ANNUAL REPORT 2014

تمدين
TAMDEEN
INVESTMENT

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

H.H. Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait

H.H. Sheikh Sabah Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait

H.H. Sheikh Jaber Al Mubarak Al Hamad Al Sabah
Prime minister of the State of Kuwait

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BOARD MEMBERS

Nawaf Ahmad Al Marzouq
CHAIRMAN

Ahmad Dakhel Al Osaimi
VICE CHAIRMAN

Talal Yousef Al Marzouq
BOARD MEMBER

Abdul Aziz Abdullah Al Ghanim
BOARD MEMBER

Salah Abdul Aziz Al Bahar
BOARD MEMBER

EXECUTIVE MANAGEMENT

Meshal Jassim Al Marzouq
CEO

Nabil Abdelmoeti Soliman
DGM FINANCE

Mohammed Mustafa Al Marzouq
HEAD OF TRADING DEPARTMENT

Azzam Hamza Al Homaidi
ADMINISTRATION MANAGER

Sanaa Adel Mousa
HEAD OF SETTLEMENT DEPARTMENT

Nashmyah Ali Hadeyah
HEAD OF CO-ORDINATION &
FOLLOW UP DEPARTMENT

CHAIRMAN'S LETTER

IN THE NAME OF GOD, MOST GRACIOUS, MOST MERCIFUL

HONORABLE SHAREHOLDERS,

PEACE AND GOD'S MERCY AND BLESSINGS BE UPON YOU,

ON BEHALF OF MY COLLEAGUES, THE MEMBERS OF THE BOARD OF DIRECTORS OF TAMDEEN INVESTMENT COMPANY, I AM PLEASED TO MEET YOU TODAY AND REVIEW WITH YOU THE SEVENTEENTH ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014.

DURING 2014, OIL PRICES DROPPED BY 55% WITHIN LESS THAN SEVEN MONTHS. IN JUNE 2014, BRENT CRUDE WAS AROUND $ 110 A BARREL BEFORE TAKING A STEEP DECLINE AT THE BEGINNING OF 2015 TO BE BELOW $ 50. THIS SHARP FALL OF OIL PRICES DIVIDED THE WORLD INTO THREE CATEGORIES: FIRST, PRODUCING, UNCONCERNED COUNTRIES THAT DEAL WITH THE NEW CRISIS IN A CALM AND CONFIDENT MANNER, SUCH AS KINGDOM OF SAUDI ARABIA, THE UNITED ARAB EMIRATES AND KUWAIT; SECOND, PRODUCING COUNTRIES THAT ARE CONCERNED, SUCH AS IRAN AND RUSSIA WHICH SEE THE DECLINE OF OIL PRICES TO LESS THAN HALF THEIR FORMER LEVELS AS A CONSPIRACY AGAINST THEIR RESPECTIVE ECONOMY; AND THIRD, THE CONSUMING COUNTRIES THAT ENJOY THE BENEFITS AND CALCULATE THEIR RETURNS, SUCH AS THE UNITED STATES AND CHINA. THE DECLINE IS ATTRIBUTABLE TO THE INTERACTION OF SUPPLY AND DEMAND IN ADDITION TO THE STRENGTH OF THE US DOLLAR AND THE EFFECT OF SPECULATIVE DEALINGS IN THE MARKETS. HOWEVER, MOST ANALYSES LINK THE DECLINE OF THE CRUDE OIL PRICE TO OVER-SUPPLY IN THE OIL MARKETS, PARTICULARLY BY THE NON-OPEC COUNTRIES, AND SPECIFICALLY TO THE SURGE OF SUPPLY OF SHALE OIL IN THE USA. A REPORT BY THE INTERNATIONAL MONETARY FUND HAS ATTRIBUTED 60% OF THE STEADY OIL PRICE DECLINE TO OVER-SUPPLY.

ESTEEMED SHAREHOLDERS,

As a result of the foregoing developments, the GCC stock markets ended the year 2014 with net gains for the year following sharp fluctuations, having achieved remarkable gains in the first half of the year, after the region became a main destination for foreign investors following the raising by MSCI Market Indices of the classification of the UAE and Qatar to "emerging markets" class. Furthermore, the announcement by the Kingdom of Saudi Arabia that it has opened its markets for direct foreign investment at the beginning of 2015 heightened interest in the region. However, the markets subsequently fell in waves of selling during the last few months of the year. The main KSA market reached its climax since the beginning of the year in September, thereby achieving a 31% gain. However it ended the year with a decline of 2.4%.The Dubai Market main index achieved a 12% gain after having registered a gain of 59% in May. The Qatar Stock Exchange registered the best performance among the GCC stock markets this year, with a gain of 18.4% to its main index, while the Abu Dhabi general index rose by 5.6%. On the other hand, the Oman and Kuwait exchanges lost 7.2% and 13.4% respectively during the year while Bahrain gained 14.2%.

ESTEEMED SHAREHOLDERS,

2014 was a year of numerous achievements for Tamdeen Real Estate Company. With the grace of Allah, the Company made remarkable achievements in all fields of operation and investment, which were reflected in the Company's revenues and in the cash dividend distributions received from the Company's investment in Ahli United Bank during 2014, amounting to KD 5.8 million, compared to KD 4.8 million in 2013. This achievement underscores the strength of the Company's assets. During the year, Tamdeen Investment company started executing its planned investment agenda by increasing its interest in Tamdeen Franchises Holding Company from 20% to 80%, by KD 22.5 million. This increase raised total assets and revenues, as Tamdeen Franchises Holding Company owns 44% of the capital of Kuwait National Cinema Company. Tamdeen Investment Company has also increased its investment in Tamdeen Resorts Company by KD 6.250 million in preparation for the construction of a huge investment project in the Khairan area. The Company has also invested KD2.5 million in Tamdeen Real Estate Development Company which participates in the construction of a major commercial project in South Surra.

