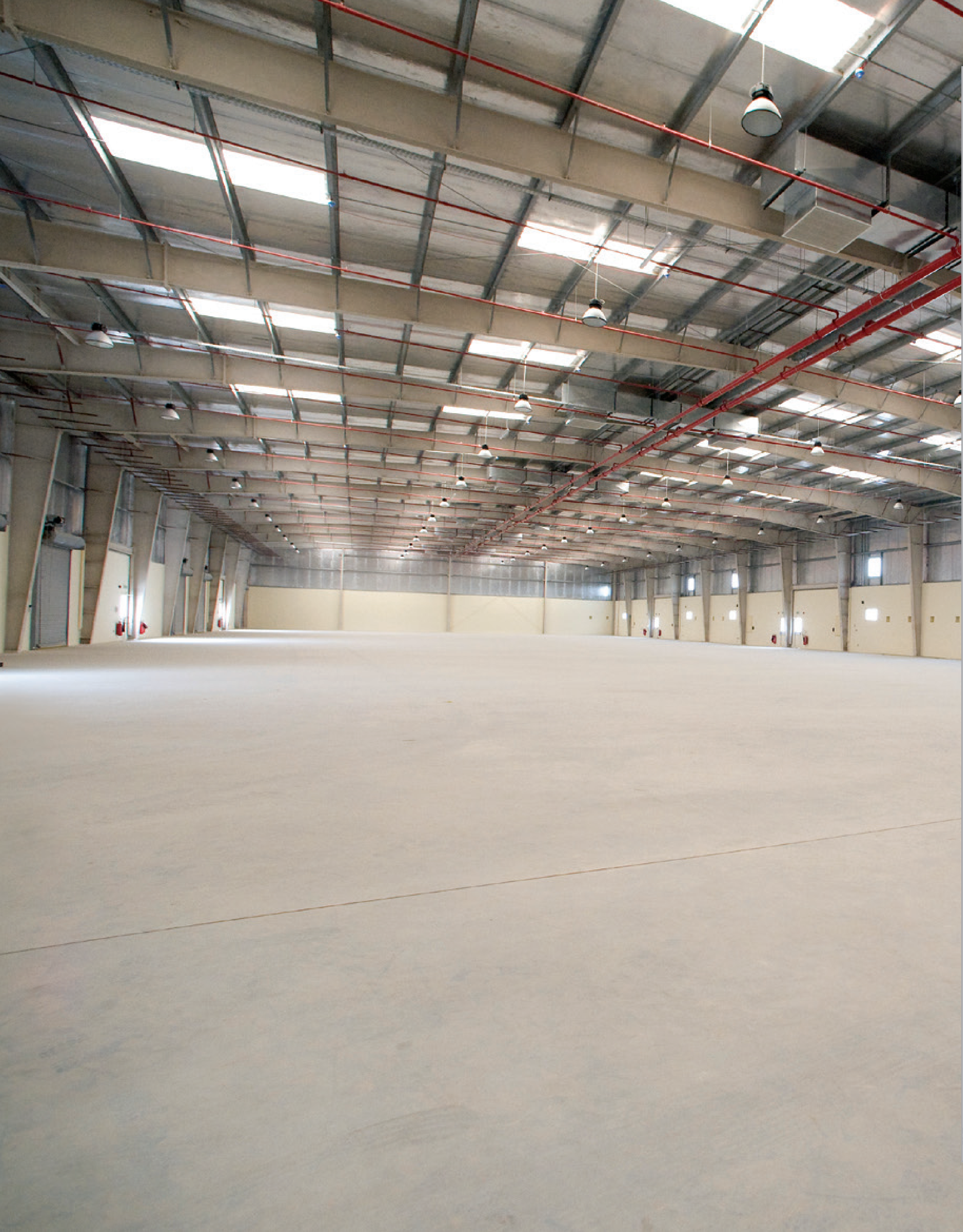
Operating out of offices in Kuwait and Bahrain, the Company is strategically positioned to execute projects across the GCC. Established in October 2004 in Kuwait as Baraq Al Khaleej Holding Company, with a paid up capital of KD 1 million, the corporate name was later changed to First Bahrain Real Estate Development Company, and the paid up capital increased to KD 30 million. In 2007, First Bahrain opened an office in the Kingdom of Bahrain. Since its inception the Company has been guided by the principles of Islamic Sharia in all its daily operations and business interests.

The principal shareholders of First Bahrain are leading regional institutions and high-profile real estate investors, including Global Investment House, Action Group Holdings Co., Wafra International Investments Co., Esterad Investment Co. and the General Retirement and Social Authority of the State of Qatar. First Bahrain owns or holds rights to over 1,000,000 square feet of strategically located lands in the Kingdom of Bahrain.

The Company's inaugural project, Majaal, a flexible-use industrial facility designed to support Small-to-Medium-sized Enterprises (SMEs), is located at the Bahrain Investment Wharf (BIW), within Salman Industrial City, near to both the new Khalifa bin Salman Port and the Bahrain International Airport.

Possessing 400,000 square feet of leasable space, the development consists of seven warehouse buildings. The land for the development was acquired in 2007 and the first three buildings were ready for occupancy in 2010. These initial buildings were fully leased by September 2011. Subsequent construction of an additional three buildings was completed in 2013. The final building was delivered in 2014. The fully developed complex is now operating at full occupancy, functioning as home to over 30 businesses representing a range of activities from FMCG distributors to small manufacturers.

Having weathered the various political and economic challenges of the previous years, the Company has turned the corner and is moving forward to the realisation of the value potential currently present within its holdings. As it has done with Majaal, the Company is continuing to convert its raw land holdings into robust fully-developed income generating assets. Marked by entrepreneurial leadership, commitment and integrity, First Bahrain is actively putting its potential to work for benefit of all of our stakeholders.



Our Vision is to realise value potential

Our Mission With entrepreneurial vision and innovation, First Bahrain exists to initiate and orchestrate real estate developments which bring enduring value and sustainable prosperity to both our communities and to our shareholders, through partnerships and investments made in accordance with the principles of Sharia.

Our Values drive our behaviour. First Bahrain's four core values flow from who we are as people and shape who we are as a Company, enabling us to achieve our vision and mission. These values are also in rank order. If there is any conflict between two values, we choose conduct in line with the higher value.

Integrity We are passionate and committed to our principles. Driven by Islamic values, we stand by our corporate social responsibilities. Our expertise and dedication enables us to transcend traditional ideas, and offer clients inspired and meaningful solutions

Innovation We embrace creativity in a constantly changing environment and provide intelligent solutions to capitalise upon these developments. Through dynamic planning, we enhance stakeholder value, increase investor opportunity, and spearhead regional real estate growth to higher levels.

Partnership We continue to build an international network of strategic alliances. These alliance share our vision of maximizing Return of Investment in accordance with the principles of Sharia. In working together with select partners, we develop a strong and secure support structure and move forward with confidence and strength.

Prosperity Our understanding and insight into the real estate market is the driving force that enables us to ensure continued prosperity for all our shareholders. We have established an energetic culture that both demands and rewards excellence throughout every business venture.

Report of the Board of Directors

On behalf of the Board of Directors, I am pleased to present this Annual Report and Consolidated Financial Statements of First Bahrain for the year ended 31 December 2014, the first of my tenure as Chairman of the Board of Directors.

First Bahrain has turned the corner and is now boldly moving forward. We have posted a net profit for the year of KD 215,899, the first annual gain in four years and the largest since before the collapse of the regional real estate market following the global financial crisis of 2008. With this result, we have brought to a close a difficult season and we have positioned the Company for better days ahead.

Our success in 2014 was the direct result of our investments in industrial real estate which came to maturity during the period with the completion of our first Majaal development. Leasable area grew substantially and net rental income nearly tripled as we achieved full occupancy for the newly completed facility. Further expanding revenues, income from our new line of professional services increased by a factor of seven over 2013.

These gains in core business income have more than made up for the passive income from the investment portfolio which was lost in the debt settlement with a major shareholder at the end of 2013. The Balance Sheet is now strong and healthy. All investment properties have been conservatively valued with land prices holding steady now for seven quarters. The growth in the value of investment property correlated with the additions to the Majaal properties funded by a KD 3.9 million loan from BMI Bank which was fully utilized by the end of the period.

Most importantly, cash reserves rose to just over KD 1 million while debt is merely 14.9% of equity. The quick ratio of current assets over current liabilities is 2.7, demonstrating the Company's clear ability to meet all of its financial obligations in the year ahead. Funds have been set aside to meet all principal repayments due in the coming twelve months. Recent negotiations have also significantly reduced the cost of finance.

In a matter of internal housekeeping, the Board of Directors is recommending to the Annual Ordinary and Extraordinary General Meetings of the shareholders to approve a reduction of share capital from KD 31,500,000 to KD 23,330,961, accompanied by a 10% share dividend. These combined actions will eliminate all the treasury shares which were acquired at the end of 2013 in the debt settlement with a major shareholder.

Moving Forward

Having successfully concluded the development of our first industrial facility, we are looking for opportunities to grow both through the initiation of new projects and the acquisition of new fee for services work.

