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الشركة الكويتية للاستثمار ش.م.ك
KUWAIT INVESTMENT CO. S.A.K
50 عاما من الخبرة والثقة. 1961

ANNUAL REPORT 2014

بسم الله الرحمن الرحيم

IN THE NAME OF GOD, MOST GRACIOUS, MOST MERCIFUL.

His Highness Sheikh
Sabah Al Ahmed Al Jaber Al Sabah
The Amir of The State of Kuwait

His Highness Sheikh
Nawaf Al Ahmed Al Jaber Al Sabah
The Crown Prince

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BOARD OF DIRECTORS

Ahmed Abdullah Al-Omar
Chairman

Mishari Zaid Al-Khaled
Deputy Chairman

Salah Abdul Aziz Al-Muraikhi
Director

Rana Ahmed Al-Muzaini
Director

Jamal Abdullah Al-Saleem
Director

Waleed Abdullah Al-Roumi
Director

Mishari Fahad Al-Odah
Director

Adel Nahabah Hamadah
Director

Khaled Qusai Al-Meshri
Board of Directors' Secretary

MANAGEMENT

Bader Naser AlSubaiee
Chief Executive Officer

Fawaz Sulaiman Al-Ahmad
General Manager

Radhey Shyam Vaishnav
Chief Financial Officer

Imad Ahmed Tifouni
Assistant General Manager
Asset Management Sector

Faisal Yousef Al-Mishari
Assistant General Manager
Direct Investment and Corporate Finance sector

Wael Sami Al-Ebrahim
Assistant General Manager
Operation Sector

BOARD OF DIRECTORS' REPORT

DEAR KUWAIT INVESTMENT COMPANY SHAREHOLDERS,

As-salamu alaykum,
The rapid events in 2014 imposed themselves on economy and politics in Kuwait, the region and the world, putting us in the beginning of 2015 at an unclear crossroad that is economically divided between pessimistic and optimistic people.

The year 2014 saw many ironies in the economic scene. The first half of the year was full of positives, which was completely the opposite in its second half. While economic predictions in the first half were affected by high oil prices that reached over 100$ per barrel, the free fall of oil prices in the second half came to change the global economic predictions completely. Oil prices dropped by %50 by the end of 2014 compared to its peak in the same year. It started improving gradually at the beginning of 2015 amid conflicting predictions of optimistic people who hope that the gradual increase continues until the end of 2015, and the pessimistic ones who believe that the prices are likely to fall again. Between optimism and pessimism, the real reasons behind the rapid and uncalculated drop in oil prices remain unknown for many. Some believe that the reasons are political, while others cite economic reasons; mainly the battle in the oil market to get rid of shale oil producers who are believed to have flooded the market with extra amounts of oil that led to increase in supply and drop in prices due to the lack of sufficient demand.

Another ironic economic incident that happened in 2014, and whose effects spread to 2015, is that most analysts predicted that 2014 will be the last year in which the zero interest or near zero interest will be seen in the world's main economies. Analysts believed that the interest rate will increase in 2015, especially after the US Federal Reserve gave indications to that conclusion, including stopping its economic stimulus policy that it had started in the aftermath of the global economic crisis when it pumped billions of dollars to revive the American markets that were deeply affected by the subprime mortgage crisis. The interest rate increase predictions are becoming unlikely to happen currently amid unclear indications from the Federal Reserve, and the fact that other economies have kept their policies based on zero interests. Predictions indicate that the increase of interest rate in America will be delayed until the second half of 2015. Meanwhile, it is hard to predict what is going to happen to economies of other nations, especially in Europe where the Greek crisis came back to hurt it with huge debts, in addition to the concerning situation that affects the fate of the European Union and its 'Euro' currency whose value against major currencies has noticeably dropped and in record time.

Global economy
These rapid events led the International Monetary Fund (IMF) to reduce its predictions regarding the global economy's growth in 2014 and 2015.

According to the IMF's predictions released at the end of last year, a %3.5 growth is predicted in 2015, compared to a %3.8 growth of global economy predicted last November. Meanwhile, growth rates are predicted to reach %3.7 in 2016.

In China and emerging markets, while they were predicted to witness slowed growth, the low oil prices seem to have energized those economies, and helped increase their growth in spite of the figures of the first half of 2014. Those predictions remain subjected to the volume of investments, since the weak growth of global economy means less sale opportunities for goods and services, and fewer incentives for investment.

The situation in the Middle East and North Africa is similar to the case globally. While regional countries were still suffering from the fallout of political crises and their impact on economy, as well as the foreign capital flow, the oil crisis came to ease the burden on those countries when it comes to their energy bills. On the other hand, Gulf states, whose economies depend on oil as a main income resource, were negatively affected. Gulf states' revenues are estimated to have lost billions of dollars in the 2014 budget. Countries like Kuwait and Saudi Arabia predicted budget deficits based on estimations of the new oil prices.

Kuwait's market compared to regional markets:
In Kuwait, and similar to the case in the Gulf region, the drop in Kuwaiti oil prices reached 38$ per barrel in the middle of January 2015, recording a %63 drop compared to the highest value it reached back in June 2014 at 104$ per barrel. While the first few months of 2015 witnessed a gradual improvement in the oil market, but a return to high oil prices (over 100$) has become unlikely in the short term. The drop in oil prices in the second half of 2014 has directly affected the Kuwait Stock Exchange, whose three indices dropped, leading it to close 2014 on a negative note. This has undoubtedly revealed the huge connection between the stock and oil markets, as the stock market continued to follow the oil market in 2015, and indicators saw improvements during the first few months supported by the increase in oil prices.

On the macroeconomic level, predictions of Kuwait's non-oil economy growth remained somewhat optimistic, as it reached %3.5 in 2014 and %4 in 2015 according to the IMF estimations. The credit rating agencies kept their optimistic future outlook for the Kuwaiti economy, and maintained the country's AA rating.

The Kuwaiti government announced through the budget's draft law and the annual development plan's draft law that it is committed to spend on capital projects, which opens new doors for optimism in the economy in 2015. It also eliminates the need to rush any changes for preset plans, while waiting for results of events on the macroeconomic and political levels. Cooperation between the government and parliament has shown positive indications, especially with the enforcement of long-awaited projects such as the amendments to the public private partnership (PPP) law, the small and medium projects' fund law, and the direct foreign investment law which is hoped to leave the door wide open for foreign investments. Credit facilities' growth remained concerning, however. Lending's annual growth slowed down to reach %6.2 in December 2014, compared to an annual growth of %8.1 reached in December 2013.

One of the most important events was the government's announcement, through the Kuwait Investment Authority (KIA), to exit its investment in the Kuwaiti stock market. The declaration started with selling its shares in Kuwait Investment Company, and putting the shares for bidding in an initial public offering. As a result, the company's credit rating was reduced from Baa3 to Ba2, and that as a direct consequence to KIA's announcement. The credit rating agency saw that the announcement affects KIA's support to our company and subsequently its credit ranking.

Financial indicators:
Regarding financial indicators, and despite the economic circumstances, the company achieved KD6.4 million profits in 2014, with 11.65 fils earnings per share, compared to KD 9.6 million profits and 17.52 fils earnings per share recorded in the fiscal year ending in 31 December 2013. Meanwhile, the company's assets in 31 December 2014 reached nearly KD 283 million, increasing by %5 compared to 2013. The total amount of liabilities reached KD 115 million in 31 December 2014, compared to KD 111 million by the end of 2013. Shareholders' equity reached KD 169 million in 31 December 2014, recording a %7 growth compared to 2013. It is worth noting that the company's financial indicators exceeded the regulators' requirements, which strengthens the durability of the company's assets as well as its profits. In parallel with the company's continued profits and growth in shareholders' equity, the Board of Directors recommended dividends in 2014 equal to %10 of the company's capital (10 fils per share).

In a related note, and in accordance with the principles of transparency that Kuwait Investment Company has taken as an approach, we thought it was necessary to inform our shareholders that the Board of Directors recommended paying KD 99,000 as a remuneration to its members, and KD 80,000 as committees' remuneration for the fiscal year ended 31 December 2014.

2015.. between anticipation and optimism:
In light of all those rapid events, anticipation remains the title of our mission in 2015. There is optimism stemming from governmental intentions to support the economy, and primarily the private sector to lead the development plans and its multimillion mega projects. In the meantime, this optimism comes with caution stemming from unexpected failures in global economies, or political developments in the region that could change or delay the preset plans until things become clearer. Ahead of this uncertainty, it is best for investors to look for the opportunity with the best returns and lowest risks, and one which is not connected to the rapid changes in economy and politics.

In the end, we would like to express gratitude to His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Sabah, His Highness the Prime Minister Sheikh Jaber Al-Mubarak Al-Sabah. May Allah Almighty bless them with good health, wellbeing and guidance.

We would also like to thank the Finance Minister and the Managing Director of Kuwait Investment Authority for their constant support to us in our mission. In this regard, Iwould like to thank all company employees for their performance during the past year. Special thanks also go out to the company's shareholders and clients, and we reiterate our commitment to exert all efforts to preserve the company's position and history.

As-salamu alaykum,

Ahmed Abdullah Al-Omar
Chairman

MESSAGE OF THE CHIEF EXECUTIVE OFFICER

Bader Naser AlSubaiee
Chief Executive Officer

DEAR KUWAIT INVESTMENT COMPANY SHAREHOLDERS, GREETINGS ON BEHALF OF MYSELF AND ALL COMPANY STAFF

The presentation of Kuwait Investment Company's activities this year will be unusual, especially that our company is going through a critical period after it put a strategy for the next stage in cooperation with the best international company in the field.

And here we are today, reaping the fruits of this strategy, the first of which is winning World Finance Magazine's 2014 Best Investment Company in Kuwait. So where do we stand today? And what are the factors of our excellence?

Net profit… continued growth
Kuwait Investment Company achieved KD 6.39 million in net profits in 2014, despite the burdens that the company had to go through in order to restructure some investments in accordance with the strategy, as well as the unfavorable economic circumstances as a result of the decline in local and regional capital market indices, and the rapid change in the main currency exchange rates.

The company's assets… The largest in investment
The company's assets reached KD 283 million at the end of 2014, making them the largest in the investment field compared to KD 269 million at the end of 2013, and with a %5.2 growth.

The company's revenues and commissions
Kuwait Investment Company's revenues reached KD 12,045 in 2014, recording a KD 8 million drop compared to 2013. This goes to the drop in interest and dividend income, as well as the unrealized losses that resulted from the market values at local and regional markets, in addition to foreign currency exchange losses.

Management fees and commissions of Kuwait Investment Company reached KD 6.256 in 2014, while revenues generated from investment portfolios' management increased by %4.7 compared to 2013.

