الصفاة
AL SAFAT

شركة الصفاة للإستثمار ش.م.ك
AL SAFAT INVESTMENT COMPANY K.S.C

Annual Report 2014

Annual Report 2014

H.H. SHEIKH
SABAH AL-AHMAD AL-JABER AL-SABAH
Amir of the state of Kuwait

H.H. SHEIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown prince of the state of Kuwait


AL SAFAT

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Al-Safat Investment Company with cooperation of all concerned managed within a short span, to settle the major issues to redirect the Company to the right track towards a new phase of development and growth among the leading investment companies.

Al-Safat Investment Company Profile

Al-Safat Investment Company was incorporated on September 15th, 1983 as Kuwaiti Shareholding Company carrying out its business in accordance with the rules and regulations of the Islamic Shari'a. The Company's share capital stood at KD 77,298,334.

The Company is regulated by the Kuwaiti supervisory authorities viz. Capital Market Authority "CMA", Central Bank of Kuwait "CBK" and the Ministry of Commerce & Industry "MOCI", and fully comply with the laws and regulations promulgated by these authorities.

The company is committed to target successful and high-yield investments by adopting deliberate vision to capture promising investment opportunities and products that accommodate the investors' needs at a broad level.

Company's activities:

1) Invest in real estate, financial, healthcare, industrial, energy, agricultural, food and other economic sectors through participating in the establishment of specialized companies or purchase of stocks and bonds in these companies, or manage projects in various sectors.

2) Manage funds of private and public institutions funds and investing such funds in the various economic sectors.

3) Conduct and provide technical, economic and evaluation consultancy, study investment projects and prepare the necessary studies through a professional integrated team.

4) Act as an intermediary in lending and borrowing transactions and extend loans to others in accordance with the generally recognized conventions and rules and regulations laid down by the Central Bank of Kuwait.

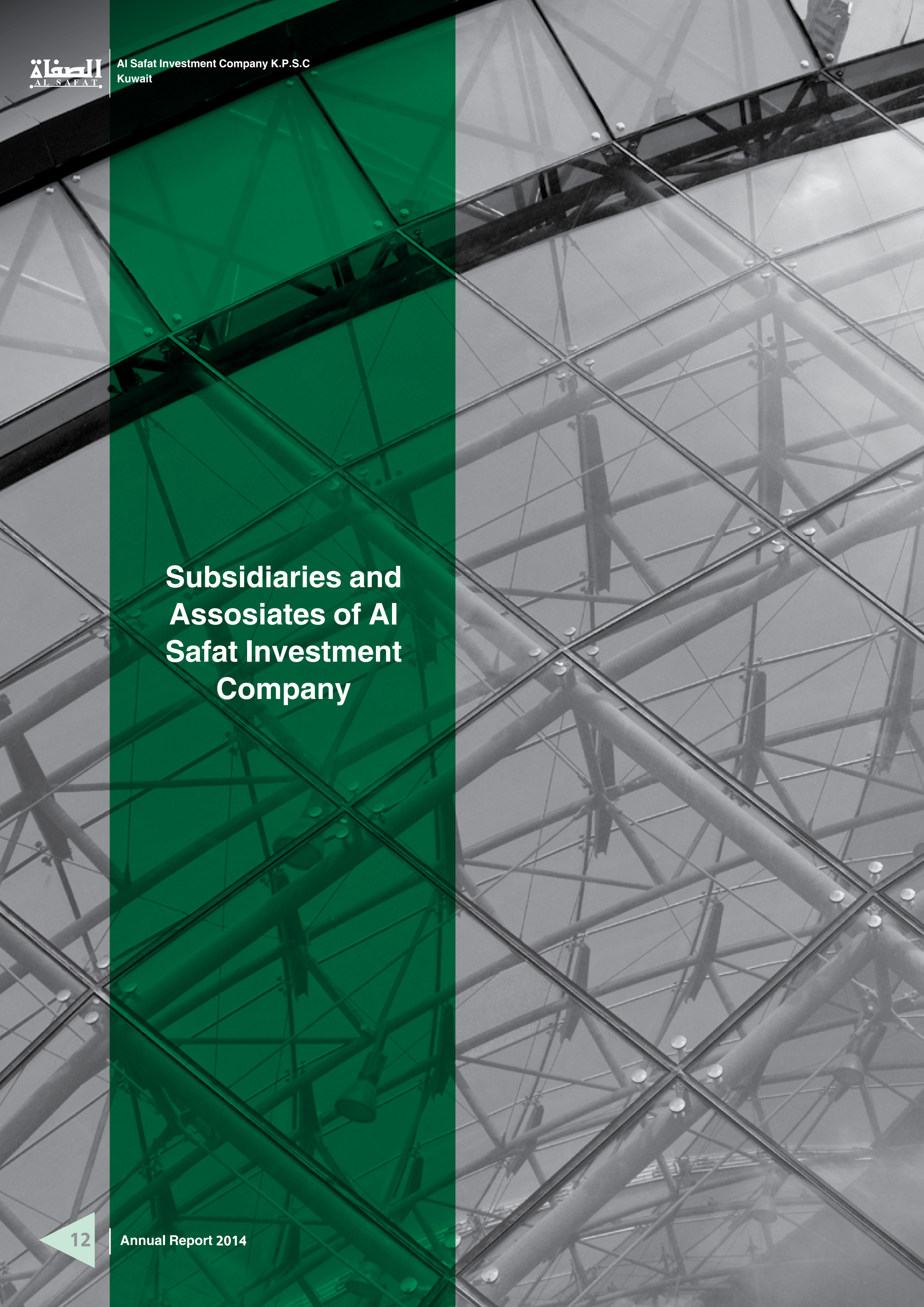
5) Perform the functions of lead manager of bonds issued by companies and institutions as well as the functions of investment trustee.

6) Carry out stock trading including sale and purchase of shares and bonds of local and international governmental institutions.

7) Provide all services that assist in development and reinforcement of the market's financial and monetary capabilities in Kuwait and satisfying its needs.

8) Form and manage all kinds of investment funds in accordance with the applicable law.

9) Manage and oversee the activities of Collective Investment Scheme acting as an "Investment Controller".



Subsidiaries and Assosiates of Al Safat Investment Company

Subsidiaries of Al-Safat Investment Company:

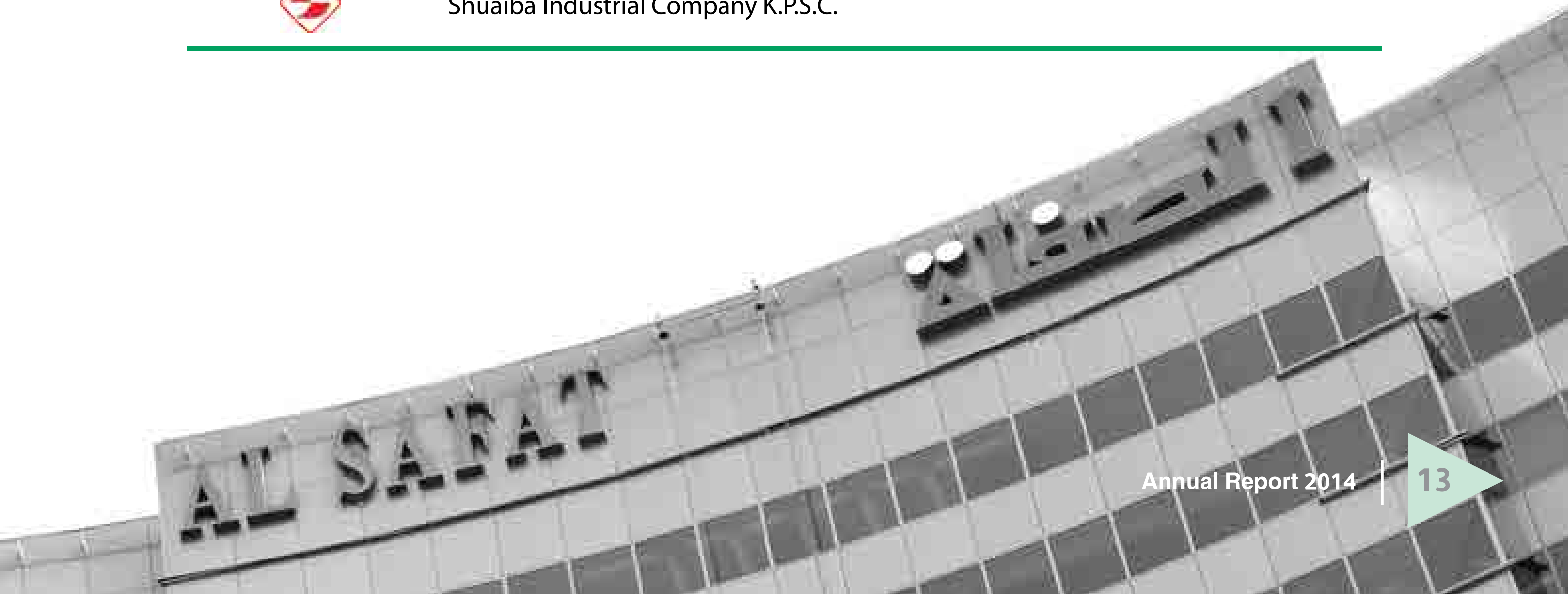
Name of the Subsidiary	Ownership Percentage 2014
Al-Safat Holding Company K.S.C. (Closed)	100%
Safat House for Consultancy Company K.S.C. (Closed)	96%
Al-Assriya Printing Press, Publishing And Distribution Company W.L.L.	90%
Dar Al-Safat for General Trading Company W.L.L.	100%
The Roots Brokerage – Egypt	60%

Assosiates of Al-Safat Investment Company:

Name of the Associate	Ownership Percentage 2014
Kuwait Medical Centre Holding Company K.S.C. (Closed)	17.46%

Key Investments of Al-Safat Investment Company:

Name of the Company
Al-Qudra Holding Company - United Arab Emirates
Safat Energy Holding Company K.S.C.
Osos Holding Group Company K.S.C.
Safat Industries Holding Company K.S.C.
Shuaiba Industrial Company K.P.S.C.