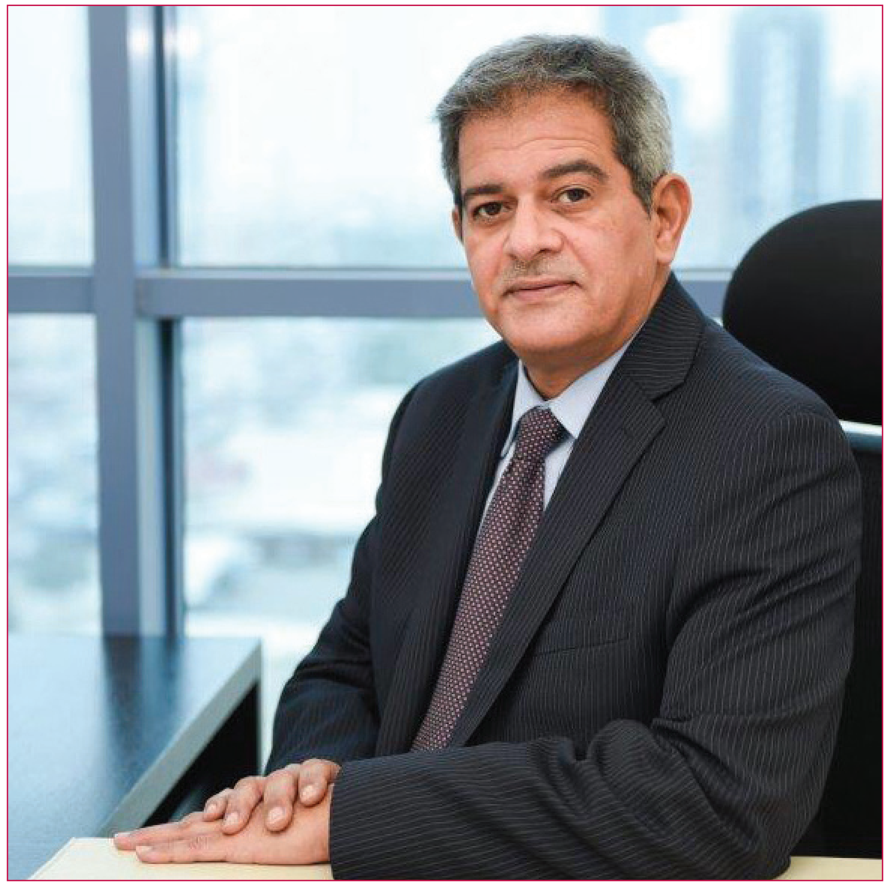
In particular, we are moving forward with projects on our dormant land holdings. We expect to break ground on a neighbourhood retail centre in Janabiya during Q2 2015 and we are in early stages of a new project for our land in Seef. We hope to realise the value potential in both of these plots over the coming years as we convert these lands into cash generating properties.

Today, the Majaal development represents just 41% of the value of the Company's investment property, yet it is producing 100% of the Company's operational cash flow.

Our success in 2014 was the direct result of our investments in industrial real estate.

The proposed share dividend will reward the patience and commitment of the existing shareholders by distributing back to them 55% of the historical retained earnings at year-end 2014 while the reduced share capital instantly improves all performance ratios. We now put the past behind and look towards that which is ahead.

As the rest of the Company's assets are developed, our revenue will continue its strong growth trajectory. Accordingly, I am increasingly optimistic about the good future ahead for our Company and all of our stakeholders, thanks much to the hard work and dedication to duty of our experienced and proven management team.



Waleed Ahmed Alkhaja
Chairman

Acknowledgments

As my first year as Chairman comes to a close, I would like to thank my fellow members of the Board of Directors for their support and tireless efforts to provide First Bahrain with quality leadership and accountability.

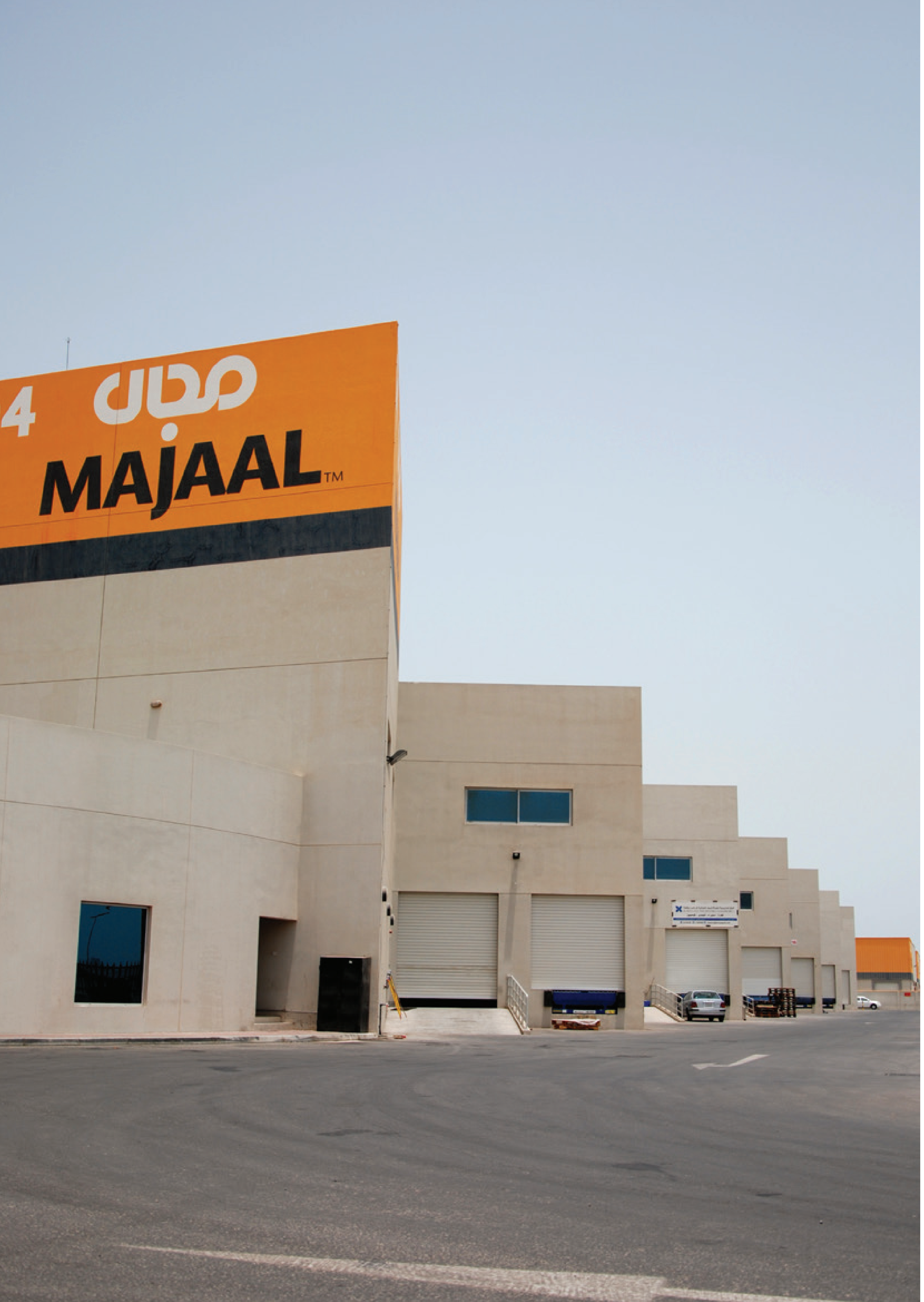
In closing, I extend my sincere best wishes to H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Amir of the State of Kuwait, to H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of the State of Kuwait, for their wise leadership and dedication to advancing the prosperity and promising future of the State of Kuwait.

In like manner, I am deeply appreciative of the wise leadership of H.M. the King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, H.R.H. the Crown Prince, Salman bin Hamad Al Khalifa, The Crown Prince and Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain and H.R.H. the Prime Minister, Khalifa bin Salman Al Khalifa, the Prime Minister of the Kingdom of Bahrain, who have preserved and protected an increasingly positive business climate in our home market, the Kingdom of Bahrain.

Furthermore, I express appreciation to all governmental ministries, supervisory bodies, and regulatory authorities of both countries, for their constructive support and sage guidance.

Finally, I offer my sincere gratitude to our shareholders for their faith and confidence in appointing me to the Board and to my fellow board members for selecting me as your Chairman. I am particularly grateful for the dedication to duty displayed by our management and staff. We have achieved much together. Well done. I am proud of you all. May Almighty Allah grant us all sustained success and prosperity.

Waleed Ahmed Alkhaja
Chairman



Special Feature

MAJAAL™

Majaal is a leading provider of industrial facilities for Small to Medium sized Enterprises (SMEs), a market segment which constitutes the engine of growth for every economy. As developer and operator of these flexible multi-purpose facilities, Majaal seeks to facilitate the growth of business and industry in the markets we serve.

In addition to high-specification warehouse space, Majaal provides SMEs a unique range of business administration and logistics support services, including: 24/7 security, state-of-the-art ICT provisions, transportation assistance and fit-out management services.

The first Majaal property is located at the Bahrain Investment Wharf (BIW) within the Salman Industrial City, providing easy access to Khalifa bin Salman Port and other major transport links in Bahrain. Majaal holds land covering over 717,000 square feet in this modern and private industrial development.

The initial three S-Type buildings became operational in February 2010 and were fully leased as of September 2011. Each building is sub-dividable into units as small as 2,500 square feet.

Given the proven demand for smaller unit sizes, three additional S-Type buildings were constructed, doubling the leasable area when it was delivered in June 2013. The entire facility was leased to a single long-term tenant the same month it was delivered.