The strategy and 2014 achievements
To achieve those results, we actually put an investment strategy for the next phase two years ago in cooperation with the top international company in the field: Bain and Company. One of the strategy's goals was to realize higher returns on equity through investment in productive and developmental sectors. We focused on sectors that we saw will achieve future growth, while at the same time restructured our investments' map in accordance with the new strategy. This strategy enabled us to achieve several achievements, including:

Chief Financial Officer… A bigger role
In line with the professional, regulatory and procedural developments and in order to face the challenges of implementing the strategy, the Chief Financial Officer's role within the executive structure practiced the highest professional standards to achieve the following goals:

-Directing and managing the company's financial performance and plans.
-Verifying the accuracy of financial statements and reports.
-Providing suitable information at the right time to support decision making.
-Abiding by regulators' financial instructions.
-Developing internal policies, procedures and regulations.
-Supporting, developing and improving competencies in the financial sector.
-Protecting and improving the company's relations with parties related to financial affairs.

The asset management sector… The largest and best performance
Kuwait Investment Company runs assets worth KD 2.14 billion as of 31 December 2014. The asset management sector at Kuwait Investment Company continued to record an excellent performance, utilize the best opportunities available, and invest capitals in safe investments and instruments with rewarding returns and calculated risks.

Despite the financial crisis' fallout and continued pressure on asset management at investment companies, asset management at Kuwait Investment Company managed to maintain relative stability since 2012.

The company's funds… Supremacy and excellence
Despite the declining indicators of the majority of investment sectors in the final quarter of 2014 due to the drop in oil prices, investment funds run by Kuwait Investment Company maintained their distinguished performance, and managed to outperform measurement indicators of sectors it invested in. The main results of investment funds in 2014 are as follows:

Local funds
Al-Raed Investment Fund recorded a %2.69- performance, outperforming the weighted index of Kuwait Stock Exchange which recorded a %3.09- drop in 2014. The total returns since the fund's inception reached %257. Meanwhile, Al-Atheer Communications Fund achieved a positive %1.84 performance in 2014. The total returns since the fund's inception reached %113.97. Kuwait Investment Fund meanwhile recorded a %6.36- performance since the beginning of 2014, outperforming the Islamic index performance of Kuwait Investment Company, which reached %8.75- since the beginning of 2014. The total returns since the fund's inception reached %21.24. Meanwhile, Al-Hilal Islamic Fund maintained a good and exceptional performance since its inception, as it recorded a %0.53- percentage in 2014.

International funds
In a comparison to the performance of the company's international strategic funds, we find that the global bonds fund achieved a %6.5 growth, compared to Citigroup's World Government Bond Index which dropped by %0.5. As for the North American Equities Fund, it finished the year with a %7.3 compared to the Standard & Poor's 500 index which increased by %11.39. Meanwhile, the European Equity Fund finished with a %0.28 growth, compared to MSCI EAFE index which increased by %3.63.

As for the KIC Diversified Fund, it grew by %0.8 compared to MSCI World index which grew by %2.9. Meanwhile, the Pacific Equities Fund dropped by %6.9-, compared to the MSCI AC Asia Pacific Index which dropped by %5.2-.

We can say that the negative risks which increased last year have affected markets and companies' results in general. Those include short-term risks, such as geopolitical conflicts, perilous reversals of profit margins, and fluctuations in capital markets. Meanwhile, medium-term risks include recession and slow growth in advanced economies, and drop in potential growth in emerging markets.

Despite that, most of our investment products have outperformed, which reflects the successful active management of international funds that we run, as well as the portfolios' management.

Local investment portfolios' performance for 2014
The local portfolios' performance was positive, in parallel to the funds' performance. The performance of some portfolios run by the asset management sector outperformed the market's main indexes, achieving a higher performance compared to the weighted index of Kuwait Stock Exchange. The value of investment portfolios for clients reached KD 1.013 billion.

These exceptional results outperform Kuwait Stock Exchange's performance, which recorded a drop in all of its indexes in 2014. Note that all markets in the Middle East and North Africa, including the Kuwait Stock Exchange, were affected by sharp decline during the fourth quarter following the sharp drop in oil prices by %50 within a year. The price index finished 2014 with a %13.43- drop, while the weighted index dropped by %3.09. The Kuwait "15" index closed with a %0.79- decline.

Other successes
Kuwait Investment Company efficiently managed to run an auction to sell the Kuwait Investment Authority's share in the Kuwait Motoring Company, which reached nearly %98. The auction achieved a bid price of 305 fils per share, up by %84.8 compared to the starting price of 165 fils per share. The total value of the bid reached nearly

KD 9 million, which reflects confidence in the investment opportunities that the company puts in the market.

Direct investments and institutions' financing:

Exits and profits
Regarding direct investments, the Direct Investments sector continued managing its investments with high efficiency. It also continued executing the company's strategy of restructuring the direct investment portfolio and improving its performance. Therefore, the company exited several investments, and made profits as a result. For example, it achieved a net profit of nearly KD 3.5 million by exiting from the Euroclear Company. Furthermore, it established a profitable real estate portfolio as part of the investment diversification policy, and focusing on opportunities with financial feasibility according to feasibility studies.

Meanwhile, the institutions' financing department was involved in following up and managing the loan portfolio, while taking into account implementing the Central Bank's policies and following the credit fundamentals and standards. The department managed to completely settle a nearly KD 3 million loan, by entering some assets that are compatible with the company's new strategy. The department also managed to settle another loan via loan scheduling, as it is scheduled to end during the second quarter of 2015.

The department also started providing a new financing instrument to the company's clients; margin lending, and that in accordance with the company's new strategy.

Treasury management… The main priority
Management of liquidity remains the top priority for the treasury management, especially in light of the economic and financial developments in the global scene, and the constant fears of debt crisis' aggravation. The management also works constantly on improving and diversifying sources of financing, as well as managing budget requirements.

Work has started in Islamic transactions, such as 'Murabaha', 'Tawarruq' and 'Sukuk' with financial institutions and banks in Kuwait and the Gulf, in order to meet their clients' demands by signing agreements with the banks and certified brokerage companies to buy and sell international goods in global markets.

New funds from the Kuwaiti, Gulf and international markets have also been attracted, and lines of credit for deposits and currencies have been launched with them as well.

The company, represented by the treasury management, managed to open communication channels with regional and local institutes and banks in order to buy bonds or instruments on the medium or long terms. A huge interest was shown in financing the company's future requirements in competitive prices if necessary.

Risk management
The company's executive management took into consideration the market's risks in a scientific and calculated way, and based on the standard method. The management continues to present general risk management directives and visions, which are based on assessing the main risks, improving risk policies and developing the necessary tools and measures of risk management in light of the company's comprehensive strategy, in addition to the operational risk management.

Settlements management
The settlements' management practices its role in providing assistance to all of the company's departments, which helps improve procedures' flexibility, effectiveness and efficiency. Furthermore, the department updates our accounts in banks, and documents procedures and work mechanism in this context.

Internal audit… Higher commitment
In order to achieve a proper control environment, the executive management opened the door for technical and specialized sectors, namely the internal audit office to practice its role in applying an organized systematic entrance to improve control procedures' effectiveness, and prepare internal audit reports that focus on enhancement opportunities and shed light on the risks that could stand in the way of achieving those goals. Furthermore, the office makes sure that all regulations, policies and related procedures are followed.

The regulatory requirements follow-up and anti-money laundry office
The regulatory requirements follow-up and anti-money laundry office focuses on following up with all regulations, instructions and decisions made by concerned authorities, monitor their implementation and provide advice for the company's management regarding the implementation bases. Furthermore, it presents recommendations for preventive and corrective measures, while also monitors all of the company's financial transactions.

Capital Market Authority… %85 commitment with governance
Kuwait Investment Company has been one of the first companies that abided by the Capital Market Authority's law since it was enforced along with its executive regulations in 2010. The company has since complied to the Capital Market Authority's governance standards by %85, and continues to work towards applying the remaining standards in order to achieve complete commitment during the first half of 2016.

Human resources management
Kuwait Investment Company reiterated its deep commitment last year towards training and developing human resources, and improving their skills under the new strategy for 2017 – 2014. This happened through the following:

1- Finishing job description cards for all jobs at the company.
2- Finishing the restructuring process for the performance assessment system and its applications that are based on goals and performance indicators.
3- Work is ongoing to finish the incentives system for company employees, based on the local and Gulf markets' data.
4- Adopting the new and improved Cinet system with high efficiency, and in accordance with regulations of the company and regulators.
5- Adopting the SharePoint application of document management system.
6- Executing more than 609 training program, which benefited 85 employees. They included local and foreign programs, contractual programs and E-Learning programs. The training programs were organized to improve employees' skills and capabilities to keep up with the latest developments.
7- Providing company staff with more than 40 administrative releases discussing the latest updates in the global management thought.

National manpower… %77
Out of the company's belief in its role in supporting and encouraging national manpower, we focused on the employment of young Kuwaitis (experienced or fresh graduates). The amount of national manpower among the company's technical staff members reached %77 by the end of 2014.

The marketing sector's achievements in 2014
As part of efforts to achieve integration between the company's executive structure, harmony in policies and identification of tasks and roles, the marketing department started to put in place a marketing strategy, in addition to its role in maintaining the majority of clients through exerted efforts to earn clients' satisfaction and provide exceptional services.

Complaints' unit… No complaints
The company received zero complaints from clients in 2014. The company has a trained unit that is prepared to answer clients' recommendations or complaints quickly and professionally.

Thank you,
In the end, we would like to express gratitude to His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Sabah, His Highness the Prime Minister Sheikh Jaber Al-Mubarak Al-Sabah. May Allah Almighty bless them with good health, wellbeing and guidance.
We would also like to thank the Finance Minister and the Managing Director of Kuwait Investment Authority for their constant support to us in our mission. In this regard, I would like to send special thanks to the Chairman of the Board and Board members of Kuwait Investment Company for the dear trust and continued support they give to us. I also would like to thank all company employees for their performance during the past year. Special thanks also go out to the company's shareholders and clients, and we reiterate our commitment to exert all efforts to preserve the company's position and history.

Bader Naser AlSubaiee
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT INVESTMENT COMPANY S.A.K.

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Kuwait Investment Company S.A.K. ("the Parent Company") and subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT INVESTMENT COMPANY S.A.K. (CONTINUED)

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

Report on Other Legal and Regulatory Matters
In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Kuwait Companies' Law No. 25 of 2012, and its Executive Regulations, as amended, and by the Parent Company's Memorandum and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Kuwait Companies Law No. 2012, and its Executive Regulations, as amended, or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Group or its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations, during the year, of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, and Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and Organisation of Security Activity and its Executive Regulations.