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شركة الصفاة للإستثمار ش.م.ك
AL SAFAT INVESTMENT COMPANY KSC

Chairman's Statement

Dear Shareholders,
May Peace, Mercy And Blessings of Allah be bestowed upon you!

On behalf of myself and Board of Directors of Al-Safat Investment Company, I am highly delighted to welcome you and convey the Company's Annual Report and Closing Financial Accounts for the year ended 31 December 2014, along with an overview of Company's operating results accompanying Consolidated Financial Statements, Auditor's Report and Sharia Supervision Board's Report.

Our Honorable Shareholders,
Your enduring support since taking over the Board of Al-Safat Investment Company on July 1st, 2013 helped us double our endeavors and assume responsibility to overcome all obstacles the company encountered internally and externally, which were about to blow our business away. Thanks to its clear vision and well-defined objectives, the Board of Directors was adequately motivated to take up the challenge to address all exacerbating problems under a commitment to restore the Company's businesses after several years of instability, cessation of business and failure to issue financial statements since 2010, in addition to the lawsuits filed against or by the company from creditors, to restore its assets or labor.

In spite of all these efforts and intents, the hostile conditions following the severe recession in the domestic and international markets adversely affected the market's liquidity and investment companies' activities in general. Moreover, Capital Market Authority was established by virtue of the Law No. 7 of 2010 and its Executive Regulations for organization of the security activity, and the new Law of Companies No. 25 of 2012 was issued to reflect initiatives by the regulatory bodies to enhance regulation of the market and players therein.

These circumstances entailed restructure of the Company at both financial and administrative levels to keep pace with the changing conditions and bring on and enhanced corporate character. With grace and blessing of Allah and thanks to the cooperation of all concerned, we managed, within a short span, to settle the major issues to redirect the Company to the right track towards a new phase of development and growth among the leading investment companies in the State of Kuwait.

Key Roles & Responsibilities of the Board of Directors

1) Release and Approval of Company's Financial Statements

The most critical issue that encountered the former Board of Directors was the audited financial statements that have not been issued since 2010 because of the disagreements between the former Board members and incomplete quorum of the Board meetings due to absence of the board members, in contravention of the Company's articles of association that required attendance of all Board members but this article was subsequently amended to comply with the provisions of the new Law of Companies. Failure to issue audited financial statements resulted in a CMA decision to delist the Company from Kuwait Stock Exchange in 2013.

Thanks to the hard work and sincere efforts exerted by the Company's personnel, the general assembly held several meetings in 2015 and, thus, the Company's financial statements for the years 2010, 2011, 2012 and 2013 are now approved. Today, by presenting the Company's financial statements for 2014, we turn the page of those days and step up the drive towards a bright future.

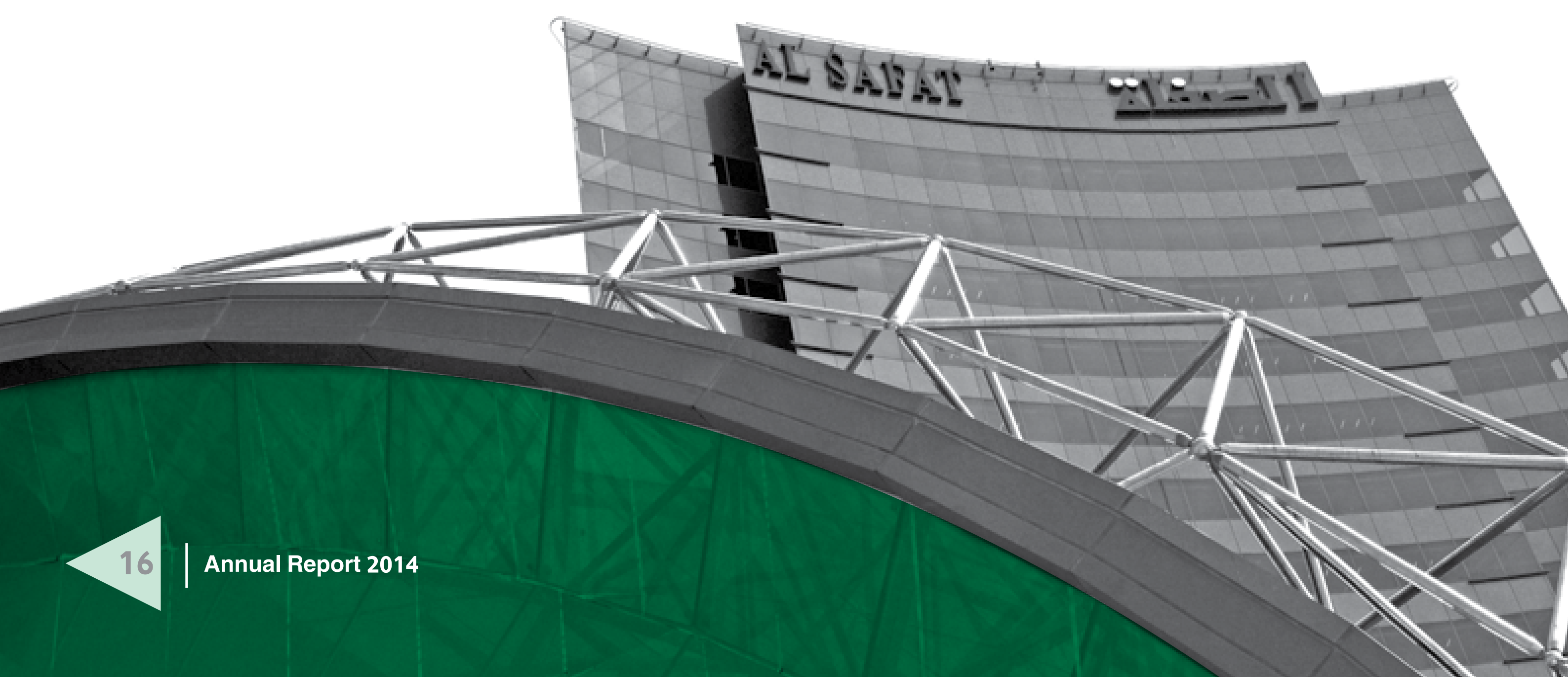
2) Debt Settlement with All Creditors

We have approached several creditors to amicably settle their debts outside the courts instead of costs of time and money that we would have devoted to such lawsuits. With the grace and blessing of Allah, settlements have been concluded for most of the company's debts with various parties and, subsequently, the related lawsuits against the company were withdrawn.

It's worth mentioning that total outstanding debts as at 31 December 2009 (last balance sheet approved by the former Board of Directors) amounted to KD 65,860,356 to 7 creditors. Due to extensive efforts of all those concerned, outstanding debt was reduced by 60% to stand on 31 December 2014 at KD 27,095,076 within only 3 creditors. We still negotiate with them to settle the remaining debt amicably.

3) CMA License for Securities Activities

Since taking over responsibility, the new Board of Directors worked closely with Capital Market Authority to adjust its position and obtain the licenses necessary



to carry out security activities in accordance with the Law No. 7/2010 regarding Establishment of Capital markets Authority and Organization of Securities Activity, and it's Executive Regulations. Our efforts in this respect were finally crowned with success and we obtained a temporary license in 2015 to exercise security activities till appointment of our internal Shari'a auditor. In July 2015, we obtained CMA approval accepting the nominee for the said position pending CMA's final approval which is expected to be issued very soon.

4) Resolve Labor Issues

We also communicated with the litigants of many labor lawsuits, which have been pending since 2011, and managed to settle most of such cases in an amicable manner.

5) Recovery of Equity Stakes in other Companies

The Company's management, in collaboration with professional financial and legal advisory firms, managed to reacquire our equities in Al-Qudra Holding Company in United Arab Emirates and Degla Economic Development Company in Egypt, which were the subject of legal disputes for many years. In addition, all equities were reacquired, which are of significant effect on company's assets and all related legal cases were quashed. As a
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14.