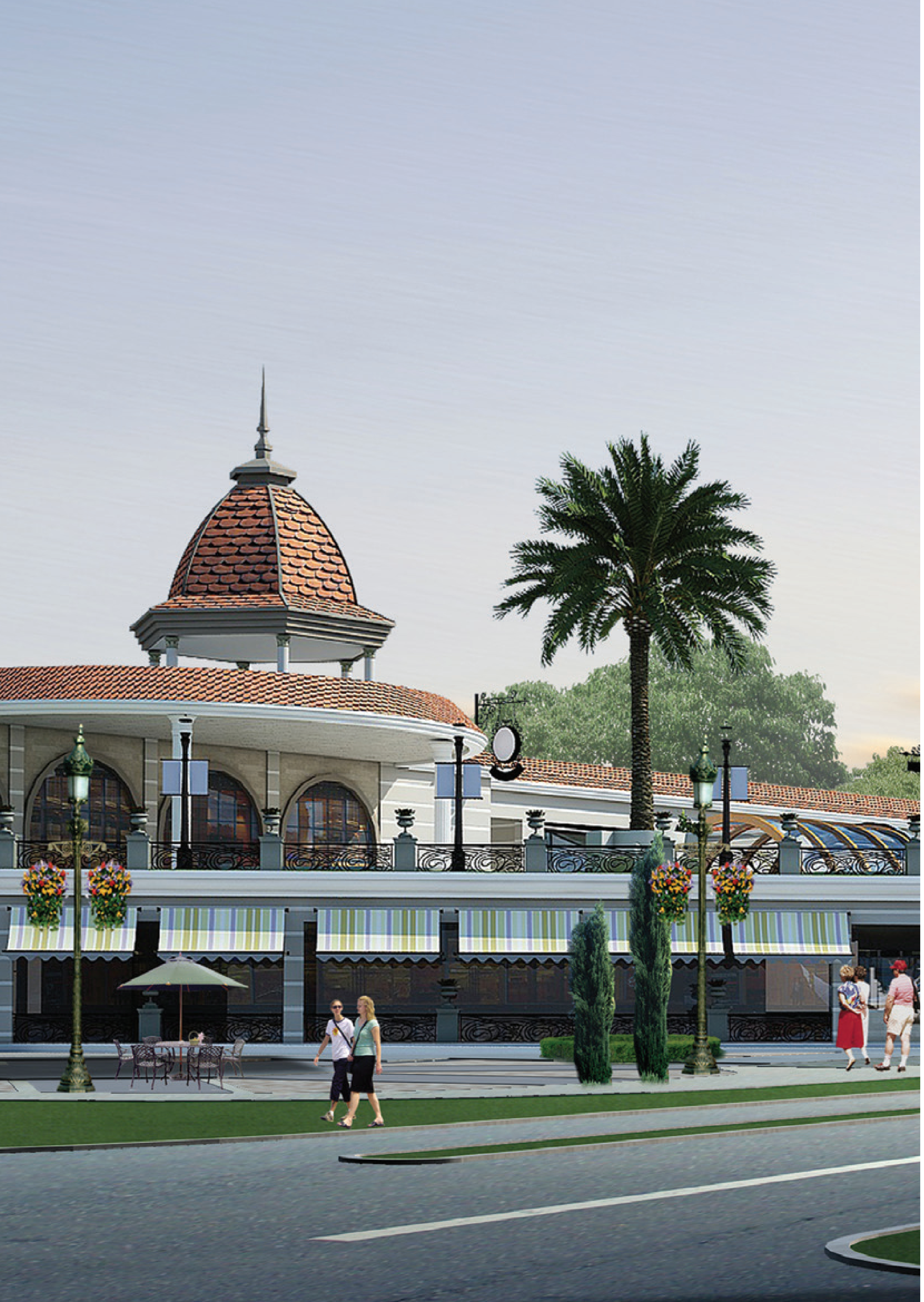
The centrepiece of the development at BIW, completed during 2014, is our new M-Type building. This final building adds approximately 150,000 square feet of net leasable area sub-divisible into units of minimum space of 10,700 square feet. The building features raised floors to cater for high trailer vehicles, wider turning angles to cater for immense trucks, 12m structure height, 2,500kva electricity supply, adjustable dock-levellers for the berthing vehicles, separate ramped vehicular access for each unit.

And beyond facilities, our entrepreneurial team has further expanded Majaal's product offering through the provision of professional services, including the preparation of feasibility studies, development, leasing and facilities management services. Majaal has now successfully guided two third party industrial developments to completion, and will be helping both parties with the leasing and ongoing management of these facilities.

In Majaal, First Bahrain has developed far more than a collection of warehouse buildings, rather, it has built a unique and growing business in Majaal Warehouse Company. Having recognised the gap in the market between full-service third-party logistics (3PL) operators and standard warehouse sheds with no services or security, First Bahrain has created both a product to cater to this market need and a growing company to operate that product and to develop it into a successful regional brand.

Project:	Phase I:	Phase II:	Phase III:
Majaal Warehousing Development at BIW, Kingdom of Bahrain			
	Start of Construction:	Start of Construction:	Start of Construction:
	February 2009	February 2013	July 2012
Target Market:			
Small to Medium Enterprises	Date of Completion:	Date of Completion:	Date of Completion:
	February 2010	April 2014	June 2013
Location:			
Bahrain Investment Wharf, Salman Industrial City	Leasable Area:	Leasable Area:	Leasable Area:
	130,000 square feet	150,000 square feet	130,000 square feet
Value:	Current Occupancy:	Current Occupancy:	Current Occupancy:
US$ 45 million	92%	100%	100%
Total Occupancy:	Average Lease Term:	Average Lease Term:	Average Lease Term:
97%	45 months	100 months	60 months

Fully developed and fully leased
Majaal is the growth engine of First Bahrain.



Special Feature

Project:
Neighbourhood Retail Development at Janabiya

Location:
Corner of Avenue 27 and Road 7151, Janabiya 575, Kingdom of Bahrain

Value:
US$ 12 million

Expected Start of Construction:
Q2 2015

Expected Date of Completion:
Q2 2016

Leasable Area:
48,000 square feet

Through its wholly owned subsidiary, FB Janabiya Residential Development Co., First Bahrain has proposed to build a neighbourhood retail development on its plot at the corner of Avenue 27 and Road 7151 in Janabiya. The development will be anchored by a supermarket and will have a supporting eco-system of restaurants, coffee shops, fast food and general retail.

The site for the development is on a plot size of over 85,000 square feet in Block 575 of Janabiya. The plot is zoned as Investment Building – D (B-D).

The development is currently in the design stage, with Sanad Engineering appointed as the Architect and HAJ appointed as the Cost Consultant.
The project feasibility study produced by global real estate consulting firm, Cluttons, affirmed the expected success of the development.

Funding has been arranged through an Islamic finance facility from Kuwait Finance House – Bahrain. The finance facility will pay for the full sum of the construction contract.

Construction is expected to commence in Q2 2015 with project completion forecast for Q2 2016.

The proposed project is an outdoor neighbourhood retail centre supported by nearly 180 car parks at ground level. The supermarket and prime shops will be elevated on a platform which will feature landscaping and water features.

Janabiya neighbourhood retail centre due to open Q2 2016.

Report of the Chief Executive

There is much to celebrate this year as our hard work has achieved major milestones and resulted in a return to profitability in 2014.

The first Majaal industrial facility, constructed in three phases on land acquired in 2007 and 2008, was completed and fully occupied during the year, bringing this investment to maturity, securing a strong and steady stream of cash flow and preparing the Company for future growth in the industrial sector.

Operational income from our developed properties is the backbone of the Company's success, more than fully replacing the passive income lost with the default of the investment portfolio suffered in 2013. With land values also reaching stable levels, God willing, the Company's years of loss making are behind us with strong upside potential in the years ahead.

We have delivered on our new line of consulting services, guiding to successful completion two projects for third party land owners, including Al Mazaya Holdings of Kuwait. Securing further revenues, our professional team has been retained to support the ongoing leasing and management of these facilities.

In addition, management fully executed the debt settlement negotiated between the shareholders at the end of 2013, ensuring that all receivables were obtained as promised.

We end the year with a clean and healthy balance sheet. With over KD 1 million in cash, a debt to equity ratio of only 14.9%, and with new projects in the pipeline and related financing secured, the Company is strong and moving forward with confidence.

Having acquired land at the corner of two roads in Janabiya, a neighbourhood community close to the causeway to Saudi Arabia, the Company has decided that conditions are right for the development of this property in the year ahead. Design work has been completed on a neighbourhood retail centre which we expect will become a significant asset to this community. A firm offer for the finance of the project has been received from Kuwait Finance House and the Company is evaluating construction tenders. The project is expected to be constructed within one year, furthering the Company's growth prospects through 2017.

With new projects in the pipeline and related finance secure, the company is strong and moving forward.

Amin Ahmed Al Arrayed
Chief Executive Officer

In like manner, the Company is taking a fresh look at our Seef property. Originally representing 100% of the Company's land bank. the growth of Majaal and the disposal of a portion of the Seef property in the debt settlement have reduced the relative value of the Company's holding in Seef to just 46% of its total investment property. This diversification has reduced the Company's risk profile, making it more attractive to consider a new project on this land. Accordingly, we have commissioned a new study to revisit our plans and we expect to be in position to activate a new project here later in the year.

Acknowledgments

With the debt settlement came a complete change in the governance structure of the Company following the AGM last May. The new Board of Directors were elected as a group of independent non-executive directors to ensure that the interests of all the shareholders were well represented. In light of this significant change in leadership, I would like to thank the new Board of Directors for their confidence in my continued leadership demonstrated in my promotion to the position of Chief Executive Officer. I will be sure to deliver on the confidence you have placed in me and my team.

I am particularly grateful for the wise counsel and guidance provided by our new Chairman, Mr. Waleed Alkhaja. His vast experience in investment management and real estate development is clearly displayed in his regular review of and feedback on our plans. I am a much better leader thanks to this valuable input and direction.

In like manner, each of the new members of the Board have been active and involved in lending their expertise and wisdom towards the improvement of the Company. I am sincerely grateful for the support I have received from each and every one of them. I am also very appreciative of the hard work of my executive team and our entire staff. Their dedication to duty and tireless efforts have seen us through a difficult period and delivered value through the creation of a dynamic income generating projects. They have displayed professionalism and loyalty while always looking for creative and entrepreneurial ways to expand revenues while constraining costs. They are each a credit to the organization and the turnaround described here is the fruit of their labours.

I am hopeful as I look forward and expect that, working together by God's grace we will achieve our dreams and aspirations in 2015 and beyond.

Amin Ahmed Al Arrayed
Chief Executive Officer

Board of Directors

1. Mr. Waleed Ahmed Alkhaja
Chairman

Mr. Alkhaja is a seasoned leader with a long career in investments. He served for 19 years in the Investment Directorate of the Kingdom of Bahrain's Ministry of Finance, before joining the Pension Fund Commission of Bahrain as Director of Investment and Executive Director of the SIO Asset Management Company. In 2013, he became the Managing Director of AMAK Property & Development, a family firm. He served two terms on the Board of Directors of Seef Properties and Batelco Group. He currently serves on the Board of Directors of Bahrain Tourism Co., Reef Real Estate Finance Co., and Gulf Educational Projects (Applied Science University). Mr. Alkhaja holds a Bachelor's degree in Business Administration from North Texas State University.