Qais M. Al-Nisf	**Khalid Ibrahim Al-Shatti**
License No. 38-A	**License No. 175-A**
BDO Al Nisf & Partners	**PricewaterhouseCoopers (Al-Shatti & Co.)**

Kuwait: 29 March 2015

KUWAIT INVESTMENT COMPANY S.A.K. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 KD	2013 KD
ASSETS			
Cash and bank balances	4	**14,517,923**	27,303,068
Placements	5	**3,073,688**	14,581,290
Financial assets at fair value through profit or loss	6	**29,305,238**	23,595,036
Accounts receivable and other assets	7	**6,591,927**	8,294,514
Other financial assets	8	**12,560,197**	17,034,644
Available for sale financial assets	9	**124,348,095**	139,070,611
Investments in associates	25	**16,695,113**	13,523,425
Investment properties	10	**17,779,819**	-
Intangible assets	11	**15,000,000**	15,000,000
Property and equipment		**18,332,757**	10,975,005
		258,204,757	269,377,593
Assets of disposal group classified as held for sale	12	**24,954,683**	-
Total assets		**283,159,440**	269,377,593
LIABILITIES and EQUITY			
Liabilities			
Call and notice accounts		**82,304**	343,680
Deposits from banks		**27,043,376**	9,319,380
Customers' deposits		**59,469,540**	91,675,721
Accounts payable and other liabilities	13	**11,794,337**	9,968,816
Islamic financing payables	14	**12,161,399**	-
		110,550,956	111,307,597
Liabilities of disposal group classified as held for sale	12	**4,039,363**	-
Total liabilities		**114,590,319**	111,307,597
Equity			
Share capital	15	**55,125,000**	55,125,000
Treasury shares	16	**(734,629)**	(734,629)
Statutory reserve	17	**26,616,863**	25,940,815
Voluntary reserve	18	**16,650,977**	15,974,929
Revaluation reserve		**5,488,831**	4,200,067
Fair value reserve		**23,000,955**	27,137,508
Foreign currency translation reserve		**1,083,673**	580,039
Retained earnings		**7,462,139**	2,428,752
Equity attributable to owners of the Parent Company		**134,693,809**	130,652,481
Non-controlling interests	24	**33,875,312**	27,417,515
Total equity		**168,569,121**	158,069,996
Total liabilities and equity		**283,159,440**	269,377,593

Ahmad Abdullah Al-Omar
Chairman

Meshari Zaid Al Khaled
Deputy Chairman

Bader N. AlSubaiee
Chief Executive Officer

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

KUWAIT INVESTMENT COMPANY S.A.K. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 KD	2013 KD
INCOME			
Continuing operations			
Management fees and commission income		**6,255,682**	6,336,783
Dividend income		**1,694,265**	3,867,172
Gain on redemption / sale of available for sale financial assets		**6,526,043**	6,300,946
Interest income		**482,823**	1,574,365
Rental (expense) / income (net)	19	**(486,592)**	99,261
Unrealised (loss) / gain on financial assets at fair value through profit or loss (net)		**(1,838,677)**	1,255,907
Gain on sale of financial assets at fair value through profit or loss (net)		**43,134**	208,994
Change in fair value of investment properties	10	**532,993**	-
Share of results of associates	25	**349,461**	616,896
Gain on sale of associates		**-**	382,529
Loss on sale of a subsidiary	23	**(1,777)**	-
Gain on reclassification of associate to subsidiary	23	**201,154**	-
Foreign exchange loss		**(1,712,671)**	(573,325)
Total income		**12,045,838**	20,069,528
Expenses and other charges			
General and administrative expenses	20	**(5,919,489)**	(6,171,208)
Impairment loss on available for sale financial assets	9	**(1,288,069)**	(4,719,993)
Release of provision for credit losses	21	**772,955**	278,794
Interest expense		**(571,609)**	(756,971)
Total expenses and other charges		**(7,006,212)**	(11,369,378)
Operating profit		**5,039,626**	8,700,150
Other income		**145,431**	130,766
Profit before contribution to Kuwait Foundation for the Advancement of Science ("KFAS"), National Labour Support Tax ("NLST") Zakat and Board of Directors remuneration		**5,185,057**	8,830,916
KFAS		**(47,474)**	(76,773)
NLST		**(169,699)**	(289,961)
Zakat		**(58,820)**	(21,601)
Board of Directors' remuneration	26	**(99,000)**	(100,000)
Profit for the year from continuing operations		**4,810,064**	8,342,581
Discontinued operations			
Profit for the year from discontinued operations	12	**2,620,372**	2,770,510
Profit for the year		**7,430,436**	11,113,091
Attributable to:			
Owners of the Parent Company		**6,385,483**	9,617,965
Non-controlling interests		**1,044,953**	1,495,126
		7,430,436	11,113,091
Earnings per share attributable to owners of the Parent Company (Basic and diluted) (fils)	22		
From continuing and discontinued operations		**11.653**	17.523
From continuing operations		**9.213**	14.949
From discontinued operations		**2.440**	2.574

The notes on pages 26 to 61 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

	2014	2013
	KD	KD
Profit for the year	**7,430,436**	11,113,091
Other comprehensive income:		
Items that will not be reclassified to the consolidated statement of profit or loss:		
Share on gain on property revaluation of associates	**1,288,764**	-
Items that may be reclassified subsequently to the consolidated statement of profit or loss: Available for sale financial assets:		
- Change in fair value	**1,069,640**	13,519,016
- Gain on sale of available for sale financial assets transferred to consolidated statement of profit or loss	**(6,526,043)**	(6,300,946)
- Transferred to consolidated statement of profit or loss on impairment	**1,288,069**	4,719,993
Share of associates other comprehensive income	**99,806**	(23,677)
Foreign exchange translation adjustments	**503,634**	(154,534)
Other comprehensive (loss)/income for the year	**(2,276,130)**	11,759,852
Total comprehensive income for the year	**5,154,306**	22,872,943
Total comprehensive income attributable to: Owners of the Parent Company	**4,041,328**	21,758,631
Non-controlling interests	**1,112,978**	1,114,312
	5,154,306	22,872,943
Total comprehensive income attributable to Owners of the Parent Company arises from: Continuing operations	**2,673,689**	20,010,688
Discontinued operations	**2,480,617**	2,862,255
	5,154,306	22,872,943

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to Owners of the Parent Company										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Revaluation reserve	Fair value reserve	Foreign currency translation reserve	(Accumulated losses)/ Retained earnings	Sub-total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2013	**55,125,000**	**(587,845)**	**24,930,185**	**24,930,185**	**4,200,067**	**10,496,694**	**4,699**	**(9,965,886)**	**109,133,099**	**19,957,843**	**129,090,942**
Profit for the year	-	-	-	-	-	-	-	9,617,965	9,617,965	1,495,126	11,113,091
Other comprehensive income/(loss) for the year	-	-	-	-	-	12,295,200	(154,534)	-	12,140,666	(380,814)	11,759,852
Total comprehensive income/(loss) for the year	-	-	-	-	-	12,295,200	(154,534)	9,617,965	21,758,631	1,114,312	22,872,943
Purchase of treasury shares	-	(146,784)	-	-	-	-	-	-	(146,784)	-	(146,784)
Effect of consolidation of subsidiaries (note 23)	-	-	-	-	-	4,345,614	729,874	(5,167,953)	(92,465)	6,786,360	6,693,895
Dividends paid	-	-	-	-	-	-	-	-	-	(441,000)	(441,000)
Transfer to reserves	-	-	1,010,630	1,010,630	-	-	-	(2,021,260)	-	-	-
Offsetting of accumulated losses (note 26)	-	-	-	(9,965,886)	-	-	-	9,965,886	-	-	-
Balance at 31 December 2013	**55,125,000**	**(734,629)**	**25,940,815**	**15,974,929**	**4,200,067**	**27,137,508**	**580,039**	**2,428,752**	**130,652,481**	**27,417,515**	**158,069,996**
Profit for the year	-	-	-	-	-	-	-	6,385,483	6,385,483	1,044,953	7,430,436
Other comprehensive income/(loss) for the year	-	-	-	-	1,288,764	(4,136,553)	503,634	-	(2,344,155)	68,025	(2,276,130)
Total comprehensive income/(loss) for the year	-	-	-	-	1,288,764	(4,136,553)	503,634	6,385,483	4,041,328	1,112,978	5,154,306
Transfer to reserves	-	-	676,048	676,048	-	-	-	(1,352,096)	-	-	-
Effect of consolidation of a new subsidiary	-	-	-	-	-	-	-	-	-	7,804,587	7,804,587
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(2,018,768)	(2,018,768)
Dividends paid	-	-	-	-	-	-	-	-	-	(441,000)	(441,000)
Balance at 31 December 2014	**55,125,000**	**(734,629)**	**26,616,863**	**16,650,977**	**5,488,831**	**23,000,955**	**1,083,673**	**7,462,139**	**134,693,809**	**33,875,312**	**168,569,121**

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

	Notes	2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit from continuing operations		**4,810,064**	8,342,581
Profit from discontinuing operations		**2,620,372**	2,770,510
Adjustments for:			
Dividend income		**(1,694,265)**	(3,867,172)
Gain on redemption / sale of available for sale financial assets		**(6,526,043)**	(6,300,946)
Interest income		**(482,823)**	(1,574,365)
Unrealised loss / (gain) of financial assets at fair value through profit or loss (net)		**1,838,677**	(1,255,907)
Gain on sale of financial assets at fair value through profit or loss (net)		**(43,134)**	(208,994)
Share of results of associates		**(349,461)**	(616,896)
Gain on sale of associates		**-**	(382,529)
Change in fair value of investment properties		**(532,993)**	-
Loss on sale of a subsidiary	23	**1,777**	-
Foreign exchange loss		**1,712,671**	573,325
Impairment loss on available for sale financial assets		**1,288,069**	4,719,993
Release of provision for credit losses		**(772,955)**	(278,794)
Interest expense		**571,609**	756,971
Depreciation	20	**169,824**	159,523
		2,611,389	2,837,300
Changes in operating assets and liabilities:			
Call and notice accounts		**(261,376)**	(2,347,742)
Placements		**2,539,751**	(4,096,293)
Financial assets at fair value through profit or loss		**(7,759,020)**	(10,989,923)
Accounts receivable and other assets		**42,298**	1,189,415
Other financial assets		**2,357,722**	3,964,786
Accounts payable and other liabilities		**1,479,524**	1,093,893
Net cash generated from / (used in) operating activities		**1,010,288**	(8,348,564)
INVESTING ACTIVITIES			
Proceeds from sale of a subsidiary	23	**50,781**	-
Arising from consolidation of subsidiaries	23	**1,860,437**	5,127,188
Additions to investment properties	10	**(9,183,985)**	-
Purchase of property and equipment		**(1,872,622)**	(3,145,574)
Purchase of available for sale financial assets		**(23,058,245)**	(28,598,949)
Proceeds from sale of available for sale financial assets		**35,841,148**	38,389,906
Proceeds from sale of associates		**-**	1,106,189
Dividend income received		**1,850,994**	4,026,010
Interest income received		**496,416**	1,509,415
Net cash generated from investing activities		**5,984,924**	18,414,185
FINANCING ACTIVITIES			
Net movement in banks and customers' deposits		**(14,482,184)**	(21,695,751)

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

	Notes	2014	2013
Purchase of treasury shares		**-**	(146,784)
Dividend paid to shareholders		**-**	(162,358)
Dividend paid to non-controlling interests		**(441,000)**	(441,000)
Interest expenses paid		**(635,159)**	(1,309,743)
Movement in non-controlling interest		**(2,018,768)**	-
Net cash used in financing activities		**(17,577,111)**	(23,755,636)
Effect of foreign currency translation adjustments		**503,634**	(154,534)
Net decrease in cash and cash equivalents		**(10,078,265)**	(13,844,549)
Cash and cash equivalents at beginning of the year		**27,303,068**	41,147,617
Cash and cash equivalents at end of the year	4	**17,224,803**	27,303,068
<u>**Non-cash transactions**</u>			
Transfer from available for sale financial assets and financial assets at fair value through profit or loss to investment in associates		**2,828,728**	-
Settlement of other financial assets by swap of assets		**2,970,000**	-
Purchase		**2,209,164**	-

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Kuwait Investment Company S.A.K. ("the Parent Company") is a public shareholding investment company incorporated under the laws of the State of Kuwait on 25 November, 1961 and registered in the commercial registry under No. 4340 on 22 May 1962. The Parent Company's major shareholder is Kuwait Investment Authority. The Parent Company is listed on the Kuwait Stock Exchange and is governed under the directions of the Central Bank of Kuwait ("CBK") and Capital Markets Authority of Kuwait ("CMA").