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14

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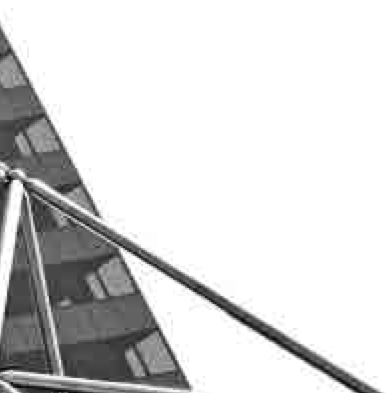
to KD (10,278,616), i.e.
re for the year ended 31



December 2014 compared to a loss of KD (3,935,328), i.e. (5.10) fils per share for the year ended 31 December 2013.

Company's total assets amounted to KD 63.7 million as at 31 December 2014 compared to KD 73.1 Million in 31 December 2013.

Shareholders' equity reached KD 31.8 million as at 31 December 2014 recording 41.1 fils per share compared to KD 42.6 Million as at 31 December 2013 recording 55.1 fils per share. On the other hand, company's total liabilities recorded KD 31.1 million as at 31 December 2014 compared to KD 30.1 million as at 31 December 2013.

However, it should be noted that the total recognized losses amounting to KD (10,278,616) includes impairment losses on investments of KD (7,568,432).

As of 31 December 2014, Wakala payables reached KD 27 million. As mention earlier, the existing Board of Directors managed to conclude amicable settlement agreements with creditors and local banks, results of which shall be favorably reflected in financial statements for upcoming year.

Furthermore, despite the loss incurred for the second successive year in light of, the fluctuating market conditions that affected all investment companies over the last years with different degrees and, on the other side, the difficult situation of Al-Safat Investment and the challenges it encountered, the Company disposed of non-profitable assets that adversely affected its performance and financial position. From an optimistic perspective, the Company's financial position is now more stable and shall be further improved by closing all the other litigations with creditors and laying down deliberate and profit generating business strategy.

Company's Strategy Going Forward

Management has developed a new Strategic Plan, Strategic Conversion Program, Corporate Business Models and a Restructure Plan for its operations and internal organizational, operating and supervisory environment with a focus on certain promising sectors. The Company is now targeting vital and strategic sectors with the aim to achieve sustainable business growth. In addition, successful strategy has been implemented for divesting non-core and negative performance investments pre-identified in the corporate strategy such as Degla Economic Development Company. In parallel to these efforts, a plan in place is to accelerate pace of growth and enhance the Company's capabilities to capture new promising investment opportunities.

Among other achievements, the Company's policies and procedures were amended and updated to be consistent with forthcoming business activities, reinforce oversight and help build a unique management team of competent, experienced and highly qualified personnel able to tackle the challenges the Company may face in the future.

Corporate Governance & Risk Management

The Board of Directors paid its utmost attention to strengthen values and principles of corporate governance and sound management, ensure that its corporate character is reflected in business models and investments, adopt principles of transparency, equality and compliance in all business related aspects. To this end, we have put in place policies and processes to ensure implementation of the international best and standards. Also, a new organizational structure has been endorsed for the company which is consistent with the Company's new investment strategy and the changes in the global financial markets. The new structure is fueled with a team of professionals, independent supervisory committees and specialized executive members. Along with well-formulated committee charters approved by Board of Directors. Within the same context, the authorities and responsibilities of each committee have been identified and effected, as stipulated under amended CMA Rules of Corporate Governance issued on June 2015.

Our Company has already initiated adoption of corporate governance rules by re-developing its organizational structure to involve all committees required under the aforesaid rules including Risk Committee and Remuneration & Nomination Committee. Besides, the Company is in process to review, update and compile all its internal control policies and procedures to reflect all laws and instructions issued by the regulatory authorities.

In continuation of its efforts at all levels, the Company activated the roles of internal control and investment risk management functions and established specialized departments for internal audit and risk management to ensure that the Company's internal systems, processes and operations comply with all the applicable laws and regulations. Currently, the Company is in process to develop policies and systems of the sound management, rules of competence and integrity and internal bylaws for the Board of Directors, Executive management and their committees, and appoint an internal Shari'a auditor to scrutinize and monitor the Company's operation and ensure conformity thereof with rules and regulations of the Islamic Shari'a.

Our Esteemed Shareholders,
Finally, on behalf of myself and my colleagues, Vice chairman and member of the Board of Directors and the Executive Managements, I would like to express our heartfelt gratitude and appreciation to the Ministry of Commerce & Industry, Capital Markets Authority and our honorable customers for the trust they placed on us and their support and cooperation. Our gratitude is also extended to our valuable staff for their dedication and contributions to our achievements. I hope we achieve all what we planned for a bright future of our Al-Safat Investment Company's shareholders

May Peace, Mercy And Blessings of Allah be bestowed upon you!

Abdullah Hamad Al-Terkait
Chairman of the Board of Directors

Board of Directors

Mr. Abdullah Hamad Al Terkait
Chairman

Mr. Fahad Abdul Rahman Al Mukhaizim
Vice Chairman

Mr. Abdul Muhsen Suliman Al Meshan
Board Member

Mr. Abdul Mohsen Abdul Aziz Al Saraawi
Board Member

Mr. Mishaal Ahmed Al Jareki
Board Member

Mr. Abdul Razzaq Zaid Al Dhubayan
Board Member

Mr. Naser Bader Al Sharhan
Board Member

Sharia Report

The Sharia Report of Al-Safat Investment Co.
Fatwa and Shariah Supervisory Board
For the period from 01/01/2014 to 31/12/2014

To: The Shareholders of Al-Safat Investment Company.

Peace, mercy and blessings of Allah be upon you.

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

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

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

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

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

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

Peace, mercy and blessings of Allah be upon you.

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

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

Consolidated Financial statements for 2014

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SAFAT INVESTMENT COMPANY K.P.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Safat Investment Company K.P.S.C. ("the parent company") and its subsidiaries (together referred to as "the Group") which comprise the consolidated financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 32 to the consolidated financial statements which states that the group has past due wakalas in the amount of KD 27,031,076 as at 31 December 2014 (2013: KD 26,720,568).

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law no. 25 of year 2012, as amended, and its Executive Regulations, and the Parent Company's articles and memorandum of association, as amended. In our opinion, proper books of account have been kept by the Parent Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account.

We have not become aware of any contravention, during the year ended 31 December 2014, of the Companies Law no. 25 of year 2012, as amended, and its Executive Regulations, or of the Parent Company's articles and memorandum of association, as amended, or of Law No. 32 of year 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 Capital Markets Authority, organization of Stock Exchange activities, and its Executive Regulations, that would materially affect the Group's activities or its consolidated financial position.

Barrak Abdul Mohsen Al-Ateeqi
Licence No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Qais M. Al Nisf
Licence No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 3 December 2015

Consolidated statement of financial position

At 31 December 2014

Assets	Notes	2014 KD	2013 KD
Property, plant and equipment	4	2,236,092	111,065
Right of use property	5	13,546,256	13,811,717
Provisional goodwill	3.2	2,120,487	-
Investment in associates	6	5,095,967	10,213,628
Available for sale investments	7	27,984,272	37,845,702
Inventory		56,444	-
Accounts receivable and other assets	8	7,051,394	6,132,784
Due from related parties	9	1,554,999	115,086
Wakala receivables	10	1,728,843	1,913,807
Investments at fair value through statement of income	11	1,160,509	1,738,873
Cash and bank balances	12	1,197,979	1,191,004
Total assets		63,733,242	73,073,666
Equity and liabilities			
Equity			
Share capital	13	77,298,334	77,298,334
Share premium	14	259,677	1,910,434
Treasury shares	15	(259,677)	(259,677)
Treasury shares reserve		615,002	615,002
Fair value reserve		5,549,822	6,107,166
Foreign currency translation reserve		(62,797)	(133,143)
Employees share option reserve		529,430	529,430
Accumulated losses		(52,133,824)	(43,505,965)
Equity attributable to owners of the parent		31,795,967	42,561,581
Non-controlling interests		770,867	432,907
Total equity		32,566,834	42,994,488
Liabilities			
Provision for staff indemnity		461,858	140,750
Wakala investment - Qatar National Bank	16	20,399,455	19,653,395
Accounts payable and other liabilities	17	3,609,474	3,217,860
Wakalas payable	18	6,695,621	7,067,173
Total liabilities		31,166,408	30,079,178
Total equity and liabilities		63,733,242	73,073,666