Perhaps the most prominent development in the Company's progress during 2014 was Tamdeen Investment Company contacting the regulatory authorities with a view to starting the procedures for the merger of the Company with one of its subsidiaries, Tamdeen Holding Company, in which it owns 40% and which has a capital of KD 30 million, so that Tamdeen Holding's assets and liabilities would pass to Tamdeen Investment in consideration for new shares to be issued by Tamdeen Investment to the shareholders of Tamdeen Holding.

With regard to the Company's financial statements, Tamdeen Investment continued to attain higher levels of performance, with a net profit of KD 9 million compared with KD 4 million in 2013. Earnings per share amounted to KD 31.52 Fils compared with 13.59 Fils in 2013.Total assets rose from KD 148 million in 2013 to KD 253 million in 2014 while total liabilities for 2014 stood at KD 96.5 million against KD 35.9 million in the previous year. This increase resulted from the financing of the Company's investment activities during the year. Shareholders' equity rose to KD140 million at the end of 2014 compared with KD 112 million at the end of 2013. All along, the Board of Directors continued to follow a conservative policy and took support provisions in the amount of KD 416,000 in respect of unlisted investments during the year.

In preparing the Company's financial statements the company fully complied with the requirements of the International Accounting Standards and all regulations and laws of the supervision authorities in order to ensure the integrity of those statements.

Being keen to remain abreast with the instructions and laws of the supervision authorities, the Company amended its memorandum and articles of association in line with the provisions of the Companies Law No. 25 of 2012 as amended by the Law No. 97 of 2013. It has also started to apply the requirements of the combating money laundering and terrorism financing as outlined in the CMA Resolution No. 25 of 2013 concerning the rules of corporate governance at the companies that are subject to CMA supervision. The Company's Board of Directors continued the year to implement the conservative investment policies planned for and adopted by Tamdeen Group with a view to preserving and growing the Company's assets.

Underlining the success of Tamdeen Investment Company's policies and objectives as drawn by its Board of Directors, the Board is pleased to recommend the General Assembly of the Company to distribute a cash dividend of 10% of the nominal value of the share, which is equal to 10 Fils per share for the financial year ended on 31.12.2014.

HONORABLE SHAREHOLDERS,

I wish to take this opportunity, for myself and on behalf of my colleagues on the Board of Directors of the Company, to express our deepest feelings of thanks and appreciation to His Highness the Amir, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah and His Highness the Crown Prince, Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah. We would also like to thank the esteemed shareholders of the company for their confidence and support they have extended to us.

In conclusion, I would like to express to the members of the Board of Directors and to the employees of the company my deepest thanks and appreciation for their valuable efforts which has enabled the company to achieve the excellent results it did in 2014.

Peace and God's Mercy
and Blessings be upon you,

AHMED DAKHIL AL-OSSAIMI
DEPUTY CHAIRMAN OF THE
BOARD OF DIRECTORS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Tamdeen Investment Company – KSCP "the Parent Company" and its subsidiaries (together referred to as the Group) which comprise the consolidated statement of financial position as of 31 December 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

PARENT COMPANY'S MANAGEMENT RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 25 of 2012, as amended and executive regulation, and by the Parent Company's Memorandum of Incorporation 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 Companies Law No. 25 of 2012, as amended and executive regulation, or the Parent Company›s Memorandum of Incorporation 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 on its consolidated financial position.

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

Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche

Al Wazzan & Co.

Kuwait, 17 March 2015

Ali Mohammed Kouhari

Licence No.156-A

Member of PRIMEGLOBAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2014

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2014	2013
Assets			
Cash and cash equivalents	5	10,039,771	2,949,938
Accounts receivable	6	104,117	174,746
Investments available for sale	7	126,813,582	104,499,345
Investments in associates	8	116,095,355	40,575,340
Properties and equipment		271,802	293,171
Total assets		253,324,627	148,492,540
Liabilities and equity			
Liabilities			
Accounts payable	9	22,177,802	589,203
Bank facilities	10	74,250,000	35,312,407
End of service indemnity		117,736	97,462
Total liabilities		96,545,538	35,999,072
Equity			
Share capital	11	31,185,000	31,185,000
Share premium		10,000,000	10,000,000
Treasury shares	12	(6,682,983)	(2,512,530)
Gain on sale of treasury shares		240,466	240,466
Statutory reserve	13	4,996,008	4,049,740
Change in fair value reserve		75,447,014	53,476,447
Group's share in associates' reserves		4,377,926	702,468
Retained earnings		20,802,522	15,343,337
Equity attributed to Parent Company's shareholders		140,365,953	112,484,928
Non-controlling interest		16,413,136	8,540
Total equity		156,779,089	112,493,468
Total liabilities and equity		253,324,627	148,492,540

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

Nawaf Ahmad Al Marzouq
Chairman

Ahmad Dakhel Al Osaimi
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2014	2013
Revenues			
Gains from investments available for sale	15	8,222,352	5,071,699
Group's share from associates' results	8	4,550,803	1,165,120
Management fees		197,592	151,347
Other income		16,885	9,735
		12,987,632	6,397,901
Expenses and other charges			
Staff costs		441,044	359,064
Other expenses		657,824	529,859
Finance charges		1,966,713	1,243,005
Foreign currency exchange differences		62,364	23,421
		3,127,945	2,155,349
Profit for the year before deductions		9,859,687	4,242,552
Board of Directors' remuneration		50,000	50,000
Kuwait Foundation for Advancement of Science		65,132	26,237
National Labour Support Tax		226,899	98,060
Zakat expense		69,857	23,331
Net profit for the year		9,447,799	4,044,924
Distributed as follows:			
Parent Company's shareholders		9,050,797	4,044,858
Non-controlling interest		397,002	66
		9,447,799	4,044,924
Earnings per share to the Parent Company's shareholders (fils)	16	31.52	13.59