The Parent Company's registered office is at Souk Al Manakh, Mubarak Al Kabeer Street, Kuwait City and its mailing address is P.O. Box 1005, Safat-13011, Kuwait.

The Parent Company's objectives as per the Articles of Association are as follows:

- Investment and increase of its shareholders and clients' savings and the loans concluded through employing them in financial securities, rights, royalties, properties, equipment, assets and other movables and immovable of all types at its own discretion.
- Participating in the incorporation of other companies to realize profit in accordance with law and assisting in incorporation of these companies.
- Sale of shares and bonds of companies, governmental and semi-governmental institutions.
- To conduct research and surveys related to the employment of capital and provide all the services related to investment operations and third party investments.

These consolidated financial statements of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 8th February 2015. The shareholders' general assembly has the power to amend these consolidated financial statements after issuance.

The Parent Company had 125 employees as at 31 December 2014 (2013: 114 employees).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

These consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Parent Company.

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), IFRIC interpretations, and applicable requirements of Ministerial Order No. 18 of 1990, as modified for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require the adoption of all IFRSs except for the International Accounting Standard ("IAS") 39 requirement for collective impairment provision, which has been replaced by the CBK requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

a) New standards, interpretations and amendments effective from 1 January 2014

A number of amendments to IFRSs and one new interpretation are effective for the current year and have been adopted in the financial statements. The nature and effect of each amendment and interpretation adopted by the Group is detailed below.

• Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

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

- provide 'investment entities' (as defined) 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;
- 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).

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

• IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts;
- the unit of account for applying the offsetting requirements.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

• IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

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

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

• IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendment to IAS 39 Financial Instruments: Recognition and Measurement makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

• IFRIC 21 Levies

The interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

• Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

• Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

b) New standards, interpretations and amendments not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

• IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

• All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

• With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

• In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

• The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Board of Directors of the Group anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group 's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

• Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

• IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

• IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

• Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

• Annual improvements to 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

• IFRS 2 Share-based Payments

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

• IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

• IFRS 8 Operating Segments

The amendment is applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

• IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

• IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements to 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

• IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

• IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

• IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

• Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

• Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

New accounting policies

The Group has adopted the following new accounting policies during the current year.

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are re-measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the consolidated statement of profit or loss. Investment properties are derecognised when they have been disposed.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (Continued)

(i) Investment properties (Continued)

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

(ii) Assets of disposal groups classified as held for sale

- Non-current assets of disposal groups are classified as held for sale when:
- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed during the year are included in the consolidated statement of income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of profit or loss as a single line which comprises the post-tax profit or loss of the discontinued operations along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

(iii) Leases

Where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Where the Group is the lessor

When assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

(iv) Islamic Financing Payable

Ijara payables

They are an Islamic transaction involving purchase and immediate lease of an asset where the lessor conveys to the lessee the right to use the asset for an agreed period of time in return for a payment or series of payments. At the end of the lease term the lessee has the option to purchase the asset.

Murabaha payables

Murabaha payables are initially recognised at the value received from contracts. After initial recognition, murabaha payables are measured at amortised cost using the effective interest rate method.

The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, when appropriate, a shorter period.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (Continued)

Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2014 (see note 23). All subsidiaries have a reporting date of 31 December except for Kuwait Maritime Transportation Company K.S.C. (Closed) which has a reporting date of 30 September 2014.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. 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. Intercompany balances and transactions, including intercompany profits or losses and unrealised profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to the consolidated statement of profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally expensed as incurred. At the acquisition date, the identifiable assets acquired and liabilities assumed and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of profit or loss.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated statement of profit or loss where such treatment would be appropriate if that interest was disposed of.

Financial assets

Classification, initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as "financial assets at fair value through profit or loss", "loans and receivables'' ,"available for sale financial assets" and "investment held to maturity". The classification depends on the purpose for which financial assets were acquired and it is determined at initial recognition.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss.

A "regular way" purchase of financial assets is recognised using the trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Group's financial assets include cash and cash equivalents, placements, financial assets at fair value through profit or loss, accounts receivable, other financial assets and available for sale financial assets.

Subsequent measurement

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

Financial assets as fair value through profit or loss

A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation and the losses arising from impairment are recognised in the consolidated statement of profit or loss.

Available for sale financial assets

Available for sale financial assets include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to need for liquidity or in response to changes in the market conditions.

After initial recognition, available for sale financial assets are measured at fair value with unrealised gain or loss recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recycled in the consolidated statement of profit or loss, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of profit or loss.

Available for sale financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity, other than those that the Group upon initial recognition designates at fair value through profit or loss, available for sale or those that meet the definition of loans and receivables, are classified as held to maturity.

Investments held to maturity are measured initially at their transaction price, including transaction costs and subsequently measured at amortised cost using the effective interest rate method, less impairment losses, if any.

Derecognition of financial assets

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

The rights to receive cash flows from the asset have expired; or

The Group has transferred substantially all the risks and rewards of ownership

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

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

Impairment of financial assets

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

Available for sale financial assets

In the case of equity investments classified as available for sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those available for sale financial assets previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss.

Loans and advances

Loans and advances are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated statement of profit or loss.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities are made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

Wakala receivables

Wakala is an agreement whereby the Group, under an agency agreement, provides a sum of money to a customer who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the wakala.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

KUWAIT INVESTMENT COMPANY S.A.K. AND SUBSIDIARIES
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FOR THE YEAR ENDED 31 DECEMBER 2014

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Wakala receivables are initially measured at fair value (transaction price). Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method less impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at "fair value through profit or loss" or "borrowings". The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value. Borrowings are initially recognised at fair value, net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw- own occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings (call and notice accounts, deposits from banks and customer's deposits) and accounts payable and other liabilities. The Group classifies its financial liabilities as borrowings and does not classify any financial liabilities at "fair value through profit or loss".

Borrowings

Borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in the consolidated statement of profit or loss when liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Interest expense

All borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Accounts payable and other liabilities

Liabilities are recognised for amount to be paid in the future for goods or services received, whether billed or not. Accounts payable and other liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and the costs to settle has been reliably estimated.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparty.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee generally accompanying a shareholding of between 20% and 50% of the voting rights.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The associate financial statements are prepared either to the Parent Company's reporting date or to a date not longer than three months of the Parent Company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

Intangible assets

Intangible assets are measured on initial recognition at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. The Group's intangible assets are with indefinite lives.

If the carrying value of the intangible asset is more than the recoverable amount, the intangible asset is considered impaired and is written down to its recoverable amount. The excess of carrying value over recoverable amount is recognised in the consolidated statement of profit or loss.

Property and equipment

Property and equipment except land are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land is carried at revalued amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Transfers from investment property to property and equipment are made when the management decides a change in use and becomes owner-occupied property.

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Furniture and fixtures	4 years
Office equipments	4 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at least at each financial year-end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss in the period in which it occurs.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Vehicles for lease

Rental vehicles are stated at cost less accumulated depreciation. The Group depreciates rental vehicles on the straight line basis over the lower of their estimated useful lives or the term of the contract entered into with the supplier.

Impairment of non–financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

For a non-financial asset, other than goodwill, in which impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

Employees end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits are based upon the employees' final salary and length of service subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts.

The expected costs of these benefits are accrued over the period of employment. This liability which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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

Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent 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 (gain on sale of treasury shares) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account.

Any excess losses are charged to retained earnings then 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.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined term of payment and excluding tax or duty. The following specific recognition criteria must also be met before revenue is recognised.

Management fees and commission income

Fees and commission income earned for the provision of services over a period of time are accrued over that period. These include management fees, advisory fees and commission income, arising from the Group's management of portfolios, funds, custody and similar trust and fiduciary activities.

Dividend income

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

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income

Interest income is recognised in the consolidated statement of profit or loss for all interest bearing instruments on effective interest method. The calculation includes all contractual term of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the interest rate, but not future credit losses.

Once a financial instrument categorised, as 'available for sale financial assets ' or 'loans and receivable is impaired, interest is thereafter recognised using the original effective interest rate used to discount the future cash flow for the purpose of measuring the impairment loss.

Fiduciary assets

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

Foreign currencies

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 (KD), which is the Group's presentation currency.

Transactions denominated in foreign currencies are translated into KD at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated into KD at rates of exchange prevailing at the end of the reporting period. The resultant exchange differences are included in the consolidated statement of profit or loss.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the consolidated statement of profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the reporting date, income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are charged / credited to other comprehensive income and recognised in the Group's foreign currency translation reserve within equity. On disposal of a foreign operation the exchange differences recognised in equity are reclassified to the consolidated statement of profit or loss and recognised as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated into KD at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Contribution to Kuwait Foundation for the Advancement of Sciences

The Parent Company is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The Group's contributions to KFAS are recognised as an expense in the period during which the Group's contribution is legally required. KFAS is imposed at 1% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

National Labour Support Tax

The Parent Company calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

Zakat

The Parent Company has provided for Zakat in accordance with the requirements of Law No. 46 of 2006. Zakat is imposed at 1% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies

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

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

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities at the reporting date. However, uncertainty about the assumptions and estimate could result in outcomes that require a material adjustment to the amount of the asset or liability reported in future period.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amount recognised in the consolidated financial statements.

Classification of financial instruments

Judgements are made in the classification of financial instruments based on the management's intentions on acquisition.

Liabilities from operating leases the Company as a lessor

The Group enters into vehicle leasing contracts with the clients. Based on its evaluation of the terms and conditions of the contractual arrangements with the clients, the Group decided to maintain all the material risks and benefits of owning these leased vehicles. Therefore, these leases are accounted for as operating leases.

Impairment of available for sale financial assets

The Group treats the available for sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Consolidation of entities in which the group holds less than 50%.

Management considers that the group has de facto control of KIC Financial Brokerage K.S.C (Closed) even though it has less than 50% of the voting rights. The group is the majority shareholder of KIC Financial Brokerage K.S.C (Closed) with a 45.47% equity interest, while all other shareholders individually own less than 11.16% of its equity shares. There is no history of other shareholders forming a group to exercise their votes collectively.

