ديمه كابيتال
dimah capital

Annual Report
2014

His Highness the Amir

Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

His Highness the Crown Prince

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Dimah Capital Investment K.S.C. (Closed)
and its Subsidiary (The Group)
State of Kuwait

Consolidated Financial Statements
For The Year Ended December 31, 2014

With Independent Auditor's Report

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BOARD OF DIRECTORS

1- Mr. Hossam Nasser Almaziaal - **Chairman**

2- Mr. Ahmed Sulaiman Al-Khaled - **Vice Chairman**

3- Mr. Yousef Khaled Al-Marzouq - **Board Member**

4- Mr. Isa Mohamed Habib - **Board Member**

5- Mr. Humoud Theni Ahmad - **Board Member**

FATWA & SHARIA SUPERVISORY BOARD

1- Dr. Naif Mohammad Al-Ajmi - **Chairman, Fatwa and Sharia Supervision Board**

2- Dr. Nazem Mohammad Al Musbah - **Member of the Board**

3- Dr. Sulieman Maarafie Safar - **Member of the Board**

4- Dr. Mohammad Oud Alfazii' - **Member of the Board**

5- Dr. Khaled Shojaa Al-Otaibi - **Member of the Board**

6- Dr. Ibrahim Abdullah Al-Sabaii - **Member of the Board**

BOARD OF DIRECTORS REPORT

Dear Shareholders,

On behalf of myself and my fellow brothers, Chairman and members of the Board of Directors of Dimah Capital Investment Co., I have the pleasure to welcome you to our annual General Assembly meeting. I am honored to present to you the eighth annual report for the financial year ended in 31 December 2014, which includes the Board of Directors' annual report, the latest developments in the company's activities, an up-to-date progress report as well as the Fatwa and Sharia Supervisory Board report and the company's independent auditors' report. In addition to an overview of the most prominent global, regional and local economic developments

Global Economic Review

I am happy to say that 2014 was a much better year for the global economic environment. The global economy grew by more than 3%. Most of this growth was generated across the board. The US economy grew by 2.4% in 2014 and managed to pull the rest of the world with it. In the Euro Zone, the European Central Bank managed to keep the bloc together and it used all the tools at its disposal to keep the Euro from breaking up. This has helped economic activities and overall economic growth was just under 1% for the whole of the Eurozone. One bright spot in Europe has been the UK economy. The British economy extended its growth and managed to record 2.6% for 2014 with unemployment rate falling to 5.7%. The international concern about the big slowdown in the Chinese economy was over blown. The Chinese economy continued to grow albeit at a slower rate but it is still growing over 7% per year. The newly elected Japanese Prime Minister has managed to come up with some stimulus measures to generate economic growth, and at the same time to weaken the Japanese yen. These measures, at least for the short term, managed to deliver economic growth and a much weaker currency.

The continued debates within the US Congress about the expanded and alarming balance sheet of the Federal Reserve Bank have forced the bank to start what it termed as "tapering". The principal idea behind tapering is the reduction in the amounts of bond buying by the Central Bank. This has caused some angry reaction in the developing world, as some of the emerging markets currencies came under heavy selling by investors who were repatriating money into the US$ in anticipation of rates moving up. However, because of the very low inflation in the developed world and the risk of deflation, the fear of rates going up has diminished gradually and the financial markets have slowly settled down. In contrast, the fear of deflation is more widespread in the Euro Zone at present. The ECB is well aware of this fear as it sees the rate of inflation falling to just over 0.5% for the whole of the Euro Zone. This very low rate is well below the ECB's target of around 2%. It is more likely that the ECB will come up with some Quantitative Easing measures to encourage economic activities and the same time hoping for the rate of inflation to pick up over time.