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

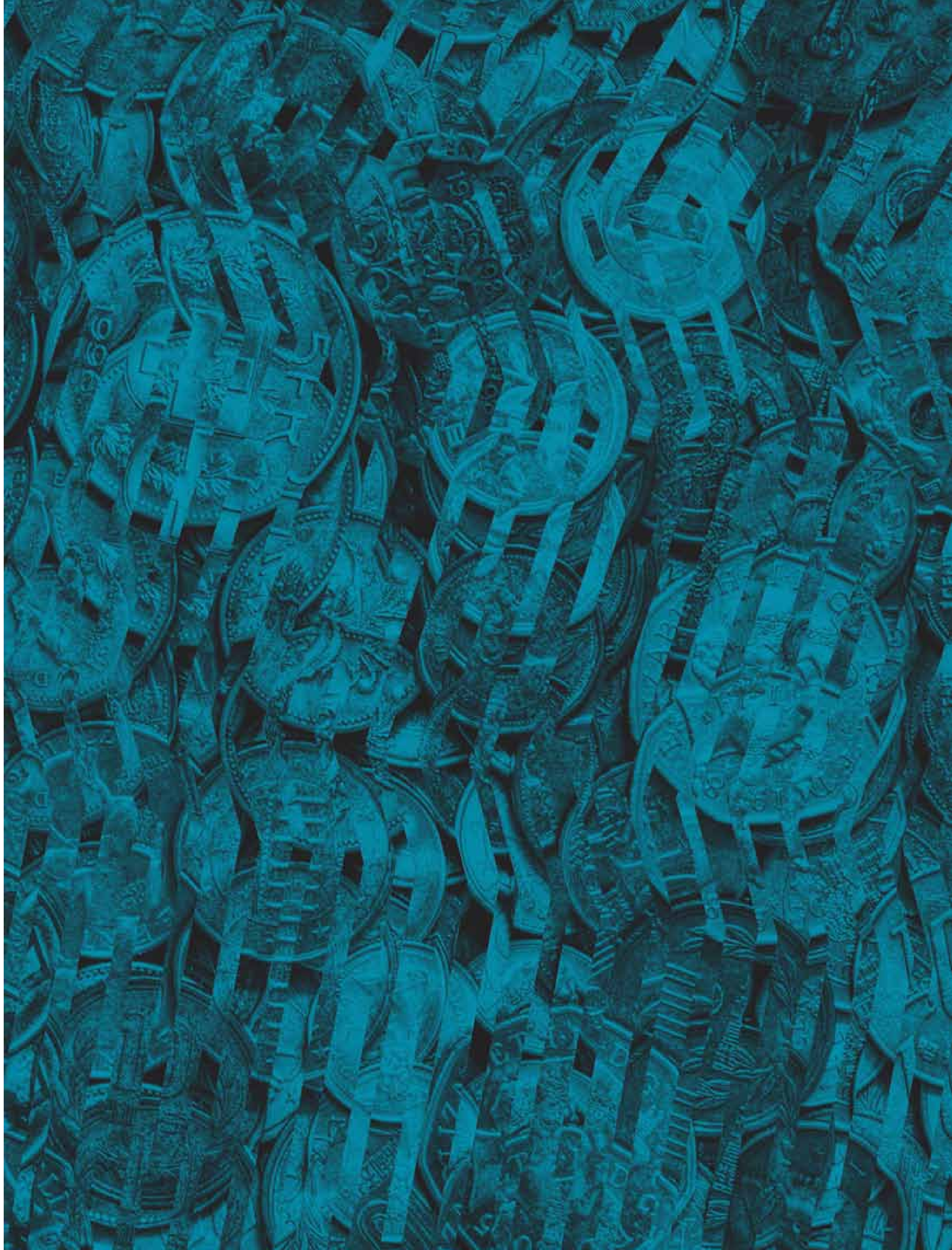
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	2014	2013
Net profit for the year	9,447,799	4,044,924
Other comprehensive income items:		
Items that maybe reclassifies subsequently to statement of income:		
Transferred to the statement of income on sale of investments available for sale	(2,310,492)	(129,365)
Change in fair value of investments available for sale	24,644,459	23,070,842
	22,333,967	22,941,477
Group›s share in associates› reserves	4,024,078	2,228,828
Total other comprehensive income items	26,358,045	25,170,305
Total comprehensive income for the year	35,805,844	29,215,229
Distributed as follows:		
Parent Company's shareholders	34,696,822	29,215,163
Non-controlling interest	1,109,022	66
	35,805,844	29,215,229