2. Mr. Ahmad Mohammad Al Ajlan
Vice Chairman, Remuneration Committee Chairman

Mr. Al Ajlan is a well respected senior leader with extensive experience in real estate and investment management. Currently serving as the Chairman for Al-Jahra Cleaning Co., Mr. Al Ajlan has served on the Board of Directors of Qurain Petrochemical Industries Co. and Zumorroda Leasing & Finance Co. He previously worked as the General Manager of Real Estate House Co., Vice President of Qurain Holding Co. and General Manager of Pearl of Kuwait Real Estate Co. Earlier, he also served with the Kuwait Clearing Co., Kuwait Lube Oil Co. and the Public Industrial Authority. Mr. Al Ajlan holds a Bachelor's degree in Business Studies with an emphasis in Marketing from Kuwait University.

3. Mr. Mohammed Saud Al Hadbah
Director, Audit & Risk Management Committee Chairman

Mr. Al Hadbah has a long and distinguished career. He has served on the Board of Directors of many companies through the years, including the Vice Chairman for Dasman Pearl Education Co., Kuwaiti Perfume Co., National Ranges Co., International Logistics Projects Co., and the Higher Traffic Council. Mr. Al Hadbah worked as the Deputy General Manager and Project Manager for Wafra International Investments, in both New York City and Kuwait. Mr. Al-Hadbah holds a Bachelor's degree in Civil Engineering from Kuwait University and a Masters Degree in Urban Planning from the University of Southern California.

4. Mr. Sulaiman Mohammad Al Furaih
Director

Mr. Al Furaih is the Manager for Financial Analysis for Wafra International Investment Co. in Kuwait, where he has risen through the ranks over a distinguished 9 year career with the firm. He also serves as the Chairman of the Board of Directors for Fanan Real Estate Co. Mr. Al Furaih holds a Bachelor of Science degree in Accounting and Auditing from Kuwait University.

5. Mr. Bader Ghanem Al Ghanem
Director

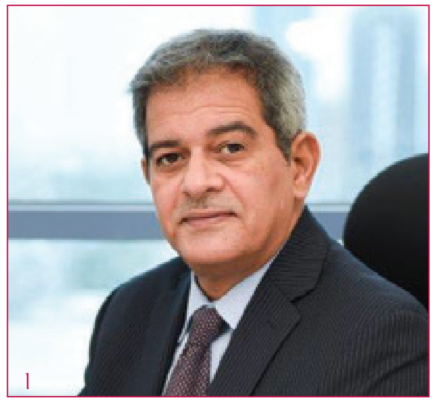
Mr. Al Ghanem is the Senior Vice President for Asset Management, GCC at Global Investment House in Kuwait where he manages a portfolio valued in excess of USD 1 Billion. Prior to joining Global in 2010, he worked for Kuwait Middle East Financial Investment Co. (KMEFIC) and Kuwait Financial Centre (Markaz) where he held positions in asset management and futures trading. Mr. Al Ghanem holds a Bachelor of Science degree in Electrical Engineering along with a Bachelor of Arts degree in Economics from Boston University.

6. Mr. Abdullah Hamad Al Jouan
Director

Mr. Al Jouan is the Assistant General Manager for the AlJouaan Investment Company and the Managing Partner for Finance & Operations for the Gusto Group Food Services Co., providing strong leadership to these related family firms. His career in finance and investments has seen him serve with the Capital Markets Authority, the Kuwait Financial Centre (Markaz) and Boubyan Bank. Mr. Al Jouan holds a Bachelor of Science degree in Business Administration from the University of Denver.

7. Mr. Omar Faysal Reehan Al Temeimy
Director

Mr. Al Temeimy is the Assistant Vice President of Debt Capital Markets – Investment Banking at Global Investment House in Kuwait. A member of the Global Investment House team since 2003, Mr. Al Temeimy brings significant experience in investment analysis and management. He holds a Bachelor's degree in Economics, with a specialization in Finance, from the International Islamic University of Malaysia and a Masters in Business Administration from the Kuwait Maastricht Business School.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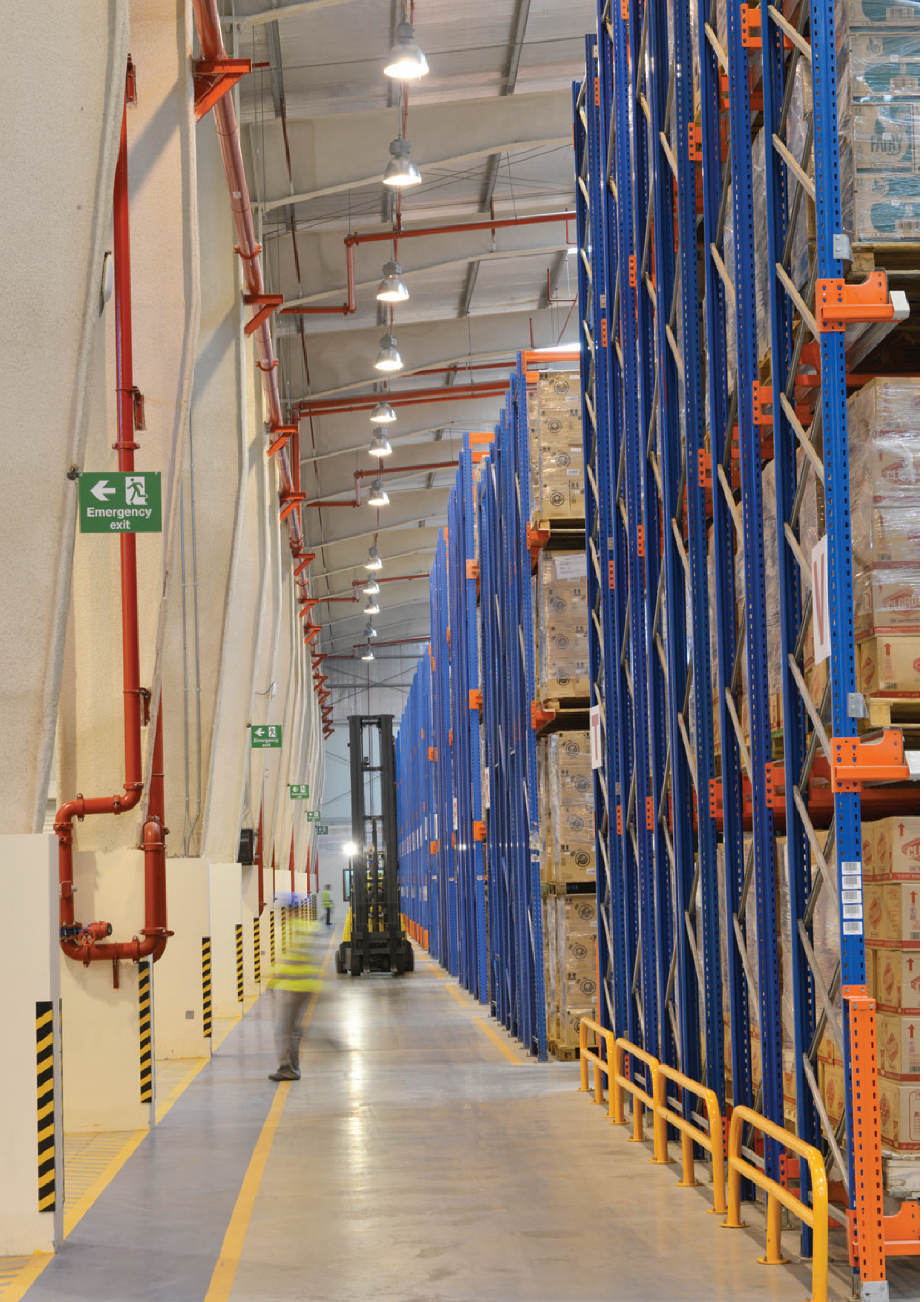


Executive Management

Amin Al Arrayed
Chief Executive Officer

Mr. Al Arrayed has skilfully provided wise and stable leadership to the Company throughout a period of tremendous market volatility over the past six years. He brings an in-depth knowledge of banking, financial services and real estate developed over a 18 year career. Prior to being selected to lead First Bahrain, he was Head of Retail and Placement at Reef Real Estate Finance Company, and Regional Head of Retail Banking at BBK, in the Kingdom of Bahrain. Active in the local community, Mr. Al Arrayed serves as a member of the College Council for Business Administration for the University of Bahrain, the Curriculum Advisory Committee for the Bachelor of International Logistics Management program at Bahrain Polytechnic and the local chapter of Young Arab Leaders. Mr Al Arrayed holds a Master's degree in Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and a Bachelor's degree in Economics from the University of Redlands, California, USA.

Daniel Taylor
Chief Financial Officer

An entrepreneur, with a diverse career spanning 26 years, Mr. Taylor has a wealth of operational and management experience. At First Bahrain, Mr. Taylor leads the Operations and Finance teams, overseeing the planning and execution of the Company's activities; contributing directly to the achievement of the Company's strategic objectives. Prior to joining First Bahrain, he was General Manager of New York Coffee, and General Manager of Mariner Technologies, where he was the chief architect of the GCC business news portal, TradeArabia.com. A member of the Urban Land Institute and a member of the Board of Directors of the American Chamber of Commerce in Bahrain, Mr. Taylor holds a Master's degree in Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and a Bachelor's degree from the University of Virginia, USA.

Yasser Abu-Lughod
Chief Development Officer

Mr. Abu-Lughod brings over 29 years of international project management and engineering experience to the team at First Bahrain where he serves as the Head of Development, leading the Company's development efforts from concept to construction to commissioning and beyond. Prior to joining First Bahrain, Mr. Abu-Lughod worked as senior project manager for Mace International where he managed the infrastructure design and construction phases for Bahrain Bay Development project. He also held several senior posts at VicRoads in Victoria, Australia and GHD Global where he played a key role in the success of infrastructure projects in Al Khore Qatar. Mr. Abu-Lughod holds a B.Sc. in Civil Engineering from University of Wisconsin, Milwaukee; USA. He is a Charted Professional Engineer and a member of the Institution of Engineers in Australia, a holder of the Project Management Professional certification (PMP) and a member of the Project Management Institute (PMI).

Majaal tenants are creating value in the local economy.

Corporate Governance

The Company has put in place a Corporate Governance framework through which it seeks to safeguard interest of all shareholders, particularly for the minority owners.