International Stock Markets

Stock markets in the developed world rebounded in 2014, despite outbreaks of investor nerves over the sharp fall in oil price. On average oil price dropped by around 40% from its peak pf over US$112 reached back in June of 2014. The American equity markets registered another positive year, with S&P 500 finishing the year 11.5% higher. The European stock markets were much quitter and in some places where end the year literally unchanged. The abated fear of the Eurozone breaking up did not help much. The biggest stock market within the Eurozone being the German Dax finished the year up just +2.6%. As for the French CAC equity index it managed to end the year on a flat note. Spain's IBEX index increased by just +3.7% and Italy's MIB index stayed roughly on the same level as the previous year. In the UK, the FTSE 100 index finished the year up +2.7% despite a very strong economic growth and good corporate results.

Japan's Nikkei index was up by 7% in 2014 following a rise of 52% in 2013. The Bank of Japan is still following an aggressive monetary policy and carried on the Quantitative Easing measure that was announced back in 2013. These policies have helped to weaken the Japanese Yen and create economic growth but failed to ignite inflation yet. Indian stock exchange benefited the most from the big fall in oil price. The stock market went up by 30% for the whole year of 2014. But the Brazilian stock market endured another torrid 2014, losing 2% after it had lost 18% in 2013. As for the Shanghai CSI 300 index, it went up by 52% in 2014.

GCC economies in 2014

The GCC economies finished the year on a good measure, ignoring the sharp fall in oil price. Geopolitical troubles in some part of the Arab world held back any chance of economic recovery. Some have performed better than the others. All the GCC governments have continued with their economic business plans and a very healthy spending on infrastructure and housing markets. These economic measures were introduced by the GCC governments over the past few years have led to strong economic activities and job creation. However, going forward the big fall in oil price may lead to some slowdown in future economic activities within the GCC countries. These good economic activities were reflected in the performance of the GCC financial markets. There was another record issuance of Sukuk bonds by governments and corporates in the GCC. Most stock markets in the GCC countries gave back some of their good performance as a result of the big fall in oil price in the second half of last year. The best performer was the Qatar Stock market which went up by 22%. Dubai stock market was the second best performer with a rise of 12%. Kuwait and the Saudi exchanges registered falls of 3 % and 2%. The Omani stock market was the worst performer for the year. It fell more than 7%.

Kuwait economy

The private sector and consumer spending continues to contribute most to the Kuwaiti economic growth. However, the drop in oil price in the second half of 2014 has contributed negative to the overall economic growth. The IMF expects Kuwait GDP to grow by 2.2% in fiscal year 2014. The global outlook for the oil

industry in 2015 is still unclear. Global demand for oil is still strong but the supply of oil from non OPEC producers have increased dramatically over the past few years. The US has been increasing its production by the use of fracking method. This has helped to increase their production to just over 9million barrel a day, the highest since the early 1970's. The international energy association expect oil price to trade in the range of $50 to $70 for the next couple of years. The Kuwaiti economy should perform much better than those who have much higher costs of oil production. Also, the country has big foreign exchange reserve and a very healthy Sovereign Wealth Funds that should keep it going for a while.

There appears to be greater consensus on continued growth in the non-oil segment of the economy, driven primarily by private consumption and better implementation of the government's development projects. Over all, the Kuwaiti Economy maintained its healthy state in 2014 with oil prices averaging just over $75 per barrel and having a healthy government balance sheet.

Dear Shareholders,

2014 was another challenging year for most investment companies in Kuwait and the region. Throughout 2014, Dimah has progressed further from its early years in which it focused on restructuring the business and getting the qualified staff to drive its business into the coming years. We have managed to deliver to our clients the best services that we are proud of and at the same we managed to deliver to our shareholders another profitable year. These all happened during very tough time for investment companies and investors alike. I also like to thank the dedicated staff at Dimah for their continuous efforts and the hard work they do in maintaining the reputation of Dimah as it stands today. The support of our dedicated shareholders and a strong balance sheet, have helped us to continue doing the right business at the rewarding price. Dimah has successfully managed to meet all the regulatory requirements and has established in this regard a professional framework responsible for compliance, good governance and investment risks assessment.