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Equity attributed to the Company's shareholders										
	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2013	31,185,000	10,000,000	(2,394,959)	240,466	3,625,485	30,534,970	(1,526,360)	14,103,780	85,768,382	11,483	85,779,865
Net profit for the year	-	-	-	-	-	-	-	4,044,858	4,044,858	66	4,044,924
Total comprehensive income	-	-	-	-	-	22,941,477	2,228,828	-	25,170,305	-	25,170,305
Purchase of treasury shares	-	-	(117,571)	-	-	-	-	-	(117,571)	-	(117,571)
Cash dividends note 14)	-	-	-	-	-	-	-	(2,381,046)	(2,381,046)	-	(2,381,046)
Sale of share in subsidiaries	-	-	-	-	-	-	-	-	-	(3,009)	(3,009)
Transferred to statutory reserve	-	-	-	-	424,255	-	-	(424,255)	-	-	-
Balance as at 31 December 2013	31,185,000	10,000,000	(2,512,530)	240,466	4,049,740	53,476,447	702,468	15,343,337	112,484,928	8,540	112,493,468
Balance as at 1 January 2014	31,185,000	10,000,000	(2,512,530)	240,466	4,049,740	53,476,447	702,468	15,343,337	112,484,928	8,540	112,493,468
Effect of change in non-controlling interests	-	-	-	-	-	-	-	-	-	(6,583)	(6,583)
Net profit for the year	-	-	-	-	-	-	-	9,050,797	9,050,797	397,002	9,447,799
Total comprehensive income	-	-	-	-	-	21,970,567	3,675,458	-	25,646,025	712,020	26,358,045
Non-controlling interests resulted from acquisition of subsidiaries (note 18)	-	-	-	-	-	-	-	-	-	15,302,157	15,302,157
Purchase of treasury shares	-	-	(4,170,453)	-	-	-	-	-	(4,170,453)	-	(4,170,453)
Cash dividends note 14)	-	-	-	-	-	-	-	(2,645,344)	(2,645,344)	-	(2,645,344)
Transferred to statutory reserve	-	-	-	-	946,268	-	-	(946,268)	-	-	-
Balance as at 31 December 2014	31,185,000	10,000,000	(6,682,983)	240,466	4,996,008	75,447,014	4,377,926	20,802,522	140,365,953	16,413,136	156,779,089

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2014	2013
Cash flows from operating activities			
Net profit for the year		9,447,799	4,044,924
Adjustments:			
Gains from investments available for sale		(8,222,352)	(5,071,699)
Group›s share from associate›s results		(4,550,803)	(1,165,120)
Credit interest		(17,152)	(9,735)
Finance charges		1,966,713	1,243,005
Depreciation		33,635	35,504
End of service indemnity		29,160	23,464
Operating loss before changes in operating assets and liabilities		(1,313,000)	(899,657)
Accounts receivable		75,322	515,418
Accounts payable		(6,667,588)	(1,601,285)
End of service indemnity paid		(9,140)	-
Net cash used in operating activities		(7,914,406)	(1,985,524)
Cash flows from investing activities			
Paid for purchase of investments available for sale		(143,926)	(375,453)
Proceeds from sale of investments available for sale		3,932,847	668,028
Paid for purchase of additional shares in associates		(3,631,418)	(4,880,000)
Net paid to acquire subsidiaries		(6,355,280)	-
Paid for purchase of additional share in a subsidiary		(500,000)	-
Paid for purchase of properties and equipment		(12,266)	(160)
Effect of disposal of a subsidiary		-	(96,258)
Dividends received from investments available for sale		6,388,877	5,381,505
Dividends received from an associate		300,000	300,000
Credit interest received		17,233	9,579
Net cash (used in) / generated from investing activities		(3,933)	1,007,241
Cash flows from financing activities			
Cash dividends paid		(2,645,344)	(2,381,046)
Paid for purchase of treasury shares		(4,170,453)	(117,571)
Net movement on bank facilities		23,687,593	5,378,866
Finance charges paid		(1,863,624)	(1,194,974)
Net cash generated from financing activities		15,008,172	1,685,275
Increase in cash and cash equivalents		7,089,833	706,992
Cash and cash equivalents at the beginning of the year		2,949,938	2,242,946
Cash and cash equivalents at the end of the year	5	10,039,771	2,949,938

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

1- BACKGROUND

Tamdeen Investment Company - KSCP "the Parent Company" was incorporated in Kuwait as per incorporation memorandum No. 359, Vol. 1 dated 3 March 1997. The company is registered in the Commercial Register under registry No. 69476 on 30 April 1997 and registered as an investment company at the Central Bank of Kuwait on 20 August 1997. On 29 May 2006, the Parent Company's shares have been listed in the Kuwait Stock Exchange. The Head office of the Company is located in South Al Sura – Al Zahra'a area – 360 Mall– 6th ring disclosed – 4th floor, Kuwait, Box No. 22509 Safat – 13066 Kuwait.

These consolidated financial statements include the financial statements of the company and its subsidiaries as mentioned in (note 18), together referred to as the "Group".

On 22 April 2014, the extraordinary general assembly meeting of the Parent Company was held to approve the amendments to the Parent Company's Memorandum of Incorporation and Articles of Association to be incompliance with Companies Law 25 of 2012, as amended. These amendments have been approved and authenticated in the commercial register.

The main objectives of the Group are conducting all of the financial investment transactions in all economic sectors inside and outside Kuwait, performing transactions related to dealing in securities such as purchase and sale of shares and bonds of both companies and government authorities, carrying out investment and portfolio management activities, acting as an intermediate in lending and borrowing transactions, financing international trading transactions, providing researches and studies and establishing and managing various investment funds, in addition to conducting the real estate and general trading and contracting activities. And conducting all kinds of investment in real estates for the purpose of development except for areas and houses for private residential purposes, whether directly or indirectly, in favour of the company or others.

The Parent Company is owned with a percentage of 51.37% by Tamdeen Real Estate Company – K.S.C.P as of 31 December 2014 (2013: 51.37%).

The consolidated financial statements have been authorized for issue by the Board of Directors on 17 March 2015.

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2-2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and revised IFRSs issued and effective

In the current year, the Group has applied a number of new and revised IFRSs that are issued and effective for accounting periods that begin on or after 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The application of the amendments has had no impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the followings new and revised IFRS that have been issued and not yet effective

For annual periods beginning on or after 1 July 2014

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The Annual Improvements to IFRSs 2010-2012 Cycle:

- *IFRS 2 Share-based Payment*
- *IFRS 3 Business Combinations*
- *IFRS 8 Operating Segments*
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
- *IAS 24 Related Party Disclosures*

The Annual Improvements to IFRSs 2011-2013 Cycle:.