This includes, but is not limited to, conducting the policy and affairs of the Company in compliance with regulatory requirements. It also involves having checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

First Bahrain Real Estate Development Company K.S.C. (Closed) is a Kuwaiti closed Shareholding Company which operates as a real estate developer in compliance with the guiding principles of Islamic Sharia. While not publicly listed, the Company is working to fully comply with the Corporate Governance framework as established by the Capital Markets Authority of Kuwait. The Company has only one class of ordinary share and the holders of shares have equal voting rights. The list of leading shareholders in the Company as of 31 December 2014 is as follows:

Name	Nationality	No. of Shares	Share %
Global Investment House (Client Accounts)	Kuwait	99,134,544	46.7%
Wafra International Investments (Client Accounts)	Kuwaiti	42,469,875	20.0%
Esterad Real Invest I WLL	Bahraini	13,200,000	6.2%
GRSIA Qatar	Qatari	10,290,000	4.9%
Yaqoub Yousif Mohammed Al Jouan	Kuwaiti	9,236,210	4.4%
Other Shareholders	Various	37,769,012	17.8%
Total		212,099,641	100%

Distribution of ownership by shares and nationality:

Nationality	Shareholders	No. of Shares	Share %
Kuwaiti	123	183,181,399	86.3%
Bahraini	3	18,156,800	8.6%
Qatari	1	10,290,000	4.9%
Other Nationalities	9	471,442	0.2%
Total	136	212,099,641	100%

Distribution of ownership by size of shareholders:

Size of Holding	Shareholders	No. of Shares	Share %
Less than 1%	125	15,011,481	7.1%
1% to less than 5%	8	42,283,741	19.9%
5% to less than 10%	1	13,200,000	6.2%
10% and above	2	141,604,419	66.8%
Total	136	212,099,641	100%

Board of Directors

The Articles of Association of the Company detail the responsibilities of the Chairman and members of the Board of Directors as well as the guidelines of Corporate Governance with respect to the distribution of responsibilities between the Board of Directors and Executive Management. The Board of Directors oversee all the business activities in consultation with the Executive Management team.

The Board of Directors also discuss and confirm the Company's business strategy. Additionally, the Board of Directors is responsible for the preparation of financial statements, for risk management and for Corporate Governance issues. These activities are supplementary to the main role of the Board of Directors which is to ensure adherence and commitment to the Company's values as set forth in its internal policies and procedures.

When appointed, Board Members are provided with the necessary detailed information to enable them to effectively perform their main role of overseeing the strategic, operational and financial and compliance affairs as well as corporate Governance controls in the Company. The Corporate Governance framework allows a member of the Board of Directors to seek independent advice when necessary.

With respect to the channels of communication between the Board of Directors and Executive Management, the Board Members can contact and request information from the Executive Management at all times.

Board of Directors are responsible for ensuring that the systems and controls framework in the Company, including the Board structure and the organizational structure is appropriate for the Company's business and its associated risks. The Board of Directors ensure that there are sufficient resources and expertise to identify, understand and measure the significant risks to which the Company is exposed in its activities. Directors are regularly assessing the systems and controls framework of the Company to ensure that:

- The Company's operations, individually and collectively are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of the Company's activities;
- The Company's operations are supported by an appropriate control environment;
- The compliance, risk management and financial reporting functions are adequately resourced, independent of business lines and is run by individuals not involved with the day-to-day running of the various business areas.
- The Management develops, implements and oversees the effectiveness of comprehensive "Know Your Customer" standards, as well as on-going monitoring of accounts and transactions, in keeping with the requirements of relevant laws, regulations and best practice.

In their strategy review process, the Board of Directors:

- Review the Company's business plans and the inherent level of risk in the plans;
- Assess the adequacy of capital to support the business risks of the Company;
- Set performance objectives; and
- Oversee major capital expenditures, divestitures and acquisitions.

Election and Re-election of Directors:

In their meeting dated 6 May 2014 and in compliance with the terms stipulated in the Article of Association, the Shareholders approved elected all of the current members of the Board of Directors for a period of three years. The Directors are elected by the shareholders at the Annual General Meeting. Candidates for the Board shall be selected by the Remuneration Committee, and recommended to the Board of Directors for approval, in accordance with the qualifications approved by the Board taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer.

Board Composition & Attendance

The members of the Board of Directors collectively possess an extensive background in finance, real estate development and broader management experience. The members provide valuable directives in meeting Company objectives. The Board consists of seven (2013: seven) non-executive Directors comprising including the five (2013: nil) independent Director(s).

Per the Articles of Association, the Board is required to meet six times during each year. Board members must attend 75% of all meetings within a calendar year. Board members will step down if they are unable to attend four consecutive meetings without an acceptable explanation. The absence of Board members at Board and Committee meetings will be noted in the meeting minutes. Board attendance percentage will then be reported during any General Assembly Meeting when Board members stand for re-election. Voting and attendance proxies for Board meetings are prohibited at all times.

Corporate Governance cont.

Board & Committee Membership:

Director's Name	Nationality	Membership Type	Position	Committee Membership Remuneration	Audit & Risk Management
Waleed Ahmed Alkhaja	Bahraini	Independent	Chairman	Member	
Ahmad Mohammad Al Ajlan	Kuwaiti	Independent	Vice Chairman	Chairman	
Mohammed Saud Al Hadbah	Kuwaiti	Non-independent	Member		Chairman
Sulaiman Mohammad Al Furaih	Kuwaiti	Non-independent	Member		Member
Bader Ghanem Al Ghanem	Kuwaiti	Independent	Member	Member	
Abdullah Hamad Al Jouan	Kuwaiti	Independent	Member		Member
Omar Faysal Reehan Al Temeimy	Iraqi	Independent	Member		Member

Profiles of each of the members of the Board of Directors are included within this Annual Report.

Board Committees

The Board of Directors have established two subordinate Committees and have delegated specific powers to each committee as follows:

Audit & Risk Management Committee

The primary purpose of the Audit & Risk Management Committee is to assist the Board of Directors in fulfilling its responsibilities by overseeing all audit (external, internal and Sharia) related processes for the Company and its Subsidiaries and by reviewing the related financial information which will be provided to the shareholders, banks and other stakeholders, as well as the systems of internal controls which Management and the Board of Directors have established. The Committee must meet at least three times a year. The Committee held three meetings during the fiscal year 2014.

Remuneration Committee

The Remuneration Committee established to comply with the Corporate Governance requirements. It is responsible to identify persons qualified to become members of the Board, Chief Executive Officer ("CEO") and other officers of the Company considered appropriate by the Board, with the exception of the appointment of the external and internal auditors which shall be the responsibility of the Audit & Risk Management Committee.

The Committee can make recommendations to the Board including recommendations of candidates for the Board membership to be included by the Board on the agenda for the next AGM meeting besides reviewing the Company's remuneration policies for both the Executive Management and for the Board of Directors. Board remuneration shall be subject to approval by the shareholders in the AGM meetings. The Committee must meet at least two times a year. The Committee held two meetings during the fiscal year 2014.

Management

The Board delegates authority for the day-to-day management of the Company to the Chief Executive Officer, who is supported by a qualified and experienced Executive Management team. Profiles of the Executive Management are included within this Annual Report.

Communication & Disclosure

The Company seeks to communicatev with its stakeholders in a professional, transparent and timely manner. Communication channels include this annual report and the Annual General Meeting of the shareholders. Other communication channels include the website, social media, and regular announcements made to the local press. For the most current information regarding the Company, including relevant news along with current and historical financial reports, you are invited to regularly visit the Company website at www.firstbahrain.com

Risk Management

The Company has developed a risk management framework that provides controls and ongoing management of the major risks inherent in the Company's core business activities. The Board of Directors has the ultimate authority for setting the risk appetite, risk tolerance and associated parameters and limits, in which the Company operates.
The Audit & Risk Management Committee is responsible for establishing, maintaining and monitoring a risk based approach to all business activities and management of the Company.

The main risks that the Company is exposed to are credit, liquidity and market risk. The nature of these risks are further detailed in note 17 to the Consolidated Financial Statements.

Capital Management

The policy of the Board of Directors is to maintain a strong capital base in order to maintain investor, creditor and market confidence, as well as to provide for the future development of the Company. The Board of Directors seeks to maintain a balance between the higher returns and growth which may be possible with higher levels of borrowings and the advantages and security offered by a sound capital position.

Internal Audit

Internal Audit provides an additional line of defence in risk management and internal controls. The role of internal audit is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Company is appropriately and effectively applied.

Internal Audit reports on a semi-annual basis to the Board of Directors through the Audit & Risk Management Committee. The internal auditors report to the Audit & Risk Management Committee the results of periodic audits and obtains commitments from Management to take any remedial action required for issues raised. The Company has appointed the Bahrain office of global audit and advisory firm, Deloitte, as its internal auditors.

The company seeks to communicate with its stakeholders in a professional, transparent and timely manner

Al Mashora & Al Raya Sharia Advisory Board Report

Praise is only to Allah and Peace and Blessing on the last Prophet, his family and companions.