Management considers that the group has de facto control of KIC Global Bond Fund even though it even though it has less than 50% of the voting rights because it is the fund manager and all relevant operating and financial decisions are taken by the Fund manager.

Estimation uncertainty and assumptions

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

Valuation of unquoted financial assets

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

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impairment loss on accounts receivable, loans and advances and investments in debt instruments

The Group reviews accounts receivable, loans and advances and investments in debt instruments on a quarterly basis to assess any indications of impairment and if a provision for impairment should be recorded in the consolidated statement of profit or loss. Such estimates are necessarily based on assumptions about several factors involving varying degrees of uncertainty, and actual results may differ resulting in future changes to such provisions.

Revenue recognition

The Group uses the time proportion method in accounting for services. Using the time proportion method in accounting for the revenues requires the Group to estimate the services provided to the clients to date according to the provisions of the Group activities. The Group takes into consideration retaining provisions necessary for any expected doubtful receivables resulting from these services.

4. CASH AND CASH EQUIVALENTS

	2014	2013
	KD	KD
Cash at banks, in portfolios and on hand	14,366,864	14,486,252
Placements maturing within three months	151,059	12,816,816
Cash and bank balances	14,517,923	27,303,068
Cash and cash equivalents included in a disposal group classified as held for sale	2,706,880	-
Cash and cash equivalents	17,224,803	27,303,068

Placements are placed with financial institutions and carry an average effective interest rate of 0.5% (2013: 0.71%) per annum.

5. PLACEMENTS

Placements maturing in more than three months are placed with local banks and carry an average effective interest rate of 1.7% (2013: 1.1%) per annum.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
	KD	KD
Quoted securities	1,036,356	30,600
Unquoted securities	1,749,300	2,399,140
Managed funds	26,519,582	21,165,296
	29,305,238	23,595,036

Information about the fair value of these investments are disclosed in note 30.

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2014	2013
	KD	KD
Accounts receivable	7,568,921	10,156,506
Less: Provision for impairment	(3,162,469)	(4,304,157)
	4,406,452	5,852,349
Management fees receivable	1,838,819	1,659,360
Interest receivable	10,169	220,732
Prepayments	184,637	245,439
Accrued income	108,176	139,046
Others	43,674	177,588
	6,591,927	8,294,514

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7. ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

Accounts receivable are expected to be realised within a period of one year. At the reporting period, accounts receivables which are past due but not impaired were KD Nil (2013: KD 378,840) out of which KD Nil (2013: KD 378,840) were past due for more than three months.

The total accounts receivable which has been fully provided for amounted to KD 3,162,469 (2013: KD 3,102,328).

At 31 December 2014, the carrying value of accounts receivable approximates their fair values.

Movement in provision for impairment during the year:

	2014	2013
	KD	KD
Balance at beginning of the year	4,304,157	4,294,734
Reversal of credit losses	(912,949)	-
Transfer to discontinued operations	(316,997)	-
Exchange differences	88,258	9,423
Balance at end of the year	3,162,469	4,304,157

During the year, a receivable was settled with a third party by obtaining equity interest in that company and that has resulted a gain of KD 221,495 (note 21).

8. OTHER FINANCIAL ASSETS

	2014	2013
	KD	KD
Wakala receivables	3,819,505	4,819,505
Investments held to maturity	4,875,000	5,187,500
Loans and advances	3,865,692	7,027,639
	12,560,197	17,034,644

Loans and advances are stated net of provision for credit losses. During the year, the Group settled a loan amounting to KD 2,970,000 with a third party through an asset swap through purchase of available for sale financial assets amounting to KD 2,209,164 and investment in associates amounting to KD 680,516 (note 23) resulting in a loss of KD 80,320 (note 21) recorded in the consolidated statement of profit or loss.

The composition of the loans and advances portfolio is as follows:

	2014	2013
	KD	KD
International	11,041,085	11,353,948
Domestic	13,488,739	16,797,860
	24,529,824	28,151,808
Less : Provision for credit losses	(20,664,132)	(21,124,169)
	3,865,692	7,027,639

Movement in provision for credit losses or loans and advances during the year:

	General provision	Specific Provision – post liberation	Specific Provision – pre-invasion	Total
	KD	KD	KD	KD
Balance at 1 January 2013	35,000	15,960,106	5,621,146	21,616,252
Released during the year (note 21)	(5,000)	(435,628)	-	(440,628)
Foreign exchange differences	-	(4,865)	(46,590)	(51,455)
Balance at 31 December 2013	30,000	15,519,613	5,574,556	21,124,169
Released during the year (note 21)	(30,000)	(601,780)	-	(631,780)
Foreign exchange differences	-	63,481	108,262	171,743
Balance at 31 December 2014	-	14,981,314	5,682,818	20,664,132

8. OTHER FINANCIAL ASSETS (CONTINUED)

All loans are term loans and are granted to companies, financial institutions and individuals and are denominated in KD, US Dollars and Bahraini Dinars.

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

The total non-performing loans and advances which have been fully provided for amounts to KD 15,171,557 (2013: KD 15,372,415).

The interest rate on loans and advances ranges between 3.75% to 13% (2013: 4% to 12%) per annum. Interest income includes KD 331,794 (2013: KD 863,547) on impaired loans and advances.

The carrying amount of loans and advances which are past due but not impaired is KD 3,317,806 (2013: KD 6,202,931) and there are sufficient collaterals against these loans. At 31 December 2014, management estimates the fair value of collaterals held against past due or impaired loans and advances to reasonably approximate KD 13,620,000 (2013: KD 17,234,131).

9. AVAILABLE FOR SALE FINANCIAL ASSETS

	2014	2013
	KD	KD
Equity instruments:		
Quoted securities	**8,993,848**	10,973,387
Unquoted securities	**65,320,762**	71,127,558
Managed funds	**47,194,894**	55,206,518
Debt instruments:		
Unquoted bonds	**2,838,591**	1,763,148
	124,348,095	139,070,611

Due to the adoption of the IAS 39 amendments issued by the IASB on 13 October 2008, the Group reclassified all of its held for trading investments amounting to KD 134,420,435 from financial assets at fair value through profit or loss category to available for sale financial assets category effective 1 July 2008.

The Group has recorded unrealised loss of KD 1,996,091(2013: unrealised loss of KD 1,432,775) in respect of the reclassified investments in other comprehensive income for the year included in fair value reserve account in equity. Had the Group not adopted the amendments of IAS 39, the unrealised loss would have been recorded in the consolidated statement of profit or loss for the year.

During the year, the Group recognised an impairment loss of KD 1,288,069 (2013: KD 4,719,993) in respect certain available for sale financial assets.

It was not possible to determine the fair value of certain unquoted securities amounting to KD 5,541,836 (2013: KD 5,534,431) and hence these investments are stated at cost less impairment losses, if any.

Certain available for sale investments of a subsidiary with the carrying amount of KD 901,268 (2013: nil) has been mortgaged as a collateral against the Murabaha payable. (note 14)

During the year, the Group has reclassified certain 'available for sale financial assets' at fair value amounting to KD 2,609,728 to 'Investment in Associates' as part of an asset swap deal transaction (see note 23).

10. INVESTMENT PROPERTIES

	As at 31 December	
	2014	2013
	KD	KD
Investment properties at beginning of the year	**-**	-
Additions during the year	**9,183,985**	-
Effect of consolidation of a new subsidiary	**8,062,841**	-
Change in fair value	**532,993**	-
	17,779,819	-

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

10. INVESTMENT PROPERTIES (CONTINUED)

The fair value of investment properties as at 31 December has been arrived at on the basis of valuations carried out by independent valuers who have experience in the valuation of properties. Management has obtained two independent valuations and used the lowest valuation of them to record the fair value of such properties. The valuations were arrived at by reference to market evidence of transaction prices for similar assets, which is categorised as level 2 in the fair value hierarchy. Certain investment properties with a fair value of KD 1,365,000 (2013: KD nil) have been mortgaged as collateral against murabaha payables (note 14).

11. INTANGIBLE ASSETS

Intangible assets represent brokerage license paid by a subsidiary which has an indefinite life and is stated at cost less impairment.

Management has performed an assessment of the intangible assets recoverable amount as at the reporting date based on a value in use calculation using cash flow projections as per the financial budgets of the cash generating unit and assuming a growth rate in revenues ranging from 20% to 35% for a period of 5 years. A pre-tax discount rate of 11.6% per annum was used to discount the cash flow projections and a growth rate of 3% per annum was used in arriving at the terminal value.

The assessment indicated that the recoverable amount of the intangible assets approximates KD 16,841,231. which is above the carrying amount at the reporting date, accordingly no impairment loss was recognised.

12. DISCONTINUED OPERATIONS

On 14 November 2014, the Board of Directors of the Parent Company announced a plan to dispose of Kuwait International Fair Company K.S.C. (Closed). The Group expects to complete the sale of its 51% equity interest subsidiary through a public auction and expects to complete the sale by June 2015.

The results of the discontinued operations included in the consolidated statement of profit or loss for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2014	2013
	KD	KD
Revenue	**6,054,061**	7,074,881
Expenses	**(3,271,267)**	(4,127,097)
Net profit	**2,782,794**	2,947,784
KFAS and Zakat	**(58,422)**	(62,274)
Directors remuneration	**(104,000)**	(115,000)
Profit for the year from discontinued operations	**2,620,372**	2,770,510
Profit for the year from discontinued operations attributable to owners of the Parent Company	**2,621,717**	2,781,024

Included in other comprehensive income:

	2014	2013
	KD	KD
Change in fair value	**(137,639)**	100,072
Gain on sale of available for sale financial assets transferred to consolidated statement of profit or loss	**(2,116)**	(8,307)
Change in fair value	**(139,755)**	91,765

The statement of consolidated cash flows includes the following amounts relating to discontinued operations:

	2014	2013
	KD	KD
Operating cash flows	**2,679,957**	2,772,156
Investing cash flows	**(1,844,197)**	(485,033)
Financing cash flows	**(900,000)**	(900,000)
	(64,240)	1,387,123

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

12. DISCONTINUED OPERATIONS (CONTINUED)

The major classes of assets and liabilities relating to disposal group classified as held for sale at 31 December 2014 are as follows:

	2014	2013
Assets of disposal group classified as held for sale	**KD**	KD
Cash and cash equivalents	**2,706,880**	-
Term deposits	**8,967,851**	-
Accounts receivable and other balances	**2,648,173**	-
Available for sale financial assets	**2,524,034**	-
Property and equipment	**8,107,745**	-
	24,954,683	-
Liabilities of disposal group classified as held for sale		
Accounts payable and other liabilities	**1,730,161**	-
Staff indemnity provision	**2,309,202**	-
Liabilities directly associated with assets of disposal group classified as held for sale	**4,039,363**	-
	20,915,320	-

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2014	2013
	KD	KD
Sundry creditors and accrued expenses	**8,073,523**	4,220,894
Provision for employees' end of service benefits	**2,791,810**	4,285,282
Provision for employees' leave	**399,202**	586,756
Directors' remuneration	**99,000**	100,000
Accrued interest payable	**63,684**	127,236
Dividend payable	**350,884**	350,884
Others	**16,234**	297,764
	11,794,337	9,968,816

14. ISLAMIC FINANCING PAYABLES

	2014			2013
	Ijara	**Murabaha**	**Total**	
	KD	**KD**	**KD**	KD
Gross amount	**2,417,541**	**9,804,493**	**12,222,034**	-
Less: deferred profit	**-**	**(60,635)**	**(60,635)**	-
	2,417,541	**9,743,858**	**12,161,399**	-

The fair value of Islamic financing payables approximates the carrying value as at the reporting date and maturing within a year. The effective profit rate payable approximates 5.5% (2013: nil) per annum.