- *IFRS 3 Business Combinations*
- *IFRS 13 Fair Value Measurement*
- *IAS 40 Investment Property*

The directors of the Group do not anticipate that the application of these amendments will have a material impact on the Group's activity or its consolidated financial statements.

For annual periods beginning on or after 1 January 2016

- *Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations*
- *Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation & Amortisation*
- *Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The directors of the Group do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Effective for annual periods beginning on or after 1 January 2017

IFRS 15 Revenue from Contracts with Customers

The directors of the Group do not anticipate that the application of these amendments will have a material impact on the Group's activity or its consolidated financial statements.

Effective for annual periods beginning on or after 1 January 2018

IFRS 9 Financial Instruments

The directors of the Group do not anticipate that the application of these amendments will have a material impact on the Group's financial assets and liabilities.

2-3 SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Basis of Consolidation

SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

Acquisitions of businesses combination 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 the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum 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 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 sum 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 recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests› proportionate share of the recognised amounts of the acquiree›s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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 (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in 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 profit or loss where such treatment would be appropriate if that interest were disposed off.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less

accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group›s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INVESTMENTS 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 but is not control or joint control over those policies.

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, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. 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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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" (Note 4).

When a Group entity transacts with an associate of the Group, 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.

2-3-2 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss› (FVTPL), held to maturity, 'available-for-sale› (AFS) financial assets and 'loans and receivables›. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash at banks) are measured at amortised cost using the effective interest method, less any impairment.

AVAILABLE FOR SALE (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale are re-measured at fair value. The fair value is determined in the manner described in note (3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the

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investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group›s right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

IMPAIRMENT IN VALUE

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset›s carrying amount and the present value of estimated future cash flows, discounted at the financial asset›s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset›s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

DERECOGNITION

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset›s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

FINANCIAL LIABILITIES

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

DERECOGNITION

The Group derecognises financial liabilities when, and only when, the Group›s obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2-3-3 Property and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. 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 assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

2-3-4 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible 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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of income.

2-3-5 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2-3-6 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2-3-7 Treasury share

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares». Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2-3-8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Revenues from sale of goods are recognized when significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred generally to the buyer on delivery.
- Services revenues are recognized when the services are rendered.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on time basis.

2-3-9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

Rental income from finance lease is allocated over the accounting periods to reflect a fixed return on the net value of the leased asset.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2-3-10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2-3-11 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).

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Outstanding monetary items in foreign currency are translated at the date of financial statements.

Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

2-3-12 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2-3-13 Fiduciary assets

Assets which are kept by the Group as an agency or under a fiduciary capacity are not considered as Group›s assets.

3- FINANCIAL RISK MANAGEMENT

3-1 FINANCIAL RISK FACTORS

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

a. MARKET RISK

Foreign currency risks

The Group is exposed to foreign currency risk resulting primarily from dealing in financial instruments with US Dollar. Foreign currency risk is resulting from future transactions on financial instruments in foreign currency recorded in the financial statements of the Group. The Group's policies for managing foreign currency risk, represented in the careful monitoring of changes in currency rates and its related impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advises in case of any significant change in foreign currencies' rates.

Had the US Dollar changed against the Kuwaiti Dinar by 5%, the Group's net profit would have changed by KD 3,832,314 as of 31 December 2014 (2013: KD 4,434,146).

Following is the significant foreign currencies' net positions of the as of 31 December:

	2014	2013
US$ Surplus	76,646,280	91,486,318

Fair value risk

The fair value risk arises from fluctuation of financial instrument value resulting from change in market prices. The Group is exposed to the price risk as a result of holding investments classified as available for sale investments in the consolidated financial statement.

The Group is managing this risk through monitoring the market prices of these investments if they are listed in an active market, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for other investments.

The following sensitivity analysis shows the impact of the change on the indexes of the financial markets on the Group's business, as well as equity. This analysis is based on the change in the index by 5%.

	Impact on equity	
	2014	2013
Index of the Kuwait Stock Exchange	375,875	248,725
Index of the Bahrain Stock Exchange	5,520,216	4,441,052

Interest rate risk

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's assets are not exposed to this risk as the Group does not hold financial assets bearing interests. The Group's exposure to interest rate risk arises from loans and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group›s cash flows and profits in addition to take the necessary action in order to meet the possibility of these probability.

As at 31 December 2014, had the interest rates increased by 0.5%, the net profit would have decreased by KD 98,336 (2013: KD 62,150).

b. CREDIT RISK

Credit risk is the risk that the Group will incur a loss because the counterparties of financial instruments failed to discharge their contractual obligations.

Credit risk is managed by the level of the Group by monitoring credit policy on regular basis.

Credit risk is highly concentrated in cash and cash equivalents, time deposits and receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation. The group does not approve credit unless within the limits of requirements and normal course of business taking into consideration the financial position of clients and the previous history of transaction and reputation.

c. LIQUIDITY RISK

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining group of highly liquid financial investments. This facilitates to the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All outstanding liabilities as of 31 December 2014 and 2013 will mature within one year from the date of consolidated financial statements.

3-2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group comprising issued capital, reserves, retained earnings.

The Group has a target gearing ratio of 20% - 30% determined as the proportion of net debt to equity.

The gearing ratio as of 31 December:

	2014	2013
Total Borrowings	74,250,000	35,312,407
Less: cash and cash equivalents	(10,039,771)	(2,949,938)
Net debt	64,210,229	32,362,469
Total equity	156,779,089	112,493,468
Total capital	220,989,318	144,855,937
Gearing ratio (%)	29	22.3

3-3 FAIR VALUE ESTIMATION

The fair values of financial assets and liabilities are determined as follows:

Level one: Quoted prices in active markets for financial instruments.

Level two: Quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.

Level three: Inputs for the asset or liabilities that are not based on observable market data.