The continuous efforts of our investment team at the alternative investments have successfully closed three more deals in 2014. In February 2014, Dimah managed to exit from the Argos deal. Argos the high quality regional UK logistic warehouse had delivered a net cash dividend of 8.5% on annual basis. We purchased the deal for GBP29.2m and sold it for GBP33m. In July 2014, we managed to purchase a GSA building in Denver, USA for $67.8m with an annual cash dividend of 8%. We finished the year with another good investment execution, where we existed another deal. The Everything Everywhere (EE) office building that was giving 8% net annual cash dividends was sold for GBP23.1m against purchase price of GBP21m.

Dimah's core businesses centers being the portfolio management and the alternative investment delivered a combined profit of KD 974,230 for the year. These investment activities have increased the company's revenues by 4% during 2014 to reach about KD 3,776,593 against revenue of KD 3,622,258 in 2013. Net profit for the year was KD 833,047 against 1,500,368 in 2013.

We believe that 2014 was another year of success for Dimah Capital Investment and Insha'Allah in 2015 we will continue on this path to achieve a higher successful status among domestic and global competitors and deliver good returns for our shareholders and acceptable investment returns for our clients. Insha'Allah

In conclusion, we pray Allah Almighty that our efforts to provide the best for our shareholders and investors will be successful, and pray His Almighty to bless Kuwait our beloved country and its people under the wise leadership of His Highness Emir of Kuwait and His Highness the Crown Prince and the diligent government.

We would also like to extend our deep thanks and appreciation to the Fatwa and Sharia Supervisory Board for its cooperation, as well as for the company's executive management and staff for their efforts in supporting the company's endeavors to achieve its goals and aspirations.

FATWA & SHARIA SUPERVISORY BOARD REPORT

Esteemed Shareholders,

You have entrusted us with the mission of Sharia compliance supervision, and we have monitored the contracts and transactions entered into by the company during the period from 01/01/2013 to 31/12/2013. Our responsibility is limited to expressing an independent opinion on the extent of the company's work and activities compliance with the provisions of Islamic Sharia.
On the basis of the Sharia auditing report submitted by the Sharia supervisory administration, which carried out the audit in accordance with the decisions of the Board made in the light of the standards and regulations issued by the Board of Accounting and Auditing of Islamic Financial Institutions requiring the planning and implementation of the auditing and revision procedures for the purpose of obtaining all the information, explanations and approvals necessary to submit a reasonable confirmation that the company is committed to the Islamic Sharia regulations as we have established them, we believe that the auditing activities carried out by the administration provide appropriate grounds for expressing a reasonable opinion.
The company's administration shall remain responsible for committing to the implementation of the contracts and transactions in accordance with the Islamic Sharia provisions as established by the Fatwa and Sharia Supervisory Board.
Based on the above, the Board sustains that:

1. During the mentioned period, the company complied with its responsibilities with regard to the execution of the contracts and transactions in accordance with the provisions of the Islamic Sharia as specified in the Sharia compliant opinions, guidelines and decisions that we have issued during the mentioned period, and, to the best of our knowledge, no violations of the Sharia principles have been committed.

2. Zakat alms were calculated based on the Board's certified guidelines.

3. All the revenues generated from sources or by means prohibited by Islamic Sharia have been set aside to be used in charity activities.

Fatwa and Shariah Supervisory Board Members

- Dr Naif Mohammad Al-Ajmi
- Dr. Nazem Mohammal Al Musbah
- Dr. Suleiman Maarafie Safar
- Dr. Shujaa Al Outaibi
- Dr. Ibrahim Abdullah Al-Sabaii
- Dr. Mohammad Oud Alfazii'

INDEPENDENT AUDITORS REPORT

The Shareholders
Dimah Capital Investment Company - K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

I have audited the accompanying consolidated financial statements of Dimah Capital Investment Company - K.S.C. (Closed) (the Parent Company) and its subsidiary (the Group) which comprise the consolidated statement of financial position as of December 31, 2014, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in 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.

Auditor's responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dimah Capital Investment Company - K.S.C. (Closed) (the Parent Company) and its subsidiary (The Group) as of December 31, 2014, and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted in the State of Kuwait.