Included in murabaha payables are contracts amounting to KD 5,231,073 (2013: KD nil) which has been secured by investments in available for sale financial assets amounting to KD 901,268 (2013: nil) (note 9), investment properties amounting to KD 1,365,000 (2013: nil) (note 10) and investment in subsidiary amounting to KD 3,243,971 (2013: KD nil) (note 23).

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

15. SHARE CAPITAL

	2014	2013
	KD	KD
Authorised, issued and fully paid-up share capital of 551,250,000 shares at a nominal value of 100 Kuwaiti Fils, each paid in cash	**55,125,000**	55,125,000

The Parent Company has one class of ordinary shares which carries no right to fixed income.

16. TREASURY SHARES

	2014	2013
Number of shares	**3,261,581**	3,261,581
Percentage of issued shares	**0.5917%**	0.5917%
Cost (KD)	**734,629**	734,629
Market value (KD)	**463,145**	417,482

17. STATUTORY RESERVE

In accordance with the Companies' Law, 10% of profit for the year attributable to equity holders of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve reaches 50% of the paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of dividend of 5% of share capital in years when retained earnings are not sufficient for the payment of dividend of that amount. During the year, an amount of KD 676,048 (2013: KD 1,010,630) was transferred from the current year profits to statutory reserve.

18. VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of profit for the year attributable to equity holders of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is required to be transferred to the voluntary reserve. This transfer may be discontinued by a resolution adopted by the ordinary assembly of the shareholders' as recommended by the Board of Directors. There are no restrictions on distributions from the voluntary reserve. During the year, an amount of KD 676,048 (2013: KD 1,010,630) was transferred from the current year profits to voluntary reserve.

19. RENTAL (EXPENSE) / INCOME (NET)

	2014	2013
	KD	KD
Rental income from investment properties	**1,129,047**	870,292
Rental and other related expenses	**(1,615,639)**	(771,031)
	(486,592)	99,261

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

	2014	2013
	KD	KD
Staff costs	**3,821,160**	3,917,970
Depreciation	**169,824**	159,523
	3,990,984	4,077,493

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

21. RELEASE OF PROVISION FOR CREDIT LOSSES

	2014	2013
	KD	KD
Loans and advances (note 8)	**551,460**	440,628
Other financial assets	**-**	(161,834)
Accounts receivables (note 7)	**221,495**	-
	772,955	278,794

22. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (BASIC AND DILUTED)

Basic and diluted earnings per share is computed by dividing the profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding during the year, excluding treasury shares.

	2014	2013
	KD	KD
Profit for the year attributable to owners of the Parent Company	**6,385,483**	9,617,965
Continuing operations	**5,048,407**	8,205,005
Discontinued operations	**1,337,076**	1,412,960
	Shares	Shares
Weighted average number of shares outstanding:		
Number of paid up shares	**551,250,000**	551,250,000
Less : Weighted average number of treasury shares	**(3,261,581)**	(2,374,246)
Weighted average number of shares outstanding	**547,988,419**	548,875,754
Earnings per share attributable to owners of the Parent Company - continuing operations and discontinued operations (Basic and diluted) (fils)	**11.653**	17.523
Continuing operations	**9.213**	14.949
Discontinued operations	**2.440**	2.574

23. SUBSIDIARIES

The subsidiaries of the Parent Company, all of which have been included in these consolidated financial statements, are as follows:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December	
		2014	2013
KIC Financial Brokerage K.S.C. (Closed)	Kuwait	**45.47%**	45.47%
Kuwait International Fair Company K.S.C.(Closed)	Kuwait	**51%**	51%
Kuwait Foreign Investment Company	USA	**100%**	100%
Kuwait Maritime Transportation Company K.S.C.(Closed)	Kuwait	**76%**	76%
Arab Financial Services Company K.S.C.(Closed)	Kuwait	**100%**	100%
Al Joan International Holding Company K.S.C. (Closed)	Kuwait	**100%**	100%
Pearl Company For Economic Consultancy Company W.L.L.	Kuwait	**100%**	100%
Al Awaed Fund (1)	Kuwait	**99.20%**	99.20%
KIC Bond Fund (1)	Kuwait	**100%**	100%
Al Hilal Islamic Fund (1)	Kuwait	**67.67%**	67.65%
KIC Euro Equity Fund (1)	Guernsey	**98.58%**	89.25%
KIC Diversified Fund (1)	Guernsey	**100%**	91.77%
KIC Pacific Equity Fund (1)	Guernsey	**97.61%**	72.11%
KIC North American Equity Fund (1)	Guernsey	**98.91%**	92.62%
KIC Global Bond Fund (1)	Guernsey	**44.81%**	64.98%
Al Masar Leasing and Investment Company K.S.C. (Closed)	Kuwait	**45.75%**	-

(1) At 31 March 2013, the Group consolidated for the first time certain funds managed by the Parent Company. These funds were not consolidated in previous years due to the immaterial effect consolidation would have had on the overall financial position of the Group.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

23. SUBSIDIARIES (CONTINUED)

The aggregate carrying amounts of the net identifiable assets and liabilities assumed upon consolidation were as follows:

	2014	2013
Identifiable assets acquired and liabilities assumed	**KD**	KD
Cash and cash equivalents	**1,860,437**	5,127,188
Financial assets at fair value through profit or loss	**-**	4,485,950
Available for sale financial assets	**1,028,164**	24,679,681
Other financial assets	**-**	12,919,504
Property, Plant and equipment and investment properties	**21,825,540**	-
Other assets	**2,912,759**	621,932
	27,626,900	47,834,255
Liabilities		
Islamic financing payable	**(12,161,399)**	-
Accruals and other liabilities	**(4,343,161)**	(79,652)
	(16,504,560)	(79,652)
Total net identifiable assets consolidated	**11,122,340**	47,754,603

On 31 March 2014, the Group increased its equity interest in Al Masar Leasing and Investment Company K.S.C (Closed) ("Al Masar") from 25.76% to 34.10% as part of an asset swap agreement with a third party. Consequently, the Group derecognised its previously held equity interests in certain available for sale financial assets and financial assets at fair value through profit or loss amounting to KD 2,609,728 (note 9) and KD 219,000 respectively.

The increase in equity interests is considered a step acquisition leading to significant influence; thus classifying Al Masar as investments in associate. As a result, changes in fair values of Al Masar, previously recognised in the consolidated statement of profit or loss and other comprehensive income, were recycled to the consolidated statement of profit or loss. The recognition of new associate at fair value and the derecognition of certain available for sale financial assets and financial assets at fair value through profit or loss has resulted in a net gain of KD 91,562 included in 'gain on sale of available for sale financial assets' in the consolidated statement of profit or loss.

On 30 June 2014, the Group further increased its equity interest in Al Masar from 34.10% to 45.75% through an asset swap transaction amounting to KD 680,516 and cash amounting to KD 66,875 (note 8).

During the last quarter of 2014, the Group achieved power over the investee company Al Masar by appointment of four board members including the chairman of the board of directors out of total board members of eight. The Group has considered the power achieved through absolute voting rights is sufficient to give it the practical ability to direct the relevant activities of the investee company, and accordingly reclassified this investment from associate to subsidiary. As a result of this reclassification from associate to subsidiary the Group has recognised a gain of KD 201,154.

One of the subsidiary has pledged its investment in subsidiary amounting to KD 3,243,971 (2013: nil) against Islamic financing payables (note 14).

During 2014, the Group sold its equity interest in its wholly owned subsidiary KIC Fund Managers for a sale consideration of KD 50,781 resulting in a loss of KD 1,777.

During 2014 KIC bond Fund, a 100% owned subsidiary was kept under liquidation.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

24. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Parent Company that have a material non-controlling interests:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests at 31 December		Profit/ (loss) allocated to non-controlling interests at 31 December		Accumulated Non-controlling interests at 31 December	
		2014	2013	**2014**	2013	**2014**	2013
				KD	KD	**KD**	KD
KIC Financial Brokerage K.S.C. (Closed)	Kuwait	**54.53%**	54.53%	**(223,277)**	45,895	**8,784,685**	9,023,564
Kuwait International Fair Company K.S.C.(Closed) (note 12)	Kuwait	**49%**	49%	**1,284,641**	1,368,064	**11,323,929**	10,527,504
Al Massar Leasing and Investment Company K.S.C. Closed	Kuwait	**45.75%**	-	**-**	-	**7,804,587**	-
Individually immaterial subsidiaries with non-controlling interests				**(16,411)**	81,167	**5,962,111**	7,866,447
Total				**1,044,953**	1,495,126	**33,875,312**	27,417,515

Summarised financial information in respect of each subsidiary that has material non-controlling interests before intra-group eliminations is presented below:

KIC Financial Brokerage K.S.C. (Closed)

	2014	2013
	KD	KD
Current assets	**1,349,773**	817,824
Non-current assets	**15,108,227**	16,022,410
Current liabilities	**153,096**	135,813
Non-current liabilities	**195,083**	156,531
Total equity	**16,109,821**	16,547,890
Equity attributable to owners of the Parent Company	**7,325,136**	7,524,326

	2014	2013
	KD	KD
For the year ended 31 December		
Revenue	**690,611**	813,826
Expenses	**(1,100,070)**	(729,661)
(Loss) / profit	**(409,459)**	84,165

Al Masar Leasing and Investment Company K.S.C. (closed)

	2014	2013
	KD	KD
Total assets	**27,626,900**	-
Total liabilities	**16,504,560**	-
Total equity (note 23)	**11,122,340**	-
Equity attributable to owners of the Parent Company	**7,256,678**	-

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

25. INVESTMENTS IN ASSOCIATES

Name	Principal activity	Place of incorporation	Ownership interest %	
			2014	2013
National Hotels Company B.S.C.	Hotel operations	Bahrain	**20.94%**	20.94%
Ithraa Capital Company	Investment	Saudi Arabia	**23%**	23%
Instrata Capital B.S.C.	Investment Management Services	Bahrain	**20%**	20%
Economic Group for Brokerage E.S.C.	Brokerage	Egypt	**30%**	30%
Maritime Tankers and Shipping Company K.S.C. (Closed)	Shipping	Kuwait	**38.76%**	8.57%

Summarised financial information (material associates):

National Hotels Company B.S.C.