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The table below gives information about how the fair values of the financial assets are determined.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Date of valuation	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2014	31/12/2013					
Investments available for sale							
Quoted Shares	119,346,983	93,795,556	31/12/14	1	Last bid price	-	-
Unquoted shares	4,125,752	4,703,466	31/12/14	3	Market value estimation	Book value adjusted with market risk	The higher market risk the lower the fair value

Reconciliation of level 3 fair value measurements

	Unquoted investments available for sale	
	2014	2013
Balance as of 1 January	4,703,466	1,737,715
Transfers into level 3	(160,920)	3,500,000
Impairment – recorded in statement of income	(416,794)	(534,249)
Balance as of 31 December	4,125,752	4,703,466

The fair values of other financial assets and financial liabilities which are not measured at fair value on ongoing basis equal approximately their carrying values.

4- CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group›s accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of financial instruments and valuation techniques

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability the Group uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in note 3.3.

Evidence of impairment of investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. (Note 15) shows the impact of this estimate on the consolidated financial statements.

Impairment of associates

Estimation of impairment of an associate is made when there is an indicator for this impairment. The assessment is made for the entire carrying amount of the Group›s investments in associate including goodwill, accordingly, impairment testing of goodwill is not prepared independently. Impairment and reversal of those losses are recognized in the consolidated statement of income.

5- CASH AND CASH EQUIVALENTS

	2014	2013
Current accounts at banks	4,424,057	1,532,683
Time deposits (less than 3 months)	5,608,524	1,413,412
Cash in portfolios	6,690	3,343
Cash on hand	500	500
	10,039,771	2,949,938

The weighted average interest rate on time deposits is 1% as of 31 December 2014 (2013: 1%).

6- ACCOUNTS RECEIVABLE

	2014	2013
Due from customers' portfolios	40,760	22,550
Prepayments	19,511	18,874
Due from related parties (note 17)	27,616	110,958
Others	16,230	22,364
	104,117	174,746

Accounts receivables do not include impaired balances as of 31 December 2014 / 2013.

7- INVESTMENTS AVAILABLE FOR SALE

	2014	2013
Investment in foreign securities – Quoted	110,404,322	88,821,050
Investment in local securities – Quoted	8,942,661	4,974,506
Investment in local securities – Unquoted	4,639,549	4,602,766
Investment in foreign securities – Unquoted	2,827,050	6,101,023
	126,813,582	104,499,345

7-1 The fair value of investments available for sale was determined based on basis mentioned in (note 3.3) in the consolidated financial statements.

7-2 Certain investments available for sale are pledged against bank facilities (note 10).

7-3 Unquoted investments available for sale at KD 3,340,847 are carried at cost less impairment losses as their fair values could not be reliably determined as of 31 December 2014. (2013: KD 6,000,323)

7-4 Following is the analysis of investments available for sale by currencies as of 31 December:

	2014	2013
US Dollar	109,461,933	90,689,091
Kuwaiti Dinar	14,524,599	10,512,633
Other currencies	2,827,050	3,297,621
	126,813,582	104,499,345

8- INVESTMENTS IN ASSOCIATES

Company's name	Country of incorporation	Activity	Ownership %	2014	%	2013
Manshar Real Estate Co. - KSCC	Kuwait	Real estate	50	15,755,913	50	15,308,168
Tamdeen Holding Co. - KSCC	Kuwait	Holding	40	15,779,880	40	12,700,017
Tamdeen Real Estate Development Co. - KSCC	Kuwait	Real estate	24.55	2,701,216	20	203,960
Tamdeen Imtiazat Holding Co. – Holding	Kuwait	Holding	-	-	20	6,837,898
Gulf and Asia Holding Co. – Holding	Kuwait	Holding	20	470,799	20	470,799
Maysam General Trading Co. - WLL	Kuwait	General Trading	40	1,597,385	20	799,139
Tamdeen Resorts Co. – WLL	Kuwait	Real Estate	-	-	46	4,255,359
Kuwait National Cinema Co. – KSCP	Kuwait	Entertainment	44.52	51,802,825	-	-
Tamdeen Pearl Real Estate Co. – KSCC	Kuwait	Real estate	30.74	27,532,585	-	-
Ajmal Holding Co. – BSC	Kuwait	Holding	38	454,752	-	-
				116,095,355		40,575,340

8-1 The Group's share in the associates' results based on the unaudited financial statements prepared by the managements of those associates is amounted to KD 4,550,803 for the year ended 31 December 2014 (2013: KD 1,165,120).

8-2 During the year, the Parent Company has acquired additional shares in Tamdeen Imtiazat Holding Company (K.S.C. Holding) with amount of KD 22,500,000 and Tamdeen Resorts Company (WLL) with amount of
KD 6,250,000 which resulted in Group's ownership reached 80% and 56.76% respectively. Accordingly, the investments were reclassified to investments in subsidiaries and started to be consolidated from the date of control (note 18).

8-3 During the year, the Group has acquired additional share in Ajmal Holding Company (BSC Holding) that resulted in Group's ownership reached 38% and investment was reclassified to investment in associate.

8-4 Investment in Kuwait National Cinema Company (KSCP) includes amount of KD 14,462,685 as of 31 December 2014 represents goodwill.