Report on other Legal and Regulatory Requirements

Also in my opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 25 of 2012 and its amendments and its Executive Regulations and the Parent Company's Memorandum of Incorporation and Articles of Association, and I obtained the information I required to perform my audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to me, there were no contraventions during the financial year ended December 31, 2014 of either the Companies Law No. 25 of 2012 and its amendments and its Executive Regulations or the Parent Company's Memorandum of Incorporation and Articles of Association which might have materially affected the Group's financial position or results of its operations.

Also, I further report that, during the course of my audit, I have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency and the Central Bank of Kuwait and the organization of banking business and its related regulations, and I further report that, I have not become aware of any material violation of Law No. 7 of 2010 concerning the Capital Market Authority and Organization of Security Activity, and its amendments and Executive Regulations, during the financial year ended December 31, 2014 that might materially affected the Group's financial position or its operations.

State of Kuwait
June 12, 2015

Nayef M. Al Bazie
Licence No. 91-A
RSM Albazie & Co.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
ASSETS			
Cash on hand and at banks		5,844,825	1,204,155
Investments at fair value through profit or loss		-	992,407
Wakala Investments	4	40,760	40,631
Accounts receivable and other debit balances	5	4,114,951	4,774,002
Due from ultimate parent company	6	2,101,267	2,100,000
Murabaha receivables	7	889,539	913,068
Investments available for sale	8	12,718,864	14,536,614
Investment in associates	9	124,134	1,825,049
Investment properties	10	1,384,294	-
Property and equipment	11	772,530	838,136
Total assets		27,991,164	27,224,062
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and other credit balances	12	525,740	726,434
Provision for end of service indemnity	13	95,691	94,590
Total liabilities		621,431	821,024
Equity:			
Capital	14	24,937,593	24,937,593
Statutory reserve	15	238,532	153,584
Voluntary reserve	16	238,532	153,584
Cumulative change in fair value		89,850	(134,612)
Retained earnings		1,862,359	1,199,228
Equity attributable to Parent Company's shareholders		27,366,866	26,309,377
Non-controlling interests		2,867	93,661
Total equity		27,369,733	26,403,038
Total liabilities and equity		27,991,164	27,224,062

Hosam Nasser Al-Muzaiel
Chairman

Ahmed Sulaiman Al-Khaled
Vice Chairman

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Revenues:			
Net investment income	17	1,257,467	798,819
Consultancy income		-	268,180
Structuring and marketing income		738,758	661,893
Management income		235,472	85,643
Murabaha and wakala income		2,670	12,122
Share of results from associates	9	(12,713)	(234,610)
Gain (loss) on sale of lands	5	318,356	(479,043)
Change in fair value of investment properties	10	451,366	-
Loss on partial sale of investment in an associate		-	(13,515)
Gain on sale of investment properties		-	4,087
Loss on sale of property, plant and equipment		-	(17,453)
Gain on sale of a subsidiary	3	582,604	-
Gain from acquisition of a subsidiary		-	2,321,048
Other income		202,613	215,087
Total revenue		3,776,593	3,622,258
Expenses:			
General and administrative expenses	18	(1,913,917)	(1,930,355)
Depreciation		(76,755)	(63,464)
Provision for murabaha receivables	7	(693,219)	(7,841)
Impairment loss for investments available for sale	8	(96,112)	(50,500)
Finance costs		-	(31,340)
Receivables write-off	5	(147,092)	(8,944)
Total expenses		(2,927,095)	(2,092,444)
Profit (loss) for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS) and Zakat		849,498	1,529,814
Contribution to KFAS	19	(7,644)	(13,823)
Contribution of Zakat	20	(8,807)	(15,623)
Net profit for the year		833,047	1,500,368

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Attributable to:			
Parent Company's shareholders		833,027	1,506,396
Non-controlling interests		20	(6,028)
Net profit (loss) for the year		833,047	1,500,368
Earnings (loss) per share (fils)	19	3.34	8.20

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014 (All amounts are in Kuwaiti Dinars)