	2014	2013
	KD	KD
As at 31 December		
Total assets	**72,352,941**	63,721,837
Total liabilities	**9,325,023**	10,635,390

	2014	2013
	KD	KD
For the year ended 31 December		
Revenue	**4,517,051**	4,578,085
Profit	**1,602,908**	1,501,798
Other comprehensive income	**37,527**	279,782
Total comprehensive income	**1,640,435**	1,781,580
Dividends received from associate	**156,729**	158,838

National hotels Company B.S.C. is equity accounted using 30 September 2014 as it was the latest available financial information.

Summarised financial information (immaterial associates):

	2014	2013
	KD	KD
Total assets	**8,696,167**	7,851,784
Total liabilities	**964,153**	355,901
Revenue	**751,217**	1,227,772
(Loss)/profit	**(182,548)**	1,919
Other comprehensive income	**20,362**	-
Total comprehensive (loss)/ income	**(162,186)**	1,919

During the year, the Group increased its equity interest in Maritime Tankers and Shipping Company K.S.C. (Closed) ("MTSC") from 8.57% to 38.76% as part of an asset swap agreements with third parties. Consequently, the Group derecognised its previously held equity interests in certain available for sale financial assets to KD 500,202.

The increase in equity interests is considered a step acquisition leading to significant influence; thus classifying MTSC as investments in associate at the reporting date. As a result, changes in fair values of MTSC, previously recognised in the consolidated statement of profit or loss and other comprehensive income, were recycled to the consolidated statement of profit or loss.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

25. INVESTMENTS IN ASSOCIATES (CONTINUED)

Investment in associates includes a quoted associate with carrying value of KD 13,198,046 (2013: KD 11,116,302), having a fair value of KD 4,887,448 (2013: KD 5,807,221). However, management has performed an assessment of the associate's recoverable amount as at the reporting date based on a value in use calculation using cash flow projections as per the financial budgets of the associate and assuming an annual growth rate in revenue of approximately 10% on a five years period. A pre-tax discount rate of 11.56% per annum rate was used to discount the cash flow projections and a growth rate of 2.5% per annum of the future cash flows in arriving at the terminal value.

The assessment indicated that the recoverable amount of the associate approximates KD 14,729,614 which is above the carrying amount at the reporting date, accordingly no impairment loss was recognised.

There are no contingent liabilities relating to the Group's interest in the associate.

26. ANNUAL GENERAL ASSEMBLY MEETING

The annual general assembly meeting of shareholders held on 6 May 2014 approved the consolidated financial statements of the Group for the year ended 31 December 2013, and approved the Board of Directors' proposal not to distribute dividends for that year.

The extraordinary general assembly meeting of shareholders held on 27 May 2013 approved the offset of accumulated losses of KD 9,965,886 as at 31 December 2012 against the voluntary reserve.

The Board of Directors in their meeting held on 08 February 2015, proposed distribution of cash dividend of 10% of the share capital (10 fils per share) (2013: Nil) for the year ended 31 December 2014 to the registered shareholders at the date of the general assembly, and to distribute directors' remuneration of KD 99,000 (2013: KD 100,000) which is subject to approval of the shareholders annual general assembly.

27. FIDUCIARY ASSETS

The Group manages investment portfolios on behalf of the principal shareholder, government agencies and financial institutions. The total value of these portfolios at 31 December 2014 amounted to KD 2.14 billion (2013: KD 2.19 billion) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. Further the Group has no recourse to the assets of the portfolios. There are no guarantees covering the investment portfolios managed by the Group on behalf of principal shareholder, government agencies and financial institutions.

Income earned from fiduciary assets amounted to KD 5,670,691 for the year ended 31 December 2014 (2013: KD 6,170,152).

28. RELATED PARTY TRANSACTIONS

Related parties are the Group's shareholders who have representation on the Board of Directors, members of the Board of Directors, senior management, their close family members, associates and subsidiaries. In the normal course of business subject to the Group's management approval, there have been transactions with related parties during the year ended 31 December 2014. Related party balances and transactions are as follows:

	2014	2013
	KD	KD
Consolidated statement of financial position:		
Call and notice accounts	**22,608**	22,608
Customers' deposits	**39,525,820**	35,423,220

Transactions carried out with related parties during the year ended 31 December were as follows:

	2014	2013
	KD	KD
Consolidated statement of profit or loss		
Management fees and commission income	**2,580,227**	2,506,421
Interest expense	**(238,747)**	(189,197)

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28. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The compensation of key management personnel and directors during the year was as follows:

	2014	2013
	KD	KD
Salaries and other short-term benefits	**492,372**	482,946
Executive committees fees	**80,000**	100,000
Post-employment benefits	**71,661**	64,948
	644,033	647,894

29. FINANCIAL RISK MANAGEMENT

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, market risk (including currency risk, interest rate risk and equity price risk) and liquidity risk.

Credit risk

In the ordinary course of business, the Group uses financial instruments. The use of financial instruments also brings with it associated inherent risks. The Group recognises the relationship between returns and risks associated with the use of financial instruments and the management of risks forms an integral part of the Group's strategic objectives.

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across the Group's major risk-based lines of business.

The following sections describe the several risks inherent in the business, their nature and how they are managed.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other condition. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business. The Group mitigates the credit risk by obtaining securities where appropriate.

Maximum exposure to credit risk

An analysis of the Group's financial assets before and after taking account of collateral held or other credit enhancements is as follows:

	Gross exposure		Net exposure	
	2014	2013	**2014**	2013
	KD'000	KD'000	**KD'000**	KD'000
Cash and cash equivalents	**14,514**	27,299	**14,514**	27,299
Placements	**3,074**	14,581	**3,074**	14,581
Accounts receivable and other assets	**6,364**	7,871	**6,364**	7,871
Other financial assets	**12,560**	17,035	**12,560**	17,035
Available for sale financial assets (bonds)	**2,839**	1,763	**2,839**	1,763
Total	**39,351**	68,549	**39,351**	68,549

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Geographic concentration of maximum exposure to credit risk

The maximum exposure to credit risk for financial assets at the reporting date by geographic region was:

	GCC	Other Middle East & Africa	Europe	North America	Asia	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
2014						
Cash and cash equivalents	**11,702**	**-**	**480**	**2,316**	**16**	**14,514**
Placements	**3,074**	**-**	**-**	**-**	**-**	**3,074**
Accounts receivable and other assets	**6,363**	**-**	**1**	**-**	**-**	**6,364**
Other financial assets	**12,560**	**-**	**-**	**-**	**-**	**12,560**
Available for sale financial assets (bonds)	**-**	**-**	**2,839**	**-**	**-**	**2,839**

	GCC	Other Middle East & Africa	Europe	North America	Asia	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
2013						
Cash and cash equivalents	23,575	443	1,667	1,470	144	27,299
Placements	13,941	640	-	-	-	14,581
Accounts receivable and other assets	6,821	-	1,050	-	-	7,871
Other financial assets	17,035	-	-	-	-	17,035
Available for sale financial assets (bonds)	-	-	1,763	-	-	1,763

Credit concentration

The credit limit and balances of the 5 major counterparties at the reporting date are:

2014		2013	
Limit	Carrying amount	Limit	Carrying amount
KD'000	KD'000	KD'000	KD'000
11,351	**11,351**	17,676	17,676

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Credit exposures classified under 'standard' and 'high standard' comprise facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The classification of these facilities is based on internal management rating and previous history with the counterparty.

	Neither past due nor impaired		
	Standard	High Standard	Total
	KD'000	KD'000	KD'000
2014			
Cash and equivalents	**-**	**14,514**	**14,514**
Placements	**-**	**3,074**	**3,074**
Accounts receivable and other assets	**6,364**	**-**	**6,364**
Other financial assets	**5,422**	**-**	**5,422**
(Available for sale financial assets (bonds	**2,839**	**-**	**2,839**
	14,625	**17,588**	**32,213**

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Credit quality of financial assets (continued)

2013			
Cash and cash equivalents	443	26,856	27,299
Placements	641	13,940	14,581
Accounts receivable and other assets	7,492	-	7,492
Other financial assets	5,675	-	5,675
(Available for sale financial assets (bonds	1,763	-	1,763
	16,014	40,796	56,810

The ageing analysis of financial assets is as follows:

31 December 2014	**Past due but not impaired**	**Neither past due nor impaired**
	KD'000	**KD'000**
Up to three months	**-**	**17,549**
3 to 6 months	**-**	**235**
6 to 12 months	**-**	**14,429**
More than 12 months	**7,138**	**-**
	7,138	**32,213**

31 December 2013	**Past due but not impaired**	**Neither past due nor impaired**
	KD'000	KD'000
Up to three months	3,308	27,299
to 6 months 3	-	4,683
to 12 months 6	-	17,391
More than 12 months	8,431	7,437
	11,739	56,810

Management has fully provided against financial assets that are individually determined to be impaired amounting to KD 18,334,026 (2013: KD 18,474,743) (note 7 and 8).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest 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.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk management (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2014	**2013**	**2014**	**2013**
	KD'000	KD'000	KD'000	KD'000
US Dollar	73,590	67,238	16,702	26,539
Euro	6,168	6,345	1,050	2,677
Bahraini Dinar	12,020	2,211	4,431	4,510

Foreign exchange rate sensitivity

Based on the Group's financial assets and liabilities held at the year end, an assumed 0.5% increase in exchange rate, with all other variables held constant, would impact the Group's profit and equity as follows.

A positive sign indicates an increase in profit and equity. A negative sign indicates a decrease in profit and equity

	2014		2013	
	Effect on profit	**Effect on equity**	Effect on profit	Effect on equity
	KD'000	**KD'000**	KD'000	KD'000
US Dollar	**285**	**281**	204	247
Euro	**15**	**31**	18	40
Bahraini Dinar	**28**	**71**	12	61
	328	**383**	234	348

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

Interest rate risk

Interest rate risk is the sensitivity of the Group's financial condition to future movements in interest rates. The Group is exposed to interest rate risk as a result of mismatches or 'gaps' in the amounts of

assets and liabilities that mature or reprice in a given period. The Group can reduce this risk by matching the repricing of assets and liabilities through a number of ways.