8-5 The associates are not listed in active markets except for Kuwait National Cinema Company which the fair value of the Group's investment amounted at KD 43.2M as of 31 December 2014. Following is a summary of the financial information of these associates based on the latest available financial statements:

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Manshar Real Estate Co. - KSCC

	2014	2013
Current assets	13,302,119	12,921,426
Non-current assets	61,280,621	55,788,030
Current liabilities	2,860,955	2,854,426
Non-current liabilities	40,209,959	35,238,695

	2014	2012
Revenues	2,216,399	3,277,290
Profit for the year	550,528	272,369
Total comprehensive income for the year	550,528	272,369

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Manshar Real Estate Co. – KSCC which is recognized in the consolidated financial statements:

	2014	2013
Net assets of the associate	31,511,826	30,616,335
Group's ownership percentage in Manshar Real Estate Co. – KSCC (%)	50	50
Carrying value of the Group's investment in Manshar Real Estate	15,755,913	15,308,168

Tamdeen Holding Co. - KSCC

	2014	2013
Current assets	104,524	2,002,218
Non-current assets	44,417,222	35,010,397
Current liabilities	5,129,811	5,320,689
Non-current liabilities	7,907	7,556

	2014	2013
Revenues	1,979,378	1,566,660
Profit for the year	1,558,723	1,253,151
Other comprehensive income for the year	5,060,250	5,278,276
Total comprehensive income for the year	6,736,101	6,531,427

Continuation / Tamdeen Holding Co. - KSCC

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Tamdeen Holding Co. – KSCC which is recognized in the consolidated financial statements:

	2014	2013
Net assets of the associate	39,384,028	31,684,370
Group's ownership percentage in Tamdeen Holding Co. - KSCC (%)	40	40
Other adjustments	26,269	26,269
Carrying value of the Group's investment in Tamdeen Holding	15,779,880	12,700,017

Kuwait National Cinema Co. – KSCP

	2014	2013
Current assets	12,653,411	-
Non-current assets	72,344,874	-
Current liabilities	19,958,542	-
Non-current liabilities	1,166,691	-

	2014	2013
Revenues	17,970,227	-
Profit for the year	8,995,291	-
Other comprehensive income for the year	8,637,302	-
Total comprehensive income for the year	17,632,593	-
Cash dividends collected from associate during the year	2,154,049	-

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Kuwait National Cinema Co. – KSCP which is recognized in the consolidated financial statements:

	2014	2013
Net assets of the associate	63,873,052	-
Group's ownership percentage in Kuwait National Cinema Co. - KSCP (%)	44.52	-
	28,436,283	-
Goodwill	14,462,685	-
Other adjustments	8,903,857	-
Carrying value of the Group's investment in Kuwait National Cinema	51,802,825	-

Tamdeen Pearl Real Estate Co. – KSCC

Tamdeen Pearl Real Estate Company was recently established and its total assets amounted at KD 89,565,988 as of 31 December 2014 mainly represented in lands and real estates held for trading and has no significant liabilities.

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Tamdeen Pearl Real Estate Co. – KSCC which is recognized in the consolidated financial statements:

	2014	2013
Net assets of the associate	89,565,988	-
Group's ownership percentage in Tamdeen Pearl Real Estate Co - KSCC (%)	30.74	-
Carrying value of the Group's investment in Tamdeen Pearl Real Estate	27,532,585	-

Total summarized financial information for other insignificant associates

	2014	2013
Current assets	12,311,966	7,260,851
Non-current assets	3,892,360	29,942,409
Current liabilities	3,996	20,564,434
Non-current liabilities	1,646	1,609

	2014	2013
Revenues	107	22,111
Loss for the year	(39,465)	(183,853)

9- ACCOUNTS PAYABLE

	2014	2013
Accrued expenses	518,414	362,477
Contribution to Kuwait Foundation for Advancement of Science	65,132	26,237
National Labour Support Tax	226,899	98,060
Zakat	69,857	23,331
Due to related parties (note 17)	7,500,000	-
Others	13,797,500	79,098
	22,177,802	589,203

Due to related parties are includes accrued amounts on the Parent Company for acquiring additional share in Tamdeen Imtiazat Holding Company (K.S.C Holding) (note 18), this amount was eliminated from cash flows statement as it's a non-cash transaction.

10- BANK FACILITIES

	2014	2013
Term loans	74,250,000	35,312,407
Average interest rate on borrowings (%)	3.75	4

10-1 All bank facilities are dominated in Kuwaiti Dinars and bearing floating interest rates.

10-2 The following assets are pledged against bank facilities:

	2014	2013
Investments available for sale	74,095,281	61,883,214
Investment in an associate	21,218,550	-
	95,313,831	61,883,214

10-3 All bank facilities are matured within one year from the date of the consolidated financial statements and renewed periodically.

11- SHARE CAPITAL

The authorized, issued and fully paid capital of the Parent Company is amounted to KD 31,185,000 distributed over 311,850,000 shares of 100 fils each per share and all shares are in cash.

12- TREASURY SHARES

	2014	2013
Number of shares (share)	30,478,171	14,878,664
Percentage to issued shares (%)	9.77	4.77
Market value	14,019,959	2,588,888

The Parent Company is committed to retain reserves and retained earnings equivalent to the treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

13- STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the net profit for the year before board of directors' remuneration, Kuwait Foundation for Advancement of Science share, National Labour Support Tax and Zakat, is required to be transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfer when the reserve balance reaches 50% of the share capital of Company. This reserve is used to secure appropriation of profit to shareholders, up to 5% in such years where the profit of the Company does not allow such percentage of appropriation. When the balance of the reserve exceeds 50% of the share capital, the General Assembly, is permitted to utilized amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Company and its shareholders.

14- DIVIDENDS

On 22 April 2014, the General Assembly for shareholders of the Parent Company approved the consolidated financial statements for the year ended 31 December 2013 and also approved cash dividends of 9 fils per share (8 fils per share – 31 December 2012).

On 17 March 2015, the Parent Company's Board of Directors proposed cash dividends of 10 fils per share for the year 2014, also proposed remuneration for the Parent Company's Board of Directors of KD 50,000 for the year 2014. These proposals are subject to shareholders' approval.