Abdullah H. Al-Terkait
Chairman

Fahad A. Al-Mukhaizim
Vice Chairman

Consolidated statement of income

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Investment Activities			
Income from Islamic deposits		207,135	211,257
Dividend income		309,225	223,420
Income from portfolio and asset management		209,487	300,939
Realized gain on sale of investment at fair value through statement of income		15,689	-
Unrealized (loss) / gain on investment at fair value through statement of income		(364,704)	207,687
Realized gain on sale of available for sale investments		1,408,385	576,547
Loss on disposal of associates		-	(534,694)
Group›s share of results of associates	6	(480,687)	(3,223,306)
Loss on sale of right of utilization of land	8	(650,000)	-
Net rental loss from right of use property	19	(265,074)	(365,190)
Fee income		290,053	240,570
Provisions	20	(914,401)	(285,203)
Impairment losses	21	(7,568,432)	(2,895,708)
Foreign currency exchange loss		(581,157)	(57,155)
Gain from wakala payables settlement	22	377,272	4,717,898
Other income	23	35,642	284,276
Total losses from investment activities		(7,971,567)	(598,662)
Trading Activities			
Revenue from trading activities		553,980	-
Cost of revenue from trading activities		(432,367)	-
Total profits from trading activities		121,613	-
		(7,849,954)	(598,662)
Expenses			
General and administrative expenses	24	(2,341,299)	(1,840,048)
Finance costs		(51,855)	(1,483,528)
Loss for the year		(10,243,108)	(3,922,238)
Attributable to:			
Owners of the parent		(10,278,616)	(3,935,328)
Non-controlling interests		35,508	13,090
		(10,243,108)	(3,922,238)
Loss per share (Basic and diluted) (fils)	25	(13.31)	(5.10)

Consolidated statement of comprehensive income
For the year ended 31 December 2014

	Note	2014 KD	2013 KD
Loss for the year		(10,243,108)	(3,922,238)
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to the consolidated statement of income			
Unrealized (loss) / profit on available for sale investments		(6,705,483)	819,608
Transfer to statement of income on sale of available for sale investments		(1,408,385)	(576,547)
Impairment of available for sale investments	21	7,556,524	2,895,708
Exchange differences on translating foreign operations		68,415	(143,232)
Other comprehensive (loss) / income		(488,929)	2,995,537
Total comprehensive expense for the year		(10,732,037)	(926,701)
Attributable to:			
Owners of the parent		(10,765,614)	(888,754)
Non-controlling interests		33,577	(37,947)
		(10,732,037)	(926,701)

Consolidated statement of changes in equity
For the year ended 31 December 2014

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Employee share option reserve	Accumulated losses	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2012	77,298,334	1,910,434	(259,677)	615,002	2,968,397	(40,948)	529,430	(39,570,637)	43,450,335	473,506	43,923,841
(Loss) / profit for the year	-	-	-	-	-	-	-	(3,935,328)	(3,935,328)	13,090	(3,922,238)
Other comprehensive income / (expense) for the year	-	-	-	-	3,138,769	(92,195)	-	-	3,046,574	(51,037)	2,995,537
Total comprehensive income / (expense) for the year	-	-	-	-	3,138,769	(92,195)	-	(3,935,328)	(888,754)	(37,947)	(926,701)
Loss of control of subsidiary	-	-	-	-	-	-	-	-	-	(2,652)	(2,652)
Balance at 31 December 2013	77,298,334	1,910,434	(259,677)	615,002	6,107,166	(133,143)	529,430	(43,505,965)	42,561,581	432,907	42,994,488
(Loss) / profit for the year	-	-	-	-	-	-	-	(10,278,616)	(10,278,616)	35,508	(10,243,108)
Other comprehensive (expense) / income for the year	-	-	-	-	(557,344)	70,346	-	-	(486,998)	(1,931)	(488,929)
Total comprehensive (expense) / income for the year	-	-	-	-	(557,344)	70,346	-	(10,278,616)	(10,765,614)	33,577	(10,732,037)
Amortization of accumulated losses (note 14 & 28)	-	(1,650,757)	-	-	-	-	-	1,650,757	-	-	-
Non-controlling interest resulting from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	304,383	304,383
Balance at 31 December 2014	77,298,334	259,677	(259,677)	615,002	5,549,822	(62,797)	529,430	(52,133,824)	31,795,967	770,867	32,566,834

Consolidated statement of cash flows

For the year ended 31 December 2014

	Note	2014 KD	2013 KD
Cash flows from operating activities			
Loss for the year		(10,243,108)	(3,922,238)
Adjustments for:			
Depreciation	4	61,476	26,177
Income from Islamic deposits		(207,135)	(211,257)
Dividend Income		(209,487)	(223,420)
Finance costs		51,855	1,483,528
Realized gain on sale of available for sale investments		(1,408,385)	(576,547)
Realized gian on investment at fair value through statement of income		(15,689)	-
Unrealized loss/ (gain) on investments at fair value through statement of income		364,704	(207,687)
Loss on disposal of associate		-	534,694
Group›s share of results of associates	6	480,687	3,223,306
Loss on sale of right of utilization of land	8	650,000	-
Provisions	20	914,401	285,203
Impairment losses	21	7,568,432	2,895,708
Gain from wakala payables settlement	22	(377,272)	(4,717,898)
Provision for staff indemnity		53,675	53,661
Amortisation of right of use property	5	821,185	812,585
Exchange loss on wakala investment - Qatar National Bank		746,060	56,552
		(748,601)	(487,633)
Changes in operating assets and liabilities			
Investments at fair value through statement of income		264,881	-
Accounts receivable and other assets		4,163,358	(663,879)
Inventory		12,987	30,563
Wakala receivables		361,232	359,853
Due from related parties		(1,552,427)	68,838
Accounts payable and other liabilities		(542,715)	(416,944)
Cash generated from/ (used in) operations		1,958,715	(1,109,202)
Staff indemnity paid		(74,092)	(272,107)
Net cash from/ (used in) operating activities		1,884,623	(1,381,309)

Consolidated statement of cash flows
For the year ended 31 December 2014

	Note	2014 KD	2013 KD
Cash flows from investing activities			
Proceeds from disposal of available for sale investments		2,983,160	1,372,153
Purchase of available for sale investments		(4,999,338)	(368,789)
Proceeds from disposal of associate		-	4,137,691
Net (purchase)/ proceeds of property plant, and equipment		(45,631)	25,187
Income from Islamic deposits received		207,135	211,257
Dividend Income		1,429	223,420
Net cash (used in)/ from investing activities		(1,853,245)	5,600,919
Cash flows from financing activities			
Net movement in wakala payables		(275,000)	(3,092,295)
Finance costs paid		(51,855)	(1,483,528)
Net cash used in financing activities		(326,855)	(4,575,823)
Change in non-controlling interests		302,452	(53,689)
Increase/ (decrease) in cash and cash equivalent		6,975	(409,902)
Cash and cash equivalent at beginning of the year		1,191,004	1,600,906
Cash and cash equivalent at end of the year	12	1,197,979	1,191,004
Non-cash transactions:			
Investment in associates		4,750,065	9,133,083
Available for sale investments		-	3,223,000
Wakala payables and accrued contracted cost		377,272	17,298,534

1. General information

Al Safat Investment Company K.P.S.C. («the parent company») incorporated on 15 September 1983. The parent company shares was listed on the Kuwait Stock Exchange on 21 November 2005 and is governed under the supervision of the Capital Market Authority and Central Bank of Kuwait. The company has been suspended from trading on the Kuwait Stock Exchange on 1 April 2012.

The group comprises the parent company and its subsidiaries. Details of the subsidiaries are set out in Note 3.2.

The company›s purposes are required to be conducted in accordance with Islamic Sharia Laws. The company is not allowed, under any circumstances, to conduct any of its activities mentioned below in a way that exposes the company, direct or indirect, to conduct its activities contrary to Islamic Sharia.

The company is incorporated for purpose of conducting investment activities for its own account and for its clients, investing in various sectors through interest in companies, portfolios and funds management activities, lending, brokerage and related activities.

According to the memorandum issued by shareholding companies department No. 1150 dated 31 May 2015, based upon extra-ordinary general assembly meeting held on 28 April 2015, the Parent Company complied with the requirements of Companies Law No. 25 of 2012, as amended, and its Executive Regulations. This has been registered in Commercial Registration on 31 May 2015.

The address of the parent company's registered office is Al-Safat Group Headquarters, Hawalli, Beirut Street, Opposite to Al-Qadessya Club – Floor 13, P.O. Box 20133, Al Safat 13062, State of Kuwait.

The consolidated financial statements of Al Safat Investment Company K.P.S.C. and its subsidiaries (the group) for the year ended 31 December 2014 were authorized for issue by the parent company's board of directors on 3 December 2015 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the parent company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. Adoption of new and revised standards

Standards, Amendments and Interpretation effective in the current year

The Company has adopted the following new and amended standards as of 1 January 2014. The adoption of these standards, amendments and interpretation did not have any effect on Company›s financial statements and did not lead to material changes in Company›s accounting policies.

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 Company's financial statements.

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 realization and settlement;
- the offsetting of collateral amounts;
- the unit of account for applying the offsetting requirements.

This amendment became effective on 1 January 2014. This amendment had no impact on the Company's financial statements.

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, clarifies the disclosures required, and introduces 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.

This amendment became effective on 1 January 2014. This amendment had no impact on the Company's financial statements.

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.

This amendment became effective on 1 January 2014. This amendment had no impact on the Company's financial statements.

IFRIC 21 Levies

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

This interpretation became effective on 1 January 2014. This interpretation had no impact on the Company's financial statements.