To the Shareholders of First Bahrain Estate Development Co. (KSC)

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2014 to 31/12/2014. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2014 to 31/12/2014 and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Sharia Advisory Board:

Prof. Abdul Aziz K. Al-Qassar
Chairman of the Sharia Committee

Dr. Essa Zaki Essa
Shaira Committee Member

Dr. Ali Ibrahim Al-Rashed
Shaira Committee Member

Independent Auditor's Report

The Shareholders, First Bahrain Real Estate Development Company K.S.C. (Closed) State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of First Bahrain Real Estate Development Company K.S.C. (Closed) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 our judgement, 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, we 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on other legal and regulatory requirements

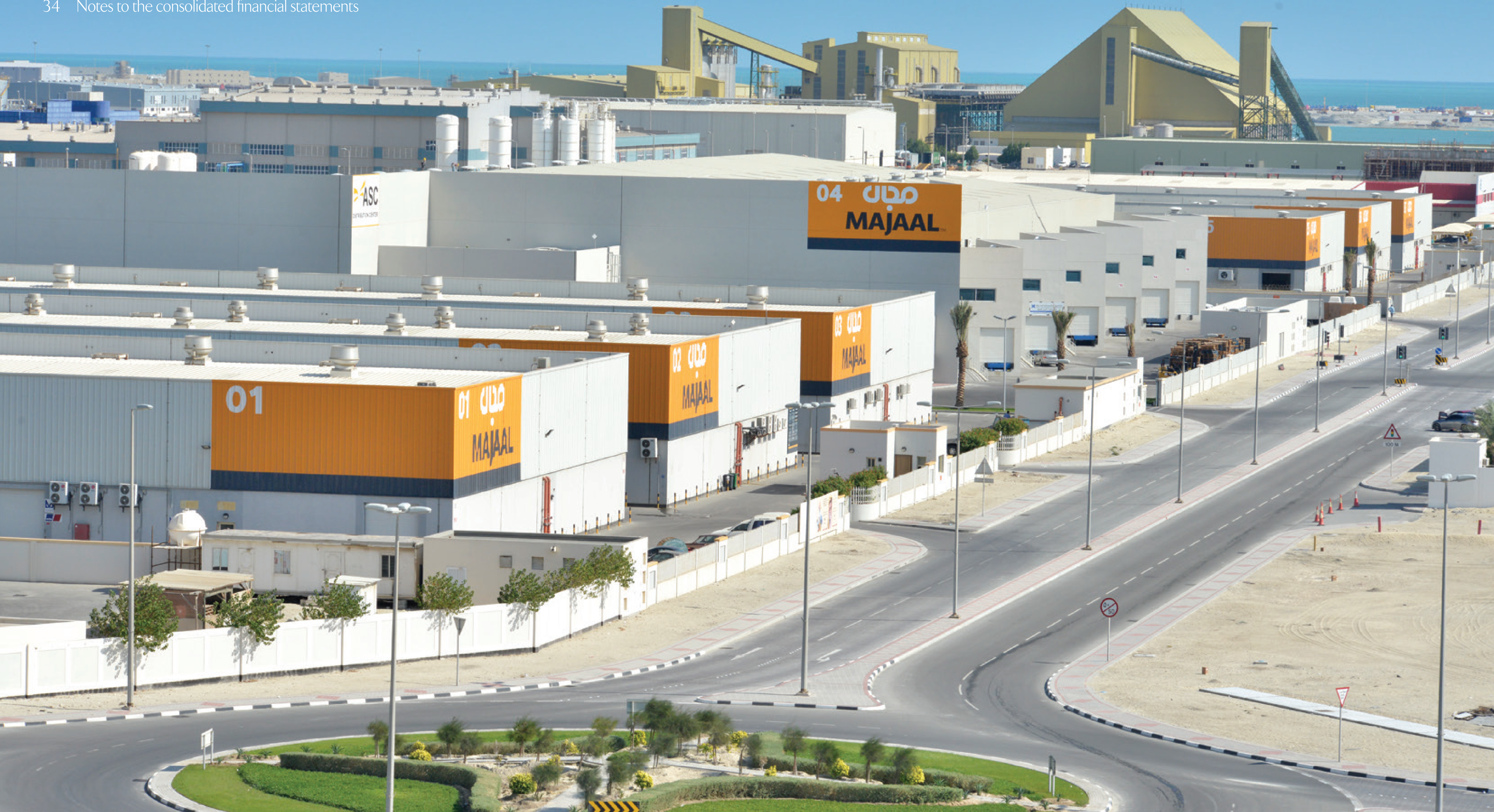
We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 25 of 2012, as amended and its Executive Regulations, and the Company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year of the Companies Law No. 25 of 2012, as amended and its Executive Regulations, or the Company's articles and memorandum of association, that would materially affect the Group's activities or its consolidated financial position, except as disclosed in note 9 regarding the capital reduction.

Emphasis of matter

Without qualifying our opinion, we draw attention to note (1) to the consolidated financial statements, which explains that the Group has previously issued its financial statements for the year ended 31 December 2014. However, as a result of the subsequent event set out in note (1) to the accompanying consolidated financial statements, the previously issued consolidated financial statements and independent auditor's report dated 29 March 2015 were replaced with these accompanying consolidated financial statements and the independent auditor's report. Our review of subsequent events for the period from our previous report date till the date of our reissued report is only limited to the event explained in note (1) to accompanying consolidated financial statements.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International
Kuwait: 14 May 2015

Consolidated Financial Statements



Consolidated statement of financial position

as at 31 December 2014

	Notes	2014 KD	2013 KD
Assets			
Investment property	5	29,900,331	27,929,469
Furniture and equipment		113,728	80,662
Total non-current assets		30,014,059	28,010,131
Trade and other receivables	6	333,307	821,179
Investments at fair value through profit or loss	7	86,305	87,327
Islamic finance facilities	8	397,821	190,248
Cash on hand and at banks	8	619,745	240,794
Total current assets		1,437,178	1,339,548
Total assets		31,451,237	29,349,679
Equity and liabilities			
Equity			
Share capital	9	31,500,000	31,500,000
Treasury shares	10	(10,290,036)	(10,238,963)
Statutory reserve	11	1,490,982	1,467,000
Foreign currency translation reserve		822,130	(178,361)
Retained earnings		3,851,908	3,659,991
Total equity		27,374,984	26,209,667
Non-current liabilities			
Long-term murabaha payable	12	3,486,018	2,759,272
Provision for employees' end of service indemnity		50,161	45,672
Total non-current liabilities		3,536,179	2,804,944
Current liabilities			
Short-term murabaha payable	12	418,322	-
Trade and other payables	13	121,752	335,068
Total current liabilities		540,074	335,068
Total liabilities		4,076,253	3,140,012
Total equity and liabilities		31,451,237	29,349,679

Waleed Ahmed Alkhaja
Chairman

Ahmed Mohammed Al Ajlan
Vice Chairman

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

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Income			
Realised loss on sale of investment property		-	(232,804)
Change in fair value of investment property	5	95,497	(200,965)
Net rental income	14	836,819	304,651
Income from consultancy		38,630	-
Realised gain on sale of investments at fair value through profit or loss		-	24,799
Unrealised loss on investments at fair value through profit or loss		(4,216)	(22,129)
Income from Islamic finance facilities		8,703	107,070
Loss on settlement with Housing Finance Company		-	(394,189)
Foreign exchange (loss) / gain		(12,677)	424
Total Income		962,756	(413,143)
Expenses and other charges			
General, administrative and marketing expenses		(146,671)	(150,798)
Staff costs		(312,524)	(281,120)
Depreciation		(20,369)	(35,390)
Finance costs		(243,371)	(143,299)
Contribution to Kuwait Foundation for the Advancement of Sciences		(2,158)	-
Zakat		(2,443)	-
Board of Directors remuneration	20	(19,321)	-
Total expenses and other charges		(746,857)	(610,607)
Profit / (loss) for the year		215,899	(1,023,750)
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		1,000,491	106,368
Other comprehensive income for the year		1,000,491	106,368
Total comprehensive income for the year		1,216,390	(917,382)
Basic and diluted earnings (loss) per share	15	0.69	(3.25)

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

Consolidated statement of changes in equity

for the year ended 31 December 2014

	Share capital KD	Treasury shares KD	Statutory reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
Balance at 31 December 2012	31,500,000	-	1,467,000	(284,729)	5,771,973	38,454,244
Total comprehensive income for the year	-	-	-	106,368	(1,023,750)	(917,382)
Transfer to treasury shares	-	(10,238,963)	-	-	-	(10,238,963)
Retained earnings reduced	-	-	-	-	(1,088,232)	(1,088,232)
Balance at 31 December 2013	31,500,000	(10,238,963)	1,467,000	(178,361)	3,659,991	26,209,667
Total comprehensive income for the year	-	-	-	1,000,491	215,899	1,216,390
Transfer to statutory reserve	-	-	23,982	-	(23,982)	-
Transfer to treasury shares (note 10)	-	(51,073)	-	-	-	(51,073)
Balance at 31 December 2014	31,500,000	(10,290,036)	1,490,982	822,130	3,851,908	27,374,984

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

Consolidated statement of cash flows

for the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Cash flows from operating activities:			
Profit / (loss) for the year		215,899	(1,023,750)
Adjustments for:			
Depreciation		20,369	35,390
Realised loss on investments at fair value through profit or loss		-	(24,799)
Unrealised loss on investments at fair value through profit or loss		1,022	22,129
Change in fair value of investment property		(95,497)	200,965
Finance costs		243,371	143,299
Provision for employees' end of service indemnity		4,489	12,036
Operating income / (loss) before changes in working capital		389,653	(634,730)
Trade and other receivables		436,799	(1,585)
Islamic finance facilities		-	(7,225,705)
Trade and other payables		(213,316)	212,919
Net cash from / (used in) operating activities		613,136	(7,649,101)
Cash flows from investing activities:			
Additions to investment property		(812,634)	(2,412,459)
Paid for purchase of furniture and equipment		(53,435)	(52,035)
Proceed from sale of investments at fair value through profit or loss		-	403,395
Net cash used in investing activities		(866,069)	(2,061,099)
Cash flows from financing activities:			
Net movement in murabaha payable		1,145,068	2,205,018
Finance costs paid		(243,371)	(143,299)
Net cash from financing activities		901,697	2,061,719
Net increase / (decrease) in cash and cash equivalents		648,764	(7,648,481)
Net foreign exchange difference		(62,240)	30,164
Cash and cash equivalents at the beginning of the year		431,042	8,049,359
Cash and cash equivalents at the end of the year	8	1,017,566	431,042

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

Notes to the consolidated financial statements

for the year ended 31 December 2014

1. Reporting group

First Bahrain Real Estate Development Company K.S.C. (Closed) ("the Company") was incorporated as a Kuwait Shareholding Holding Company on 5 October 2004. The Company has commercial registration Number 103837 dated 16 October 2004. The Company is engaged in activities in accordance with Noble Islamic Shari'ah, which include:

- Trading, management and development of properties inside and outside Kuwait.
- Owning, buying and selling of stocks and bonds of real estate companies inside and outside Kuwait.
- Performing maintenance of properties, including mechanical, electro-mechanical, and air conditioning activities.
- Performing real estate advisory services, feasibility studies and real estate appraisals.
- Managing, operating and leasing hotels, clubs, residential buildings, touristic and health care resorts and providing support services.
- Organizing real estate exhibitions for the Company's real estate projects.