	2014	2013
Net profit for the year	833,047	1,500,368
Other comprehensive income (loss):		
Items that may reclassified subsequently to statement of profit or loss:		
Changes in fair value of investments available for sale	87,028	(132,298)
Other comprehensive income (loss) for the year	87,028	(132,298)
Total comprehensive income for the year	920,075	1,368,070
Attributable to:		
Parent Company's shareholders	920,055	1,374,098
Non-controlling interests	20	(6,028)
Total comprehensive income for the year	920,075	1,368,070

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders							
	Capital	Statutory reserve	Voluntary reserve	Cumulative change in fair value	Retained earnings	Sub Total	Non – controlling interests	Total
Balance as of December 31, 2012	15,000,000	36,058	36,058	6,806	(779,820)	14,299,102	2,774	14,301,876
Transfer from reserves to set off accumulated losses	-	(36,058)	(36,058)	-	72,116	-	-	-
Decrease in capital to set off accumulated losses	(707,704)	-	-	-	707,704	-	-	-
Increases in capital	10,645,297	-	-	-	-	10,645,297	-	10,645,297
Effect of acquisition of a subsidiary	-	-	-	(9,120)	-	(9,120)	96,915	87,795
Total comprehensive (loss) income for the year	-	-	-	(132,298)	1,506,396	1,374,098	(6,028)	1,368,070
Transfer to reserves	-	153,584	153,584	-	(307,168)	-	-	-
Balance as of December 31, 2013	24,937,593	153,584	153,584	(134,612)	1,199,228	26,309,377	93,661	26,403,038
Effect of sale of a subsidiary	-	-	-	137,434	-	137,434	(90,814)	46,620
Total comprehensive income for the year	-	-	-	87,028	833,027	920,055	20	920,075
Transfer to reserves	-	84,948	84,948	-	(169,896)	-	-	-
Balance as of December 31, 2014	24,937,593	238,532	238,532	89,850	1,862,359	27,366,866	2,867	27,369,733

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Cash flows from operating activities:			
Profit (loss) for the year before contribution Kuwait Foundation for the Advancement of Science and ZAKAT		849,498	1,529,814
Adjustments:			
Net investment income		(1,257,467)	(798,819)
Murabaha and Wakala income		(2,670)	(12,122)
Share of results from associates		12,713	234,610
(Gain) loss on sale of lands		(318,356)	479,043
Change in fair value of investment properties		(451,366)	-
Loss on partial sale of investment in an associate		-	13,515
Gain on sale of investment properties		-	(4,087)
Loss on sale of property, plant and equipment		-	17,453
Gain on sale of a subsidiary		(582,604)	-
Gain from acquisition of a subsidiary		-	(2,321,048)
Provision for murabaha receivables		693,219	7,841
Impairment loss for investments available for sale		96,112	50,500
Depreciation		76,755	63,464
Finance costs		-	31,340
Receivables write-off		147,092	8,944
Provision for end of service indemnity		70,182	86,397
		(666,892)	(613,155)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		2,084	-
Accounts receivable and other debit balances		1,378,713	3,250,984
Due from ultimate parent company		1,733	259,603
Murabaha receivables		(669,690)	(879,549)
Accounts payable and other credit balances		(98,606)	108,062
Cash (used in) generated from operations		(52,658)	2,125,945

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
End of service indemnity paid		(69,081)	(110,479)
Net cash (used in) generated from operating activities		(121,739)	2,015,466
Cash flows from investing activities:			
Wakala Investments		(129)	89
Purchase of investments available for sale		(7,618,962)	(14,918,778)
Proceeds from sale of investments available for sale		10,383,597	11,598,017
Proceeds from sale of investment in an associate		-	69,004
Net proceeds from sale a subsidiary		1,750,656	-
Proceeds from murabaha and wakala income		2,670	12,122
Proceeds from sale of Investment properties		-	651,312
Net paid to acquire investment in a subsidiary		-	(9,985,553)
Purchase of property and equipment		(11,149)	(22,310)
Investment in unconsolidated subsidiary		-	39,600
Dividend income received		365,726	233,631
Net cash (used in) generated from investing activities		4,872,409	(12,322,866)
Cash flows from financing activities:			
Proceeds from capital increase		-	10,645,297
Purchase of additional investment in a subsidiary		(110,000)	-
Finance costs paid		-	(31,340)
Net cash (used in) generated from financing activities		(110,000)	10,613,957
Net increase in cash on hand and at banks		4,640,670	306,557
Cash on hand and at banks at the beginning of the year		1,204,155	897,598
Cash on hand and at banks at the end of the year		5,844,825	1,204,155