The Group's effective interest rates on financial instruments and the maturity analysis based on contractual repricing or maturity dates, whichever dates are earlier are as follows:

At 31 December 2014

	Up to 1 month	**1 – 3 months**	**3 - 12 months**	**Above 12 months**	**Non interest sensitive**	**Total**	**Effective interest rate**
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	%
Assets							
Cash and cash equivalents	151	-	-	-	14,367	14,518	0.5%-1%
Placements	-	939	2,135	-	-	3,074	1%-2%
Financial assets at fair value through profit or loss	-	-	-	-	29,305	29,305	-
Accounts receivable and other assets	-	-	-	-	6,592	6,592	-
Other financial assets	-	-	-	-	12,560	12,560	3.75%-13%
Available for sale for financial assets	-	-	-	2,839	121,509	124,348	3%-5%
	151	939	2,135	2,839	184,333	190,397	

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

	Up to 1month	**1 – 3 months**	**3 - 12 months**	**Non interest sensitive**	**Total**	**Effective interest rate**
	KD'000	KD'000	KD'000	KD'000	KD'000	%
Liabilities						
Call and notice accounts	82	-	-	-	82	0.25%-0.50%
Deposits from banks	18,714	8,329	-	-	27,043	0.40%-2%
Customers 'deposits	52,660	6,810	-	-	59,470	0.10%-0.46%
Islamic financing payables	-	-	12,161	-	12,161	5%-6%
Accounts payable and other liabilities	-	-	-	11,794	11,794	-
	71,456	15,139	12,161	11,794	110,550	

At 31 December 2013

	Up to 1month	**1 – 3 months**	**3 - 12 months**	**Above 12 months**	**Non interest sensitive**	**Total**	**Effective interest rate**
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	%
Assets							
Cash and cash equivalents	12,115	702	-	-	14,486	27,303	0.15%-1.01%
Placements	-	4,683	9,898	-	-	14,581	0.15%-2%
Financial assets at fair value through profit or loss	-	-	-	-	23,595	23,595	-
Accounts receivable and other assets	-	-	-	-	8,295	8,295	-
Other financial assets	-	-	-	-	17,035	17,035	5%-7%
Available for sale financial assets	-	-	-	1,763	137,308	139,071	3%-5%
	12,115	5,385	9,898	1,763	200,719	229,880	

	Up to 1 month	**1 – 3 months**	**3 - 12 months**	**Non interest sensitive**	**Total**	**Effective interest rate**
	KD'000	KD'000	KD'000	KD'000	KD'000	%
Liabilities						
Call and notice accounts	344	-	-	-	344	0.25%-0.50%
Deposits from banks	9,319	-	-	-	9,319	0.25%-0.69%
Customers' deposits	64,056	16,620	11,000	-	91,676	0.25%-1.1%
Accounts payable and other liabilities	-	-	-	9,969	9,969	-
	73,719	16,620	11,000	9,969	111,308	

Based on the Group's financial assets and liabilities held at the year end, an assumed 50 basis points increase in interest rate, with all other variables held constant, would impact the Group's profit as follows.

	Movement in basis points	**Effect on profit and equity**	
		2014	**2013**
Currency		KD'000	KD'000
Kuwaiti Dinars	±50	±69	±79
US Dollars	±50	±316	±266

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

Positive sign indicates an increase in profit and equity. A negative sign indicates a decrease in profit and equity. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group is exposed to equity risk with respect to its investments.

The Group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in international equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees. The following table shows the impact on the Group's financial assets sensitive to equity prices considering a 5% change with other factors constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

2014

Market indices	% change in equity price	Effect on profit	Effect on equity	Total
		KD'000	KD'000	KD'000
Kuwait stock exchange	±5	±684	±369	±1,053

2013

Market indices	% change in equity price	Effect on profit	Effect on equity	Total
		KD'000	KD'000	KD'000
Kuwait stock exchange	±5	±501	±549	±549

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	2014				2013			
	Less than 3 months	3 - 12 months	Over 1 year	Total	Less than 3 months	3 - 12 months	Over 1 year	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000		KD'000
Call and notice accounts	82	-	-	82	344	-	-	344
Deposits from banks	13,814	13,229	-	27,043	9,319	-	-	9,319
Customers' deposits	52,660	6,810	-	59,470	80,676	11,000	-	91,676
Islamic Financing Payable	-	12,161	-	12,161	-	-	-	-
Accounts payable and other liabilities	1,668	7,334	2,792	11,794	127	5,557	4,285	9,969
	68,224	**39,534**	**2,792**	**110,550**	**90,466**	**16,557**	**4,285**	**111,308**
Contingent liabilities	**-**	**2,293**	**-**	**2,293**	**-**	**2,293**	**-**	**2,293**
Operating lease commitments	**1,668**	**-**	**15,012**	**16,680**	**-**	**-**	**16,680**	**-**

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

30. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

	Measured at fair value	Carried at cost	Amortised cost	Total
2014	KD'000	KD'000	KD'000	KD'000
Financial assets:				
Cash and cash equivalents	-	-	14,518	14,518
Placements	-	-	3,074	3,074
Financial assets at fair value through profit or loss	29,305	-	-	29,305
Accounts receivable and other assets	-	-	6,592	6,592
Available for sale financial assets	118,806	5,542	-	124,348
Other financial assets	-	-	12,560	12,560
Financial liabilities:				
Call and notice accounts	-	-	82	82
Deposits from banks	-	-	27,043	27,043
Customers' deposits	-	-	59,470	59,470
Islamic financing payable	-	-	12,161	12,161
Accounts payable and other liabilities	-	-	11,794	11,794

	Measured at fair value	Carried at cost	Amortised cost	Total
2013	KD'000	KD'000	KD'000	KD'000
Financial assets				
Cash and cash equivalents	-	-	27,303	27,303
Placements	-	-	14,581	14,581
Financial assets at fair value through profit or loss	23,595	-	-	23,595
Accounts receivable and other assets	-	-	8,295	8,295
Available for sale financial assets	133,536	5,535	-	139,071
Other financial assets	-	-	17,035	17,035
Financial liabilities				
Call and notice accounts	-	-	344	344
Deposits from banks	-	-	9,319	9,319
Customers' deposits	-	-	91,676	91,676
Accounts payable and other liabilities	-	-	9,969	9,969

Financial instruments measured at fair value (continued)

The fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and cash equivalents.
- Placements
- Other financial assets
- Call and notice accounts
- Deposits from banks
- Customer's deposits
- Islamic financing payable
- Accounts payable and other liabilities

Financial instruments measured at fair value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

30. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial instruments measured at fair value (continued)

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

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2014	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss	1,036	26,520	1,749	29,305
Available for sale financial assets				
Quoted securities	8,994	-	-	8,994
Unquoted funds and bonds	-	50,033	-	50,033
Unquoted securities	-	-	59,779	59,779
Total	8,994	50,033	59,779	118,806

31 December 2013	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss	31	21,165	2,399	23,595
Available for sale financial assets				
Quoted securities	10,973	-	-	10,973
Unquoted funds and bonds	-	56,970	-	56,970
Unquoted securities	-	-	65,593	65,593
Total	10,973	56,970	65,593	133,536

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Valuation of unquoted equity investments classified under level 3 is normally based on price to book value technique, dividend yield method and external valuations with marketability discount provided in the range of 20% to 30%.

If marketability discount changes by 5% with all other factors constant, the impact on the profit and equity would be KD 794,697 and KD 3,083,445 respectively.

Reconciliation of Level 3 fair value measurements of available for sale financial assets

	Available for sale financial assets	Financial assets at fair value through profit or loss	Total
	KD'000	KD'000	KD'000
2014			
1 January 2014	65,593	2,399	67,992
Total gains or losses recognised in:			
Consolidated statement of profit or loss	3,564	(1,796)	1,768
Other comprehensive income	(5,390)	-	(5,390)
Purchases / sales (net)	(3,988)	1,146	(2,842)
31 December 2014	59,779	1,749	61,528
2013			
1 January 2013	61,056	3,090	64,146
Total gains or losses recognised in:			
Consolidated statement of profit or loss	3,894	107	4,001
Other comprehensive loss	5,070	-	5,070
Transfer from level 1	-	-	-
Purchases / sales (net)	(4,427)	(798)	(5,225)
31 December 2013	65,593	2,399	67,992

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

31. CAPITAL RISK MANAGEMENT OBJECTIVES

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of issued share capital less treasury shares, reserves and accumulated losses.

Gearing ratio

The gearing ratio at year end was as follows:

	2014	2013
	KD	KD
Borrowings	98,756,619	101,338,781
Less: Cash and bank balances and placements	(17,591,611)	(41,884,358)
Net debt	81,165,008	59,454,423
Total equity	168,569,121	158,069,996
Net debt to equity ratio	48.15%	37.61%

During the year, the Group has complied with all externally imposed capital requirements.

32. OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by the operational risk function, which ensures compliance with policies and procedures and monitors operational risk as part of overall global risk management.

33. CONTINGENT LIABILITIES AND COMMITMENTS

	2014	2013
	KD	KD
Guarantees	2,293,122	2,293,122
Operating lease commitments	16,680,500	16,680,500

The minimum operating lease commitments under non-cancellable operating leases are as follows:

	2014	2013
	KD'000	KD'000
Not later than one year	1,668,050	-
Later than one year but not later than five years	8,340,250	8,340,250
Later than five years	6,672,200	8,340,250

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

34. SEGMENTAL INFORMATION

The Group identifies its operating segments based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Parent Company's Executive Committee is the Group's chief operating decision maker has grouped the Group's products and services into the following operating segments:

Asset Management: Consists of quoted securities trading and management of funds and portfolios

Direct Investments and Corporate Finance: Consists of managing subsidiaries, associates, long term strategic investments and lending activities.

Treasury: Consists of foreign exchange contracts and money market activities.

Other operations: Consists of real estate, rental and management and support activities.

	2014						2013					
	Asset Management	Direct Investments and Corporate Finance	Treasury	Other operations	Discontinued operations	Total	Asset Management	Direct Investments and Corporate Finance	Treasury	Other operations	Discontinued operations	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Income	7,569	8,367	60	(3,950)	5,355	17,401	9,894	10,054	192	(70)	5,982	26,052
Expenses	(2,829)	(5,113)	1,230	(295)	(2,734)	(9,741)	(2,276)	(7,531)	1,079	(2,642)	(3,256)	(14,626)
Segment results	4,740	3,254	1,290	(4,245)	2,621	7,660	7,618	2,523	1,271	(2,712)	2,726	11,426
Other income	1	-	-	144	-	145	1	1	-	129	45	176
Unallocated expenses						(375)						(489)
Profit for the year						7,430						11,113
Other information												
Segment assets	90,691	133,605	5,574	28,334	24,955	283,159	67,604	129,354	11,737	35,576	25,107	269,378
Total assets						283,159						269,378
Segment liabilities	-	1,853	87,810	20,888	4,039	114,590	-	-	101,930	5,756	3,622	111,308
Total liabilities						114,590						111,308
Capital expenditure						11,057						3,146
Depreciation						170						160

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

34. SEGMENTAL INFORMATION (CONTINUED)

The following is the detail of the geographical segments:

	Income		Assets		Capital expenditures	
	2014	2013	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Kuwait	5,106	11,553	164,676	173,322	3,994	3,146
G.C.C.	719	1,261	48,541	46,607	7,063	-
Other Middle East and Africa	125	48	4,966	5,817	-	-
Europe	4,469	6,152	7,277	11,540	-	-
America	1,065	320	23,618	22,695	-	-
Asia	562	736	9,126	9,397	-	-
Discontinued operations	5,355	5,982	24,955	-	-	-
	17,401	26,052	283,159	269,378	11,057	3,146

35. COMPARATIVES

Certain comparative figures have been reclassified to conform with current year's presentation, but with no effect on previously reported profit or equity.

The notes on pages 26 to 61 form an integral part of these consolidated financial statements.

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