The Company's main office is at City Tower, 2nd Floor, Khalid Bin Waleed Street, Sharq, Kuwait.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group"). A list of subsidiaries follows:

Name of the company	Country of incorporation	Percentage of ownership 2014	Percentage of ownership 2013	Principal activities
First Kuwait Al Seef Real Estate Development Company W.L.L.	Kingdom of Bahrain	100%	100%	Real estate and investment activities
FB Janabiya Residential Development Co. W.L.L.	Kingdom of Bahrain	100%	100%	Real estate and investment activities
Majaal Warehouse Co. W.L.L.	Kingdom of Bahrain	100%	100%	Real estate and investment activities

The total number of employees in the Group was 10 as at 31 December 2014 (10 employees as at 31 December 2013).

Reissuance of consolidated financial statements
The Group has previously prepared these consolidated financial statements based on the Company's capital reduction of KD 8,169,040 through amortizing 81,690,400 treasury shares held by the Group, and were authorized for issue by the Board of Directors on 29 March 2015. Subsequently, based on the Ministry of Commerce and Industry's instructions, this treatment should be recognized in the Group's consolidated financial statements for the year ended 31 December 2015. Therefore, the Group's consolidated financial statements for the year ended 31 December 2014 has been reissued. Accordingly, no reliance can be placed on the consolidated financial statements previously issued on 29 March 2015, which were replaced with these consolidated financial statements that are authorized for issue by the Board of Directors on 14 May 2015. The shareholders have the right to amend these consolidated financial statements during the annual general assembly meeting.

2. Basis of preparation

a) Statement of compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Law No. 25 of 2012, as amended and its executive regulations, the Company's memorandum and articles of association and the Ministerial Order No. 18 of 1990.

b) Basis of measurement
The consolidated financial statements have been prepared on fair value basis for financial assets and liabilities carried at fair value through profit or loss. Non-financial assets and liabilities are stated at amortised cost or historical cost as modified by the revaluation of investment property.

c) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kuwaiti Dinars, which is the Group's presentation currency.

d) Use of estimates and judgments
The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes to the consolidated financial statements

for the year ended 31 December 2014

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 4.

3. Significant accounting policies

The accounting policies applied by the Group in these financial statements are consistent with those applied in the year ended 31 December 2013 except for the following new or revised IFRS that are effective from 1 January 2014.

IFRS 10, IFRS 12 and IAS 27
Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 27 Separate Financial Statements to:

- Provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
- Require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries; and
- Require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

IAS 32 Offsetting Financial Assets and Financial Liabilities
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms.

IAS 36 Impairment of Assets
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosures of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively and accordingly are considered while making disclosures for impairment of non-financial assets in the consolidated financial statements for the year ended 31 December 2014 and would continue to be considered for future disclosures.

Other amendments to IFRS, which apply to the annual reporting periods effective from 1 January 2014, have no material impact on the Group's accounting policies or its financial position or performance.

a) Basis of consolidation
The consolidated financial statements for the year ended 31 December 2014 include the Company and its subsidiaries referred to in note 1.

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power directly or indirectly to govern the financial and operating policies of subsidiaries so as to obtain benefits from their activities.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any unrealized gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The consolidated financial statements are prepared using uniform accounting policies.

The subsidiaries' accounts are based on their audited financial statements for the year ended 31 December 2014. Total assets, liabilities and net loss of the subsidiaries as per these financial statements (after eliminations) amounted to KD 30,797,849 - KD 3,935,081 and KD 461,910 respectively.

b) Foreign currencies
Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Notes to the consolidated financial statements

for the year ended 31 December 2014

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary items denominated in foreign currencies which are stated at fair value are translated to the functional currency at the exchange rates ruling at the date of determining the fair value. Foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated to Kuwaiti Dinar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Kuwait Dinar at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income.

c) Investment property
Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Fair value measurement on property under development is only applied if the fair value is considered to be reliably measurable.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

d) Furniture and equipment
Furniture and equipment are measured at cost less accumulated depreciation and impairment losses (see note 3 h). Depreciation is calculated to write off the cost of furniture and equipment by equal installments over their estimated useful lives as follows:

Furniture and office equipment	5 years
Computers and electronics	3 years
Leasehold improvement	3 years
Fixtures	10 years

The useful life, depreciation method and residual value of furniture and equipment at the end of their useful lives are reviewed annually to ensure that the method and period of depreciation is in line with the expected pattern of economic benefits from items of furniture and equipment. A change in the estimated useful life of furniture and equipment is applied at the beginning of the financial year of change with no retroactive effect.

e) Receivables
Receivables are stated at cost less impairment losses (see note 3 (h)). The Group's receivables include trade and other receivables and Islamic finance facilities.

f) Investments at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value.

The amounts of each class of investments that has been designated at fair value through profit or loss are described in note 7.

Financial instruments at fair value through profit or loss are measured initially at fair value. Transaction costs on financial instruments through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments measured at fair value through profit or loss are measured at fair value with changes in their fair value recognized in profit or loss.

Notes to the consolidated financial statements

for the year ended 31 December 2014

The fair value of financial instruments classified as financial assets at fair value through profit or loss is their quoted market price at the reporting date. If the quoted market price is not available, the fair value of the investment is estimated using generally accepted valuation methods such as discounted cash flow techniques or net asset value or market price of similar investments.

Financial assets at fair value through profit or loss are recognised or derecognised on the trade date i.e., on the date the Group commits to purchase or sell the investments.

g) Cash and cash equivalents
Cash and cash equivalents include cash on hand and at banks and highly liquid financial assets with original maturities of less than three months.

h) Impairment
Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognised in profit or loss.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

i) Payables
Payables are stated at amortised cost. The Group's payables include trade and other payables and murabaha payable.

j) Provisions
Provisions are recognized in the consolidated financial statements when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

k) Provision for employees' end of service indemnity
Provision is made for employees' end of service indemnity payable under the Kuwait labour law in private sector, based on employees' accumulated periods of service and latest entitlements of salaries, or on the basis of employment contracts, where such contracts provide extra benefits. The provision which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment at the reporting date. Employees of the Group's subsidiaries in the Kingdom of Bahrain are entitled to post-service benefits under Bahrain laws.

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l) Revenue recognition

- Rental income from operating leases is recognized on a straight-line basis over the lease term.
- Income from Islamic finance contracts and deposits is recognized on a time proportion basis to achieve fixed rate of return on outstanding balances for these transactions.
- A property is regarded as sold when the significant risks and returns have been transferred to the buyer. Any gains or losses on the disposal of investment property are recognized in profit or loss in the year of disposal.
- Dividends income is recognized when the Group's right to receive dividends is established.
- Other revenues and expenses are recognized on an accrual basis.

m) Treasury shares

Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (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 realised losses are charged to the same account to the extent of credit balance in such account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

n) Standards and interpretations not yet effective or adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 – Financial Instruments

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity recognises revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to annual financial statements beginning on or after 1 January 2017. The Group is in the process of assessing the impact on the financial statement.

4. Use of estimates and judgments

Key sources of estimation uncertainty

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

Valuations of property

The determination of the fair value of investment property requires the use of estimates. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment property under development. These estimates are based on local market conditions existing at the reporting date.

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for the year ended 31 December 2014

The continuing volatility in the global financial system is reflected in the turbulence in commercial real estate markets across the world. The significant reduction in transaction volumes continued this year. Therefore, in arriving at their estimates of market values as at 31 December 2014, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property. The lack of liquidity in capital markets also means that, if it was intended to dispose of the property, it may be difficult to achieve a successful sale of the investment property in the short term.

Impairment of receivables

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

Determining fair values of investments at fair value through profit or loss

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

5. Investment property

	Properties under development	Properties under development	Land held for capital appreciation	Building held for rental income and capital appreciation	
	Industrial-Zoned Properties KD	Residential-Zoned Properties KD	Commercial-Zoned Properties KD	Industrial-Zoned Properties KD	Total KD
At 1 January 2013	3,754,696	3,764,850	18,553,872	4,267,586	30,341,004
Transfers	(2,025,041)	-	-	2,025,041	-
Land settled during the year	-	-	(4,496,275)	-	(4,496,275)
Additions during the year	1,322,591	-	-	1,089,868	2,412,459
Change in fair value	(48,519)	-	(697,657)	545,211	(200,965)
Foreign currency translation differences	5,532	11,546	(160,572)	16,740	(126,754)
Balance at 31 December 2013	3,009,259	3,776,396	13,199,368	7,944,446	27,929,469
At 1 January 2013	3,009,259	3,776,396	13,199,368	7,944,446	27,929,469
Transfers	(3,009,259)	-	-	3,009,259	-
Additions during the year	-	24,556	-	788,078	812,634
Change in fair value	-	-	-	95,497	95,497
Foreign currency translation differences	-	143,327	500,962	418,442	1,062,731
Balance at 31 December 2014	-	3,944,279	13,700,330	12,255,722	29,900,331

Investment property represents land acquired through the Group's subsidiaries in the Kingdom of Bahrain.

Murabaha payable is secured on investment property to the value of KD 12,255,722 (2013: KD 10,953,705) (see note 12).

The Group's investment properties were revalued at 31 December 2014 by independent professionally qualified valuation officers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

Investment property with a carrying value of KD 17,644,609 was not in use as of 31 December 2014 (2013: KD 19,985,023), as it was either held for capital appreciation or in the process of construction. The Group determined that the fair value of all of its investment property under construction at 31 December 2014 was reliably determinable on a continuing basis.

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6. Trade and other receivables

	2014 KD	2013 KD
Accrued income	249,245	114,953
Due from Housing Finance Company settlement	-	658,957
Prepaid expenses	52,867	39,632
Other receivables	31,195	7,637
	333,307	821,179

During the year, Housing Finance Company fully settled the debt due as per the settlement agreement signed on 24 December 2013.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 18.

7. Investments at fair value through profit or loss

	2014 KD	2013 KD
Unquoted funds	86,305	87,327

A three percent increase in stock prices at the reporting date would have increased profit or loss and equity by KD 2,589 (2013: an increase of KD 2,620); an equal change in the opposite direction would have decreased profit or loss and equity by KD 2,589 (2013: KD 2,620). The analysis is performed on the same basis for 2013.

The Group's exposure to currency risk related to investments at fair value through profit or loss is disclosed in note 18.