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Dimah Capital Investment Company - K.S.C. (Closed) is a Kuwaiti Closed Shareholding Company was incorporated based on Article of Incorporation authenticated at the Ministry of Justice – Department of Registration and Documentation under Ref. No. 5653 / Vol. 1 on July 15, 2007.

The Parent Company's objectives for which it was incorporated are as follows:

1. Investment in real estate sectors, industrial, agricultural and other economic sectors.
2. Manage public and private institutions funds and invest this funds in various economic sectors.
3. Evaluation and preparation of studies and technical consultations, economic and evaluation and study projects.
4. Mediation in lending and borrowing operations and international trade operations.
5. Provide loans to others, taking into account the financial integrity of assets in the granting of loans.
6. Dealing and trading in the foreign currency market and precious metals market in State of Kuwait and abroad.
7. Special operations related to trading securities of buying and selling stocks and corporate bonds.
8. Invest money in various aspects of investment approved by the Central Bank of Kuwait.

The Company is registered in the commercial register under Ref. No. 323021 on August 21, 2007.

The Company is a subsidiary of Al Imtiaz Investment Group Company - K.S.C. (Public) (The Ultimate parent company).

The Company's registered address is P.O.Box 2152, Safat, State of Kuwait.

The total number of employees of the Company as of December 31, 2014 is 52 employees (2013 – 44 employees).

The Parent Company Shareholder's Extraordinary General Assembly meeting held on October 15, 2014 had ratified to amend certain clauses of the Company's Articles of Association and Memorandum of Incorporation to comply with the requirements of the Companies' Law No. 25 of 2012 and its amendments and Executive Regulations, and that has been registered on the Company's commercial register according to memorandum issued from the department of Shareholding Companies in the Ministry of Commerce and Industry in State of Kuwait No. 487 dated November 10, 2014.

The consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2015. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and with the regulations of the government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for IAS 39 requirements for collective provision, which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities, (if any) as described under the accounting policy for impairment of financial assets. Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the parent company and are prepared under the historical cost convention, except for investments at fair value through profit or loss, investments available for sale and investment properties which are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2 (p).

Standards and Interpretations issued and effective

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2014.

Amendments to IAS 32 - Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement".

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. These new disclosures include fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures required by IFRS 13 Fair Value Measurements.

The adoption of these amendments is not to have any material impact on the consolidated financial statements.

Standards and Interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2017, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments, effective prospectively for annual periods beginning on or after January 1, 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

These amendments and standards are not expected to have any material impact on the consolidated financial statements.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (the Group):

Name of Subsidiaries	Country of incorporation	Principal activities	Percentage of ownership %	
			2014	2013
Al-Wather for General Trading and Construction - W.L.L.	State of Kuwait	General Trading	99%	99%
Al Fouz Investment Company- K.S.C. (Closed)	State of Kuwait	Investment	-	99.27%

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company

- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns

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

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquire, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate

c) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, Investments at fair value through profit or loss, receivables, due from ultimate parent company, murabaha receivables, investment available for sale and payables.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

1- Investments

The Group classifies its investments in the following categories: Investments at fair value through profit or loss and available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

a) Investments at fair value through profit or loss
This category has two sub-categories: investments held for trading, and those designated at fair value through profit or loss at inception.

- An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

- An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from end of the reporting period.

b) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement

After initial recognition, investments at fair value through profit or loss and investments available for sale are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

An investment (in whole or in part) is derecognized either when:

A- The contractual rights to receive the cash flows from the investment have expired.

B- The Group has transferred its rights to receive cash flows from the investment and either .