Standards and Amendments issued but not yet effective and not early adopted

The following standards and amendments are not yet effective and have not been early adopted by the Company. The application of these standards and amendments upon effective date is not expected to have a material impact on the Company›s financial statements.

IFRS 9 – Financial Instruments

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

IFRS 14 – Regulatory Deferral Accounts ("IFRS 14")

IFRS 14 was issued by IASB on 30 January 2014 and it is effective for annual periods beginning on or after 1 January 2016. This new standard allows rate regulated entities to continue recognizing regulatory deferral accounts in connection with their 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. Furthermore, 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.

This standard will not have significant impact on the Company›s financial position or performance on adoption.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by IASB on 28 May 2014 and it is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets

This standard will not have significant impact on the Company›s financial position or performance on adoption.

IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendment to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

This amendment will not have significant impact on the Company›s financial position or performance on adoption.

IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

These amendments will not have significant impact on the Company›s financial position or performance on adoption.

IAS 16 and IAS 41– Agriculture : Bearer Plants

The amendments to IAS 16 and IAS 41 includes ‹bearer plants› within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

These amendments will not have significant impact on the Company›s financial position or performance on adoption.

IAS 19– Defined Benefit Plans : Employee Contributions

The amendment to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees› periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees› periods of service.

This amendment will not have significant impact on the Company›s financial position or performance on adoption.

3. Significant accounting policies

3.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities. These rates are applied on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") and are prepared under the historical cost convention, except for available for sale investments and investments at fair value through statement of income that are stated at fair value.

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, except for those disclosed in note 2.

3.2 Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 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 Parent Company and by other parties;
- Other contractual arrangements; and
- 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 unrealized 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 income.

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 income or transferred directly to retained earnings as specified by applicable IFRSs).

Notes to the consolidated financial statements
For the year ended 31 December 2014

The consolidated financial statements include the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest & voting power held		Net asset value	
			31 December		31 December	
			2014	2013	2014	2013
Al Safat Holding Company K.S.C.(Closed)	Investment	Kuwait	100%	100%	5,851,415	5,926,633
Safat House for General Trading Company W.L.L.	General Trading	Kuwait	80%	80%	84,508	88,225
Safat House for Consultancy K.S.C. (Closed)	Consultancy	Kuwait	96%	96%	316,008	310,683
Al-Assriya Printing Press Publishing and Distribution Company W.L.L.	Printing and Distribution	Kuwait	90%	-	2,634,960	-
Dar Al Safat General Trading Company W.L.L.	General Trading	Kuwait	100%	100%	231,514	221,397
Al Safat Holding Company - Bahrain B.S.C.(Closed)	Investment	Bahrain	-	100%	-	183,093
The Roots Brokerage – Egypt	Services	Egypt	60%	60%	624,288	596,859

On 2 October 2014, Al Safat Holding Company K.S.C. (Closed) (100% subsidiary) entered into an exchange of shares agreement (SWAP) with a third party whereby the subsidiary transferred its shareholding in Al Safat Holding Company - Bahrain B.S.C. (Closed), Al Dhaen Group for General Trading W.L.L. and Asia Holding Company K.S.C. (Closed) and acquired 90% of Al Assriya Printing Press Publishing and Distribution Company W.L.L. The Group is in process of determining the fair values of the assets acquired and liabilities assumed in this subsidiary and therefore disclosure of the fair values of the net identifiable assets, liabilities and the actual goodwill arising from the acquisition cannot be disclosed. The valuation of this subsidiary is expected to be completed within one year from the acquisition date.

Notes to the consolidated financial statements
For the year ended 31 December 2014

The summarized financial information of this subsidiary as at 2 October 2014 is set out below:

	KD
Property, plant and equipment	2,152,783
Right of use property	555,724
Inventory	69,431
Accounts receivable and other assets	754,654
Investments at fair value through statement of income	35,532
Cash and cash equivalents	280,293
Term loan	(64,000)
Due to related parties	(56,341)
Provision for staff indemnity	(341,525)
Accounts payable and other liabilities	(464,797)
	2,921,754
Less: Non-controlling interest	(292,176)
Net identifiable assets	2,629,578
Consideration paid	4,750,065
Provisional Goodwill	2,120,487

All the subsidiaries financial statements (except Dar Al Safat General Trading Co. W.L.L., Al-Assriya Printing Press Publishing and Distribution Company W.L.L. and The Roots Brokerage – Egypt) were consolidated based on the financial statements prepared by the management as at 31 December 2014, since the dates of financial statements of some companies are different from that of the consolidated financial statements of the Group.

Certain shares relating to some subsidiaries are registered in the names of others who keep them as custodian owners on behalf of the Group. Waiver letters based on power of attorneys and written undertakings were obtained from custodian owners for the Group's benefit.

The non-controlling interest is not material with respect to subsidiaries.

3.3 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 income.

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 income. 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 income where such treatment would be appropriate if that interest was disposed of.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction are carried at cost, less any recognized impairment loss. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

Significant improvements and replacements of assets are capitalized. 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 recognized in consolidated statement of income in the period in which they occur.

3.5 Rights of use of property

Leasehold rights acquired are measured on initial recognition at cost. Following initial recognition, leasehold rights are carried at cost less any accumulated amortization and any impairment losses.

Leasehold rights are amortized over their useful economic life and assessed for impairment whenever there is an indication that the leasehold rights may be impaired. The amortization period and the amortization method for leasehold rights is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on leasehold rights is recognized in the consolidated statement of income.

Gains or losses arising from derecognition of an leasehold right are measured as the difference between the net disposal proceeds and the carrying amount of the right and are recognized in the consolidated statement of income when the asset is derecognized.

3.6 Goodwill

Goodwill represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the statement of income on disposal.

The group's policy for goodwill arising on the acquisition of an associates is described at note 3.7 below.

3.7 Investment in associates

An associate is an entity over which the group has significant influence that is neither a subsidiary nor an interest in a joint venture. 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, 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 recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the group’s share of the statement of income 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 recognizing its share of further losses. Additional losses are recognized 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 recognized at the date of acquisition is recognized 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 recognized immediately in consolidated statement of income.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize 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 recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized 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 recognized 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's financial statements are prepared either to the parent company's reporting date or to a date not earlier 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.

3.8 Impairment of tangible and intangible assets

At each financial position date, the group reviews the carrying amounts 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). 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.

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 recognized immediately in the consolidated statement of income.

Where an impairment loss 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 recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income.

3.9 Financial assets

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through statement of income, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'cash and bank balances', 'investments at fair value through statement of income', 'available for sale investments', 'Wakala receivables', 'trade receivables' and 'due from related parties'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective profit rate method

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

Available for sale investments

Available for sale investments are initially measured at cost which is the fair value of consideration given. Subsequent to initial recognition, available for sale investments are measured at fair value. For investments traded in organized financial markets, fair value is determined by reference to the last quoted bid price at the close of business on the statement of financial position date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying net asset base of the investment. Investments whose fair value cannot be reliably measured are carried at cost less any impairment loss.

Gains or losses arising from changes in fair value of available for sale investments are recognized directly in other comprehensive income and accumulated in the fair value reserve until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in the fair value reserve is reclassified to the consolidated statement of income for the period in which they arise. Foreign exchange gains and losses on monetary assets, are recognized directly in the consolidated statement of income.

Dividends on available for sale equity instruments are recognized in the consolidated statement of income when the group's right to receive the dividends is established.

Inventories

Inventories are held at lower of cost and net realizable value. Raw materials cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labour and fixed and variable manufacturing overhead, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective profit rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement income when there is objective evidence the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective rate computed at initial recognition.

Wakala receivables

Wakala receivable represents financial assets originated by the group and invested with third parties for onward deals by those parties in various Islamic financial products, and are carried at amortised cost less allowance for doubtful debts.

Specific provisions are calculated on the losses of wakalas originated by the group against credit risks. The specific provision is made for wakala originated by the group against the credit risks due to impairment of wakalas, in case there is an objective evidence of non-collection of the due amount.

The provision amount is the difference between the carrying value of wakala and the recoverable amount, which is the present value of the expected future cash flows including the amounts recoverable from collaterals and assets pledged in favour of the group, discounted by the effective profit rate prevailing in the market for variable rate. Provision for impairment loss in wakala is charged to the consolidated statement of income.

Investments at fair value through statement of income ("FVTPL")

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of income. Fair value is determined in the manner described in note 29 (f).

Cash and bank balances

Cash and bank balances comprise cash on hand, cash held in portfolio, and bank balances, net of due to banks.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are considered to be impaired where 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 financial asset have been impacted.

For financial assets classified as available for sale 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 trade receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in profit or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment 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 [profit] rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of 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 against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

When an available for sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to statement of income in the period.

With the exception of available for sale investments, 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 the consolidated statement of income 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 available for sale investments, impairment losses previously recognised through the consolidated statement of income are not reversed through the consolidated statement of income.

Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The group's financial liabilities include bank borrowings and trade payables.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Wakala payables

Wakala payables are recognised initially at fair value, net of transactions cost incurred. Wakala payables are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the payables using the effective cost of payables.

Bank borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.10 Inventories

Inventories are held at lower of cost and net realizable value. Raw material cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labor, fixed and variable manufacturing overhead, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

3.11 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 realized 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 realized 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.

3.12 Share based payment

The Group operates equity-settled share-based remuneration plan for its employees. None of the Group's plans feature any options for a cash settlement.

All services received in exchange for grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity investments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to 'share based payment reserve'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

3.13 Provisions

A provision is recognized in the consolidated statement of financial position when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.14 Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the financial position date, and approximates the present value of the final obligation.

3.15 Foreign currency translation

The consolidated financial statements are presented in Kuwaiti Dinar, which is also the functional currency of the Parent Company.

Transactions and balances

Transactions in currencies other than the group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Group companies

The assets and liabilities of the group's foreign operations are expressed in KD using exchange rates prevailing at the statement of financial position date. Income and expense items are translated into the group's presentation currency at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to statement of income and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate.

3.16 Revenue recognition

- Income from Islamic deposits is recognised based on estimation of expected income and it is distributed on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Portfolio management fees and commission income is recognised when earned in accordance with related contract terms.
- Fee income is recognised when earned in accordance with related contract terms.

3.17 Finance costs

Finance costs are calculated on the accrual basis and are recognized in the consolidated statement of income in the period in which it is incurred.

3.18 Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets of the group and accordingly they are not included in these consolidated financial statements

3.19 Dividends

Dividends are recognized as a liability in the group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

3.20 Contingent liabilities and assets

A contingent liability is disclosed when there is a possible obligation to be confined by a future event that is outside the contract of the group or where a present obligation may, require an outflow of economic resources.

3.21 Significant accounting judgements and estimation uncertainty

Accounting judgements

In the process of applying the group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Impairment of investments

The group treats available for sale investments 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 significant judgement. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future discounted cash flows for unquoted investments.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, available for sale or held to maturity investments.

Classification of investments as investment at fair value through statement of income depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as at fair value through statement of income. All other investments are classified as available for sale or as held to maturity.

Impairment of associates

Determining whether the carrying value of the associate that includes goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Estimation uncertainty

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

Valuation of unquoted equity investments

- 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;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

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

Notes to the consolidated financial statements
For the year ended 31 December 2014

4. Property, plant and equipment

	Buildings on leased land	Buildings improvements	Plant and equipment	Furniture, fixtures and computers	Vehicle	Project in process	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance at 31 December 2013	-	-	-	600,869	-	-	600,869
Additions	-	-	28,676	12,905	4,250	-	45,831
Disposals	-	-	-	(857)	-	-	(857)
Acquisitions through business combination	155,500	191,237	2,464,946	308,584	57,286	174,844	3,352,397
Balance at 31 December 2014	155,500	191,237	2,493,622	921,501	61,536	174,844	3,998,240
Accumulated depreciation							
Balance at 31 December 2013	-	-	-	489,804	-	-	489,804
Annual depreciation	1,719	2,916	22,963	31,141	2,737	-	61,476
Disposals	-	-	-	(657)	-	-	(657)
Impairment losses	-	-	-	11,908	-	-	11,908
Acquisitions through business combination	67,555	117,484	763,131	226,660	24,787	-	1,199,617
Balance at 31 December 2014	69,274	120,400	786,094	758,856	27,524	-	1,762,148
Net book value							
31 December 2014	86,226	70,837	1,707,528	162,645	34,012	174,844	2,236,092
31 December 2013	-	-	-	111,065	-	-	111,065
Depreciation rate (years)	40	10	2-40	10	5		

Buildings are constructed on a leased land and all constructions such as buildings, machinery and other materials owned by the Group are pledged to a local bank against a loan (see note 18).

Project in process represents the value of the costs that the Group has paid to get an asset ready for use. As at the reporting date the asset was not ready for use.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2014

4. Property, plant and equipment

	Buildings on leased land	Buildings improvements	Plant and equipment	Furniture, fixtures and computers	Vehicle	Project in process	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance at 1 January 2013	-	-	-	637,246	-	-	637,246
Additions	-	-	-	30,341	-	-	30,341
Disposals	-	-	-	(66,718)	-	-	(66,718)
Balance at 31 December 2013	-	-	-	600,869	-	-	600,869
Accumulated depreciation							
Balance at 1 January 2013	-	-	-	474,817	-	-	474,817
Annual depreciation	-	-	-	26,177	-	-	26,177
Disposals	-	-	-	(11,190)	-	-	(11,190)
Balance at 31 December 2013	-	-	-	489,804	-	-	489,804
Net book value							
31 December 2013	-	-	-	111,065	-	-	111,065
31 December 2012	-	-	-	162,429	-	-	162,429
Depreciation rate (years)	-	-	-	10	-	-	

5. Right of use property

	2014 KD	2013 KD
Cost		
Balance at 31 December	16,251,699	16,251,699
Acquisition through business combination	860,000	-
Balance at 31 December	17,111,699	16,251,699
Accumulated amortization		
Balance at 31 December	2,439,982	1,627,397
Annual amortization	821,185	812,585
Acquisition through business combination	304,276	-
Balance at 31 December	3,565,443	2,439,982
Net book value		
31 December	13,546,256	13,811,717

Right of use property as at 31 December 2014 includes payment made and expenses incurred on a Build, Operate and Transfer («B.O.T.») project awarded to the group during the year 2005. The group›s B.O.T. project is constructed on land leased from a third party for a period of twenty years under a renewable usufruct agreement (see note 19).

Right of use property also includes right of use of land from state of Kuwait for a period of 25 years with option to renew.

6. Investment in associates

The group's shareholding in associate companies is as follows:

Company name	Ownership interest		Carrying value	
	2014	2013	2014	2013
	(%)	(%)	KD	KD
Kuwait Medical Center Holding Company K.S.C. (Closed)	17.46	17.33	4,904,505	4,868,785
Dana Al-Safat Real Estate Company K.S.C. (Closed)	24.09	24.09	1	1
Dar Al Huda Holding Company K.S.C. (Closed)	15.14	15.14	191,460	442,579
Al Dhaen Group for General Trading W.L.L.	-	45.00	-	2,729,830
Asia Holding Company K.S.C. (Closed)	-	18.78	-	2,172,432
Al-Safat Media for Advertising & Publicity K.S.C. (Closed)	27.00	27.00	1	1
			5,095,967	10,213,628

Notes to the consolidated financial statements
For the year ended 31 December 2014

Share of results of Dar Al Huda Holding Company K.S.C. (Closed) was accounted for based on the financial statements prepared by management for the year ended 31 December 2014.

During the year, the parent company received 375,000 shares of Kuwait Medical Center Holding Company K.S.C. (Closed) as a part of settlement of due from related parties.

According to an exchange of shares agreement (SWAP) dated 2 October 2014, all shares of Al Dhaen Group for General Trading W.L.L. and Asia Holding Company K.S.C. (Closed) were exchanged for 90% stake in Al Assriya Printing Publishing and Distribution Company W.L.L. which is accounted for as investment in subsidiary (see note 3.2).

The cost of investment in associates includes goodwill amounting to KD Nil (2013: KD 2,240,484).

Investment in associates with a carrying value of KD 1,883,069 (2013: KD 2,028,413) are pledged against wakala payable (see note 18).

Certain shares relating to some associates are registered in the names of others who keep them as custodian owners on behalf of the Group. Waiver letters based on power of attorneys and written undertakings were obtained from custodian owners for the Group›s benefit.

Summarized financial information of the group›s associates is set out below:

	2014	2013
	KD	KD
Associates' financial position:		
Total assets	36,801,228	58,779,402
Total liabilities	(7,453,958)	(15,108,570)
Net assets	29,347,270	43,670,832
Group's share of net assets of associates	5,095,967	7,973,144
Associates' revenues and results:		
Total net revenues	(512,014)	7,798,328
Total results	(1,601,751)	(7,695,838)
Group's share of results of associates	(480,687)	(3,223,306)

7. Available for sale investments

	2014	2013
	KD	KD
Quoted securities Local	2,555,528	4,827,854
Quoted securities Foreign	2,703,870	-
Unquoted securities Local	3,410,722	2,454,747
Unquoted securities Foreign	19,314,152	30,563,101
	27,984,272	37,845,702

The valuation methods for quoted and unquoted securities are disclosed in note (29 f).

The quoted and unquoted securities include investments with related parties in the amount of KD 2,523,398 (2013: KD 4,796,550) and KD 930,676 (2013: KD 1,556,387) respectively.

As at 31 December 2014, the management carried out a review of the carrying value of its quoted and unquoted available for sale investments and determined that an impairment has occurred on these assets and as a consequence recognized this in the consolidated statement of income from the other comprehensive income amounting to KD 7,556,524 (2013: KD 2,895,708) (see note 21).

Unquoted foreign securities include Al Qudra shares in the amount of KD 18,080,277 (2013: KD 18,193,230) that are valued by independent third party.