8. Cash and cash equivalents

	2014 KD	2013 KD
Islamic finance facilities	397,821	190,248
Cash on hand and at banks	619,745	240,794
	1,017,566	431,042

Islamic finance facilities carry effective average annual profit rate of 1.75% (2013: 2.25%).

The Group's exposure to currency risk and a sensitivity analysis for financial assets are disclosed in note 18.

9. Share capital

The Company's authorized, issued and paid up share capital amounted to KD 31,500,000 distributed over 315,000,000 shares of 100 fils each paid in cash (31 December 2013: KD 31,500,000 distributed over 315,000,000 shares).

On 15 December 2014, the Board of Directors proposed to reduce the share capital of the company by KD 8,169,040 through extinguishing 81,690,400 shares of the treasury shares owned by the group, subject to the approval of the shareholders' general assembly.

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10. Treasury shares

The Company holds the following treasury shares as at 31 December:

	2014 KD	2013 KD
Number of treasury shares (shares)	102,900,359	102,389,629
Percentage of treasury shares to total issued shares	32.7%	32.5%
Cost of treasury shares – KD.	10,290,036	10,238,963

*According to the settlement agreement signed with Housing Finance Company on 24 December 2013, there was 510,730 shares registered in the name of Board of Directors members have been transferred to the treasury shares during 2014.

11. Statutory reserve

In accordance with the Companies' Law No. 25 of 2012, as amended and the Company's articles of association, 10% of the profit for the year is required to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

12. Murabaha payable

Murabaha payable represents the value of commodities purchased on a deferred settlement basis and bear average profit rate of 7% per annum (2013: 7% per annum). One twenty-eighth of the Murabaha is payable on quarterly basis starting on 20 May 2015 and ending on 20 February 2022.

The Murabaha is secured over investment property with a carrying amount of KD 12,255,722 (2013: KD 10,953,705) (see note 5).

The Group's exposure to currency and liquidity risks related to murabaha payable is disclosed in note 18.

13. Trade and other payables

	2014 KD	2013 KD
Trade payables	63,603	305,780
Accrued expenses	34,227	29,288
Due to KFAS and Zakat	4,601	-
Board remuneration	19,321	-
	121,752	335,068

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 17.

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14. Net rental income

Rental income is generated from Majaal Warehouse Company which provides industrial facilities to a diverse mix of small to medium sized enterprises. Majaal is the inaugural project for the Company, located at the Bahrain Investment Wharf within the Salman Industrial City of the Kingdom of Bahrain.

	2014 KD	2013 KD
Average occupancy rate	95.3%	98.4%
Total leasable area	37,642	24,000
Gross rental revenue	980,042	569,440
Costs of revenue	(105,132)	(50,649)
Allowance for doubtful receivables	(38,091)	(214,140)
Net rental income	836,819	304,651

This facility offers industrial units from as small as 250 m^2 to as large as 10,000 m^2. The project was developed in three phases between February 2009 and April 2014.

Costs of revenue include brokerage commissions on new leases and the master development service charge paid to the private industrial park, the Bahrain Investment Wharf. Costs of revenue also include insurance, security, maintenance and other expenses required to run the facility.

The gross rental income grew from KD 569,440 in 2013 to KD 980,042 in 2014 due to the increase in the size of the leasable area and the maintenance of the occupancy rate.

15. Basic and diluted earnings (loss) per share

Earnings (loss) per share is calculated by dividing the net profit/ (loss) for the year by the weighted average number of shares outstanding during the year, as follows:

	2014 KD	2013 KD
Profit/ (loss) for the year	215,899	(1,023,750)
Weighted average number of outstanding and paid shares	315,000,000	315,000,000
Basic and diluted earnings (loss) per share (fils)	0.69	(3.25)

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16. Related party transactions

Related parties comprise the Group's shareholders who have representation in the Board of Directors, Directors, key management personnel and their close family members. In the normal course of business and upon management approval, transactions have been carried out during the year ended 31 December 2014.

Compensation to key management personnel:

	2014 KD	2013 KD
Salaries and other short-term benefits	171,686	150,589
Post-employment benefits	14,713	5,955
	186,399	156,544

Other related party transactions

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2014 KD	2013 KD	2014 KD	2013 KD
Income/ accrued income from Islamic finance facilities	-	(281,260)	-	-
Due from Housing Finance Company	-	-	-	658,957

These transactions are subject to the approval of the shareholders at the annual general assembly meeting.

17. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and investment securities.

Trade and other receivables and Islamic finance facilities

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in notes 6 and 8. There are no significant concentrations of credit risk within the Group.

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Investments
With respect to credit risk arising from the Group's investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk
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.

The Group manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At present the Group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Group expects the operating activity to generate sufficient cash inflows. In addition, the Group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Bahraini Dinar (BHD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level.

The Group currently does not use financial derivatives to manage its exposure to currency risk.

Other market price risk
Equity price risk arises from equity securities. The primary goal of the Group's investment strategy is to maximise investment returns. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. To manage its price risk arising from investments in equity securities which are carried at fair value through profit or loss, the Group diversifies its portfolio. The group's investments in equity of other entities are included primarily in Kuwait Stock Exchange.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Executive Management.

Capital management
The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

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18. Financial instruments

Credit risk
Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk for trade and other receivables and Islamic finance facilities at the reporting date by geographic region was:

	2014 KD	2013 KD
State of Kuwait	6,989	691,004
Kingdom of Bahrain	724,139	320,423
	731,128	1,011,427

The aging of trade and other receivables and Islamic finance facilities at the reporting date was:

	2014 KD	2013 KD
Past due 0-30 days	37,253	207,604
Past due 31-120 days	693,875	803,823
	731,128	1,011,427

No provision for Islamic finance facilities was required in 2014 (2013: Nil).

Doubtful receivables of rental income, as detailed in note 14, were provided for in 2014, as part of trade and other receivables, in the amount of KD 38,091 (2013: 214,140).

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk
The following are the expected maturities of financial liabilities at the reporting date.

	Carrying amount KD	One year or less KD	One to five years KD
31 December 2014			
Financial liabilities			
Murabaha payable	3,904,340	418,322	3,486,018
Trade and other payables	121,752	121,752	-
	4,026,092	540,074	3,486,018
31 December 2013			
Financial liabilities			
Murabaha payable	2,759,272	-	2,759,272
Trade and other payables	335,068	335,068	-
	3,094,340	335,068	2,759,272

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Currency risk

Exposure to currency risk

The Group is exposed to currency risk on certain assets denominated in a currency other than Kuwaiti Dinar. The currency giving rise to this risk is primarily Bahraini Dinar (BHD). At the reporting date the Group's net long exposure in foreign currency was BHD 35,057,118 (2013: BHD 34,838,687).

Sensitivity analysis

A 10 percent strengthening of the KD against the BHD at 31 December would have increased (decreased) equity and profit or loss by KD 2,737,498 (2013: KD 2,620,967). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

A 10% weakening of the KD against the BHD at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Fair values

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at measurement date.

The estimated fair value of financial assets and financial liabilities (trade and other receivables, Islamic finance facilities, murabaha payable and trade and other payables) at the reporting date are not materially different from their carrying values.

Fair value hierarchy

The next table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2014				
Investments at fair value through profit or loss	-	86,305	-	86,305
	-	86,305	-	86,305

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2013				
Investments at fair value through profit or loss	-	87,327	-	87,327
	-	87,327	-	87,327

During the year ended 31 December 2014, there have been no transfers between fair value levels.

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19. Operating Segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For each of the strategic business units, the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Real estate activities. Includes trading, development and management of real-estate properties inside and outside Kuwait.
- Non-real estate activities. Includes investment in various Islamic financial instruments, mainly murabaha.

The operating segments derive their revenue primarily from return on real-estates and investment income. All of the Group's business activities and operating segments are reported within the above segments.

Financial information on reportable segments for the year ended 31 December 2014 is as follows:

	Real estate activities KD	Non-real estate activities KD	Total KD
Segment revenues	958,269	4,487	962,756
Segment expenses	(746,857)	-	(746,857)
Segment results	211,412	4,487	215,899
Segment assets	30,347,366	1,103,871	31,451,237
Segment liabilities	4,076,253	-	4,076,253
Capital expenditure	863,577	-	863,577

Financial information on reportable segments for the year ended 31 December 2013 is as follows:

	Real estate activities KD	Non-real estate activities KD	Total KD
Segment losses	(128,694)	(284,449)	(413,143)
Segment expenses	(610,607)	-	(610,607)
Segment results	(739,301)	(284,449)	(1,023,750)
Segment assets	28,831,310	518,369	29,349,679
Segment liabilities	3,140,012	-	3,140,012
Capital expenditure	2,456,985	-	2,456,985

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of counterparties. Segment assets are based on the geographical location of the assets.

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Geographical information

	Revenues/ (losses) KD	Non-current assets KD
31 December 2014		
Inside Kuwait	8,703	4,543
Outside Kuwait	954,053	30,009,516
	962,756	30,014,059

	Revenues/ (losses) KD	Non-current assets KD
31 December 2013		
Inside Kuwait	(262,320)	3,749
Outside Kuwait	(150,823)	28,006,382
	(413,143)	28,010,131

During 2014 and 2013, there were no transactions between the Group's reportable segments.

There were no changes in the reportable segments during the year. The accounting policies of the reportable segments are the same as described in note 3.

The Board assesses the performance of the operating segments based on a measure of segment profit. The profit or loss of the Group's reportable segments reported to the Board are measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of segment result to net loss is therefore not presented separately.

The amounts provided to the Board in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and physical location of the assets. As all assets and liabilities have been allocated to the reportable segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

20. Board of Directors remuneration

On 19 March 2015 the Board of Directors proposed remuneration of KD 19,321 for the Company's Board of Directors for the year ended 31 December 2014 (2013: KD Nil), subject to the approval of the shareholders' general assembly.

21. Proposed dividends

On 19 March 2015, the Board of Directors proposed distribution of 21,209,959 shares as a 10% dividend to the shareholders for the year ended 31 December 2014 (2013: KD Nil), subject to the approval of the shareholders' general assembly.

On their meeting dated 6 May 2014, the shareholders' general assembly decided to distribute no dividends for the year 2013.