15- GAINS FROM INVESTMENTS AVAILABLE FOR SALE

	2014	2013
Cash dividends	6,388,877	5,381,505
Gain on sale	2,250,270	224,443
Impairment losses	(416,794)	(534,249)
	8,222,353	5,071,699

16- EARNINGS PER SHARE TO THE PARENT COMPANY'S SHAREHOLDERS

Earnings per share for the shareholders of the Parent Company are calculated based on net profit attributable to shareholders of the Parent Company and the weighted average number of common shares outstanding during the year. The following is the computation of earnings per share:

	2014	2013
Net profit for the year for the shareholders of the Parent Company	9,050,797	4,044,858
Weighted average number of outstanding shares (share)	287,173,062	297,582,800
Earnings per share (fils)	31.52	13.59

17- RELATED PARTIES TRANSACTIONS

Related parties are the shareholders of the Parent Company who are represented in Board of Directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the Parent Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried some transactions during the year with related parties. The transactions which are included in the financial statements as follows:

	2014	2013
Transactions		
Management fees	119,171	76,912
Subscription and consulting fees	58,778	51,911
Salaries and bonus for executive management	245,372	235,300
Sale of shares in subsidiaries	-	274,571
Purchase of additional shares in subsidiaries	22,500,000	-
Purchase of shares in associates	2,721,502	2,250,000
Balances		
Accounts receivable (note 6)	27,616	110,958
Accounts payable (note 9)	7,500,000	-
Off balance sheet items		
Net assets of clients portfolios' (major shareholders)	141,121,838	63,686,999

18- SUBSIDIARIES AND BUSINESS COMBINATION

18-1 SUBSIDIARIES

Following are the subsidiaries included in the consolidated financial statements:

COMPANY'S NAME:	LEGAL ENTITY	ACTIVITY	OWNERSHIP (%) 2014	2013
Al-Madina Al-Thaniya General Trading and Contracting Company	W.L.L.	General Trading and Contracting	99.98	99.9
Al-Madina Al-Namozagia General Trading and Contracting Company	W.L.L.	General Trading and Contracting	99.98	99.9
Wafra Holding Company	K.S.C. (Holding)	Investments	99.6	98
Tamdeen first for Real Estate Trading Company	W.L.L.	Real Estate	99.8	99
Tamdeen Imtiazat Holding Company	K.S.C. (Holding)	Holding	80	-
Tamdeen Resorts Company	W.L.L.	Real Estate	56.76	-

As at 31 December 2014, total assets of the subsidiaries amounted to KD 90,754,153 (31 December 2013: KD 2,519,848), and their profits amounted to KD 3,552,674 for the year ended 31 December 2014 (losses by KD 8,395 for the year ended 31 December 2013). Audited financial statements were relied on when consolidating the subsidiaries as at 31 December 2014.

18-2 BUSINESS COMBINATION

As mentioned in (note 8) of this financial statements, the Parent Company has reclassified its investments in Tamdeen Imtiazat Holding Company (KSC – Holding) and Tamdeen Resorts Company (WLL) to investments in subsidiaries starting from the date of exercising control over them in May and September 2014 respectively.

The business combination process was performed on stages. Accordingly, the Group has recorded net profits of KD 574,831 on the statement of income, which represents the Group's share in reserves for the previously held interest in Tamdeen Imtiazat Holding Company (KSC – Holding) which was transferred to consolidated statement of income during the year ended 31 December 2014.

The acquisition process has been accounting for based on the determined value of the acquired assets and liabilities at the acquisition date. The following is the fair value of the net assets acquired, which approximates their carrying value as at the dates of acquisition:-

	Tamdeen Imtiazat	Tamdeen Resorts	Total
Assets			
Cash and cash equivalents	2,874,968	11,519,752	14,394,720
Accounts receivable	4,756	18	4,774
Investments available for sale	2,026,402	-	2,026,402
Investment in associate	47,549,100	27,531,336	75,080,436
Liabilities			
Short term borrowings	15,250,000	-	15,250,000
Account payable	117,621	20,534,378	20,651,999
End of service indemnity	1,097	255	1,352
Net assets acquired	37,086,508	18,516,473	55,602,981
Share of the Non-controlling interest	(7,293,254)	(8,508,904)	(15,802,158)
Group's share of net assets acquired	29,793,254	10,007,569	39,800,823
Less: Fair value of parent company's previously held investment	(7,293,254)	(4,257,569)	(11,550,823)
Acquisition cost	22,500,000	5,750,000	28,250,000
Less: Cash and cash equivalent at acquisition date	(2,874,968)	(11,519,752)	(14,394,720)
Less: Due to related party (note 9)	(7,500,000)	-	(7,500,000)
Net cash used in / (generated from) acquiring subsidiaries	2,125,0321	(5,769,752)	6,355,280

19- SEGMENT INFORMATION

The management has determined segments based on the reports reviewed by the executive management of the Group.

The executive management has taken into consideration dividing the activities geographically, as the main activity of the Company is investment, geographical segment is as follows:

	2014		
	Kuwait	G.C.C.	Total
Segment revenues	5,091,505	7,896,127	12,987,632
Segment expenses	3,127,945	-	3,127,945
Unallocated expenses	-	-	411,888
Assets	140,093,255	113,231,372	253,324,627
Liabilities	96,545,538	-	96,545,538

	2013		
	Kuwait	G.C.C.	Total
Segment revenue	1,469,761	4,928,140	6,397,901
Segment expenses	2,155,349	-	2,155,349
Unallocated expenses	-	-	197,628
Assets	53,570,467	94,922,073	148,492,540
Liabilities	35,999,072	-	35,999,072

20- OFF BALANCE SHEET ITEMS

The Group manages portfolios for clients of KD267,561,698 as of 31 December 2014 (2013: KD 165,314,172).