Movements in available for sale investments

	2014	2013
	KD	KD
Balance at the beginning of the year	37,845,702	41,344,652
Additions	4,999,338	368,789
Reclassification	-	1,538,328
Change in fair value	(8,113,868)	243,061
Disposal	(6,746,900)	(5,649,128)
Balance at the end of the year	27,984,272	37,845,702

Available for sale investments with a fair value of KD 14,393,516 as at 31 December 2014 (2013: 15,764,522) are pledged against wakala investment - Qatar National Bank (see note 16 and 18).

8. Accounts receivable and other assets

	2014 KD	2013 KD
Refundable deposits	4,939	4,990
Accrued income	577,777	645,131
Prepaid expenses	44,190	25,959
* Project advance	803,354	5,133,354
Provision for project advance	(450,265)	(450,265)
**Other receivables	13,022,250	7,338,722
Provision for other receivables	(6,950,851)	(6,565,107)
	7,051,394	6,132,784

* During the year, the Group sold its right of utilization of land in Al-Dubaiya area having book value of KD 4,400,000 for a total consideration of KD 3,750,000 to a related party. The resulting loss of KD 650,000 is recognized in consolidated statement of income.

** On 16 September 2010, the Parent Company filed a case against a local company for amount due for payment KD 5,668,298 included in other receivables. The group has taken provision for impairment loss for the whole amount.

9. Related party transactions

Related parties represent associated companies, major shareholders, directors and executive officers of the group, their families and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions approximate arms length terms and are approved by the group's management.

Balances and transactions between the Parent Company and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note.

The related party balances and transactions included in the consolidated financial statements are as follows:

	2014 KD	2013 KD
Transactions during the year		
Key management personnel's salaries and benefits	82,084	268,497
Associates	402	54,649
Other related parties	87,005	65,869
	169,491	389,015
Due from :		
Associates	5,047	115,086
Other related parties	1,568,625	-
Less: provision for associates and other related parties	(18,673)	-
	1,554,999	115,086

Amounts due from related parties do not include any interest and they are due upon demand.

Available for sale investments (note 7)	3,454,074	6,352,937
Investments at fair value through statement of income (note 11)	785,093	1,157,869
Off-financial position:		
Managed portfolios	35,606,894	39,864,168

10. Wakala receivables

	2014 KD	2013 KD
Wakala receivable	2,867,500	3,228,732
Less: provisions	(14,577)	(15,500)
Less: provision for doubtful wakala receivables (see below)	(1,124,080)	(1,299,425)
	1,728,843	1,913,807

Wakala receivables includes KD 1,417,500 (2013: KD 1,703,732) from individuals against which a specific provision of KD 1,124,080 (2013: KD 1,299,425) has been made.

11. Investments at fair value through statement of income

	2014 KD	2013 KD
Financial assets		
Quoted investments		
Investment sector	-	2,394
Real estate sector	5,060	5,340
Industrial sector	375,416	578,612
Services sector	88,500	118,267
Food sector	44,348	52,246
	513,324	756,859
Managed funds	647,185	982,014
	1,160,509	1,738,873

Quoted investments and managed funds include investments with related parties in the amount of KD 137,908 (2013: 175,854) and KD 647,185 (2013: KD 982,015) respectively.

12. Cash and bank balances

	2014 KD	2013 KD
Cash in hand	31,450	500
Cash at bank	1,166,529	1,190,504
	1,197,979	1,191,004

13. Share capital

	2014 KD	2013 KD
Authorised share capital:	78,000,000	78,000,000

Issued and fully paid up share capital:

	2014	2013
772,983,339 shares with a nominal value of 100 fils each all in cash	77,298,334	77,298,334

14. Share premium

The share premium arises from the excess of the issued share price and the nominal value of the shares. The share premium account is not available for distribution.

15. Treasury shares

	2014	2013
Number of shares (No's)	1,255,800	1,255,800
Percentage of issued shares (%)	0.16	0.16
Market value (KD)	125,580	125,580
Cost (KD)	259,677	259,677

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No.10 of 1987 and No. 11 of 1988. Reserves equivalent to the cost of treasury shares held are not distributable.

16. Wakala investment - Qatar National Bank

The balance KD 20,399,455 (2013: KD 19,653,395) represents net amount recorded in Group›s books (wakala investment - Qatar National Bank). Based on independent legal council›s opinion, the Group stopped on 1 January 2012 recording contracted costs accrued and recorded in the books during prior years. The Group also deducted the contracted cost already paid for wakala investment contract from the principal of the wakala. A legal case has been filed by the lender against the group to recover the outstanding amounts. Till the date of preparation of this consolidated financial statements, this legal case has not been decided.

Wakala investment - Qatar National Bank is secured by the parent company›s investments in available for sale investments with a carrying value of KD 12,109,091 (2013: KD 12,109,091) (see note 7).

17. Accounts payable and other liabilities

	2014	2013
	KD	KD
Trade payables	1,201,811	1,276,380
Provisions against guarantee (note 27)	1,358,052	671,800
Accrued expenses	622,759	728,078
Provision for leave	119,259	150,998
Dividend payable	6,707	6,707
KFAS	2,034	1,983
NLST	200,606	200,606
Zakat	98,246	83,280
Others	-	98,028
	3,609,474	3,217,860

18. Wakalas payable

	2014	2013
	KD	KD
Current portion	6,663,621	7,067,173
Non-current portion	32,000	-
	6,695,621	7,067,173

The group has obtained wakalas from local banks in the amount of KD 6,458,621 (2013: KD 6,569,173) carrying contracted costs of 4% to 4.5% (2013: 4% to 4.5%) over the Central Bank of Kuwait discount rate per annum. These wakalas are secured by the parent company›s investments in available for sale investments and investment in associates with a carrying value of KD 4,167,494 (2013: KD 5,683,844) (see notes 6 and 7). Subsequent to consolidated financial position date, amount of KD 6,069,449 has been settled.

The group obtained an unsecured wakala from local investment company amounting to KD 173,000 (2013: KD 498,000) carrying contract cost of 5% per annum. This balance was due on 20 July 2012 and remains unpaid together with the related profit as at 31 December 2014. Subsequent to consolidated financial position date, this past due wakala amount has been settled.

The Group obtained wakala in the amount of KD 64,000 granted by a local bank carrying contracted cost of 3.5% and is secured by mortgage insurance on the entire business of Al-Assriya Printing Press Publishing and Distribution Company (90% subsidiary) and an official mortgage of all constructions such as buildings, machinery and other materials for its commercial business established on the plot of land and its annexed facilities and equipment for the benefit of a local bank. The last installment is due on 15 July 2016 (see note 4).

The group's management has drawn up a plan to ensure settlement of amounts due from the Group.

19. Net rental loss from right of use property

	2014	2013
	KD	KD
Rental income from right of use property	1,026,853	1,032,128
Amortisation of right of use property	(812,585)	(812,585)
Right of use property expenses	(479,342)	(584,733)
	(265,074)	(365,190)

These represents rental income and related expenses from the right of use property (see note 5).

20. Provisions

	2014 KD	2013 KD
(Provision) / write back for accounts receivable and other assets (note 8)	(385,744)	95,591
Provision for related parties (note 9)	(18,673)	-
Write back for Wakala receivable (note 10)	176,268	281,406
Provision for Bank guarantee on behalf of associate (note 27)	(686,252)	(662,200)
	(914,401)	(285,203)

21. Impairment losses

During the year, the management has carried out impairment testing on a variety of assets to assess the recoverability of these assets. Summarized below are the impairment losses recognized as at year end.

	2014 KD	2013 KD
Property, plant and equipment	11,908	-
Available for sale investments	7,556,524	2,895,708
	7,568,432	2,895,708

22. Gain from wakala payables settlement

During the year, the Group entered into agreements with a local bank and an investment company. As per these agreements, the Group received discount in the amount of KD 50,000 from the bank and the investment company. Furthermore, the Group reversed accrued contracted costs in the amount of KD 327,272. As a result, the Group realized a gain of KD 377,272 from these wakala settlements (2013: KD 4,717,898).

23. Other income

	2014 KD	2013 KD
Payables written off	-	40,000
Commission	-	132,271
Service charges	-	55,037
Other miscellaneous income	35,642	56,968
	35,642	284,276

24. General and administrative expenses

	2014 KD	2013 KD
Staff costs	1,044,511	1,066,179
Legal and professional fees	469,490	385,751
Rent	31,799	44,667
Consultancy	303,000	-
Depreciation	38,389	26,177
Others	454,110	317,274
	2,341,299	1,840,048

25. Loss per share (Basic and diluted)

Basic and diluted loss per share is computed by dividing loss attributable to owners of the parent company by the weighted average number of shares outstanding during the year.

The Parent Company had no outstanding dilutive potential shares.

The following reflects loss and weighted average number of shares outstanding during the year used in computation of loss per share:

	2014	2013
Loss for the year attributable to owners of the parent (KD)	(10,278,616)	(3,935,328)
Weighted average number of shares less treasury shares (Nos)	771,727,539	771,727,539
Loss per share (Basic and diluted) (fils)	(13.31)	(5.10)

26. Fiduciary assets

Third party funds managed by the parent company and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the group›s assets or liabilities and accordingly are not included in these consolidated financial statements. Total fiduciary assets as at the financial position date amounted to KD 80,088,409 (2013: KD 88,446,100).

27. Commitments and contingencies

	2014	2013
	KD	KD
Bank guarantees	1,470,000	1,920,000

A provision of KD 1,358,052 (2013: KD 671,800) has been maintained for bank guarantees issued by the associate which the group has guaranteed (see note 17).

Operating lease commitments

At 31 December 2014 and 2013, future minimum lease commitments were as follows:

	2014	2013
	KD	KD
Not later than one year	360,000	360,000
Later than one year but not later than five years	1,440,000	1,440,000
More than five years but not later than twenty years	3,960,000	4,320,000

28. Annual general assembly

The annual general assembly meeting of shareholders held on 9 July 2015 approved the consolidated financial statements for the years ended 31 December 2011, 31 December 2012 and 31 December 2013. It also approved non-distribution of dividend for the years then ended. Furthermore, the shareholders approved the board of directors› recommendation to amortize accumulated losses in the amount of KD 1,650,757 from share premium in order to reduce the balance in accumulated losses to KD 41,855,208 and the balance in share premium to KD 259,677 as at 31 December 2013.

29. Financial instruments

(a) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. 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.

Gearing ratio:

The gearing ratio at year end was as follows:

	2014	2013
	KD	KD
Term debt	27,095,076	26,720,568
Cash and bank balances	(1,197,979)	(1,191,004)
Net debt	25,897,097	25,529,564
Equity	32,566,834	42,994,488
Net debt to equity ratio	80%	59%

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk are monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.

The maximum credit risk exposure arising from default of the counter-party is limited to the carrying amount of cash and bank balances, accounts receivable, investments at fair value through statement of income and available for sale investments.

(c) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. There is a risk of losses due to exchange rate fluctuations and the group does not hedge foreign currency exposure.

At 31 December 2014, the group had the following significant exposures denominated in foreign currencies:

	2014 Equivalent	2013 Equivalent
	KD	KD
US Dollars	212,784	8,126,482
Qatari Riyal	(20,069,455)	(18,821,880)
UAE Dirhams	18,080,275	23,408,796
Egyptian Pound	7,180,036	1,269,874
Bahraini Dinar	-	1,492,668
Jordanian Dinar	-	-
Net assets denominated in foreign currency	5,403,640	15,475,940

The table below analyze the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December 2014, with all other variables held constant on the consolidated statement of income and equity. A negative amount in the table reflects a potential net reduction in consolidated statement of income or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in	2014		2013	
		Effect on profit	Effect on equity	Effect on profit	Effect on equity
	%	KD	KD	KD	KD
USD	± 5	(28,822)	39,462	(59,377)	465,701
QAR	± 5	(1,019,973)	16,500	(982,670)	41,576
AED	± 5	-	904,014	257,498	912,942
EGP	± 5	293,504	65,498	49,744	13,750
BHD	± 5	-	-	166	74,467
JOD	± 5	-	-	-	-

(d) Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. The group's main liquidity risk is from wakala payables and to limit this risk, management has rescheduled the majority of its wakala payables and is confident that they will be able to subsequently renew the due dates again (see note 18). Management manages assets with liquidity in mind, and monitors liquidity on a daily basis. For liquidity profile of financial assets and liabilities as at 31 December 2014 and 2013 (see note 31).

(e) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the group to equity price risk, consist principally of investments at fair value through statement of income, available for sale investments and investment in an associates. The group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.
The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price 2014	Effect on profit 2014	Effect on equity 2014	Change in equity price 2013	Effect on profit 2013	Effect on equity 2013
	KD	KD	KD	KD	KD	KD
Kuwait	± 5 %	312,824	298,313	± 5 %	461,134	364,130
Middle East	± 5 %	-	1,100,901	± 5 %	136,492	1,528,155

(f) Fair value of financial instruments

a. Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows.

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of financial assets (unquoted funds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using market data that are unobservable.

b. Fair value measurements recognised in the statement of financial position

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 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).

31 December 2014	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income				
Quoted equities	513,324	-	-	513,324
Managed funds	-	647,185	-	647,185
Available-for-sale investments				
Quoted equities	5,259,398	-	-	5,259,398
Unquoted equities	-	-	22,724,874	22,724,874
Total	5,772,722	647,185	22,724,874	29,144,781

31 December 2013	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income				
Quoted equities	756,859	-	-	756,859
Managed funds	-	982,014	-	982,014
Available-for-sale investments				
Quoted equities	4,827,854	-	-	4,827,854
Unquoted equities	-	-	33,017,848	33,017,848
Total	5,584,713	982,014	33,017,848	39,584,575

Reconciliation of Level 3 fair value measurements of financial assets

31 December 2014	Available for sale Investments
Beginning balance	33,017,848
Total gains or losses	
In other comprehensive income	(6,642,907)
Purchases / sales (net)	(3,650,067)
Closing balance	22,724,874

31 December 2013	
Beginning balance	34,302,554
Total gains or losses	
In other comprehensive income	2,457,306
Reclassification from non-current assets held for sale	1,538,328
Purchases / sales (net)	(5,280,340)
Closing balance	33,017,848

30. Segment information

An operating segment is a component of an entity that engages in business activities from which it earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to allocate resources to the segment and to assess its performance, and for which discrete financial information is available.

a) Reportable segments

The group considers business units that provide specific products and services to constitute reportable segment. Since group's activities mainly relate to investment management, only one reportable segment is identified.

b) Geographical areas

The group conducts its business activities mainly in State of Kuwait. Financial information about geographical areas for the year ended 31 December 2014 are set out below:

31 December 2014

	Kuwait	Others	Total
	KD	KD	KD
Net revenue	(7,037,064)	(812,890)	(7,849,954)
Segment results	(9,152,695)	(1,090,413)	(10,243,108)
Segment assets	37,866,374	25,866,868	63,733,242
Segment liabilities	10,697,572	20,468,836	31,166,408

31 December 2013

	Kuwait	Others	Total
	KD	KD	KD
Net revenue	(350,039)	(248,623)	(598,662)
Segment results	(3,441,361)	(480,877)	(3,922,238)
Segment assets	38,716,203	34,357,463	73,073,666
Segment liabilities	9,719,641	20,359,537	30,079,179

Geographical segment others includes, United Arab Emirates, Qatar, Bahrain, Saudi Arabia, Egypt and Jordan.

31. Maturity analysis of assets and liabilities

The group's maturity profile set out below is based on the remaining period at the financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

At 31 December 2014

	Past due but not paid KD	Up to 1 year KD	Over 1 year KD	Total KD
Assets				
Available for sale investments	-	5,259,398	22,724,874	27,984,272
Accounts receivable and other assets	-	7,051,394	-	7,051,394
Due from related parties	-	1,554,999	-	1,554,999
Wakala receivables	-	1,728,843	-	1,728,843
Investments at fair value through statement of income	-	1,160,509	-	1,160,509
Cash and bank balances	-	1,197,979	-	1,197,979
Total assets	-	17,953,122	22,724,874	40,677,996
Liabilities				
Wakala payables	6,631,621	32,000	32,000	6,695,621
Provision for staff indemnity	-	-	461,858	461,858
Accounts payable and other liabilities	-	3,609,474	-	3,609,474
Wakala investment - Qatar National Bank	20,399,455	-	-	20,399,455
Total liabilities	27,031,076	3,641,474	493,858	31,166,408

At 31 December 2013

	Past due but not paid KD	Up to 1 year KD	Over 1 year KD	Total KD
Assets				
Available for sale investments	-	4,827,854	33,017,848	37,845,702
Accounts receivable and other assets	-	6,132,784	-	6,132,784
Due from related parties	-	115,086	-	115,086
Wakala receivables	-	1,913,807	-	1,913,807
Investments at fair value through statement of income	-	1,738,873	-	1,738,873
Cash and bank balances	-	1,191,004	-	1,191,004
Total assets	-	15,919,408	33,017,848	48,937,256
Liabilities				
Wakala payables	7,067,173	-	-	7,067,173
Provision for staff indemnity	-	-	140,750	140,750
Accounts payable and other liabilities	-	3,217,860	-	3,217,860
Wakala investment - Qatar National Bank	-	19,653,395	-	19,653,395
Total liabilities	7,067,173	22,871,255	140,750	30,079,178

32. Past due wakalas

As at 31 December 2014, the Group had past due wakalas in the amount of KD 27,031,076 (2013: KD 26,720,568). On a subsequent date, past due wakalas in the amount of KD 6,242,449 have been settled. As a result, the unpaid balance has become KD 20,788,627.

The management of the parent company has a restructuring plan, where they are discussing a variety of options with their lenders to enable them to either; settle debts through swap of certain assets and / or restructure the wakalas from medium to long term.