1- has transferred substantially all the risks and rewards of ownership of the investment

2- has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

Impairment

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

2- Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss

3- Murabaha receivables:

Murabaha receivable represents a sale of commodity with deferred instalments. Murabaha receivables are stated net of impairment losses or provision for doubtful debts.

The provision for impairment for finance receivable complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all credit facilities net of certain categories of collateral, to which the Central Bank of Kuwait instructions are applicable and not subject to specific provision.

4- Accounts payable

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

d) Associates

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group is interest in that associate (which includes any long-term interests that, in substance, form part of the Group net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group interest in 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. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group’s investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

e) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

f) Property and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of other property and equipment as follows:

	Years
Buildings	25
Computer	3 – 5
Tools and equipments	3
Furniture and fixtures	5
Vehicles	5

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

g) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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.

Recoverable amount is the higher of the 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

h) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

i) Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

j) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1) Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

2) Consultancy and management services income

Consultancy and management services income is recognized when the service is provided for customers.

3) Dividend income

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

4) Murabaha and wakala income

Murabaha and wakala income is recognized, when earned, on a time apportionment basis by using the effective interest method.

5) Revenue on sale of land

Revenue on sale of land is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed.
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property.
- The Group's receivable is not subject to future subordination.
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.
- Work to be completed is either, easily measurable and accrued or is not significant in relation to the overall value of the contract. If all except for the last criterion listed above are fulfilled, the percentage of completion method is adopted to recognize revenue.

6) Other income and expenses

Other income and expenses are recognized on accrual basis.

k) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that 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 consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

n) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

o) Fiduciary assets

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

p) Critical accounting judgments, estimates and assumptions

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates..

a) **Judgments:**

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition:
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Classification of land
Upon acquisition of land, the Group classifies the land as investment properties, when the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment properties.

(iii) Provision for doubtful debts
The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(iv) Classification of investments
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through profit or loss" or "available for sale" . The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(v) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period 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:

(i) Fair value of unquoted equity investments:

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Provision for doubtful debts:

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

(iii) Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of profit or loss. Two main methods were used to determine the fair value of the investment properties:

(a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

(iv) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Sale of a subsidiary

During the year, the Parent Company sold its 99.20% investment in a subsidiary (Al Fouz Investment Company - K.S.C. (Closed)) for an amount of KD 13,289,328 which resulted in a gain from sale of a subsidiary of KD 582,604.

Assets and liabilities of a subsidiary at the date of sale	Kuwaiti Dinar
Cash on hand and at banks	1,050,299
Investments at fair value through profit or loss	905,431
Accounts receivable and other debit balances	3,961,840
Advance payments to purchase properties	-
Investments available for sale	3,002,074
Investment in associates	1,812,336
Investment properties	1,280,300
Property and equipment	738,585
Accounts payable and other credit balances	(98,437)
Cumulative change in fair value	137,434
Net equity	12,789,862
Book value for sold shares	(12,687,543)
Reversal of effect of acquisition investment in a subsidiary	(19,181)
Net book value for sold shares	(12,706,724)
Sele amount	13,289,328
Gain on sale a subsidiary	582,604

Name of the Company	Ownership percentage	
	Before reclassification	After reclassification
Al Fouz Investment Company - K.S.C. (Closed)	99.98%	0.01%

During the year, an amount of KD 2,800,955 was collected, and assets were repurchased from the former subsidiary for KD 9,098,954 for settlement of sale proceeds according to triparty settlement contract. The remaining amount of KD 1,330,533 were presented as due from sale of a subsidiary (Note 5) after writing off KD 58,886 in the consolidation statement of profit or loss (Note 5-c). The amount is due to be received on April 1, 2015. Assets purchased represent the following:

Item	Kuwaiti Dinar
Accounts receivable and other debit balances	3,953,861
Investments available for sale	3,002,074
Investment properties	1,280,300
Investment in an associate	124,134
Property and equipment	738,585
Total	9,098,954

The ownership of property and equipment amounted of KD 738,585 and certain investments available for sale amounted of KD 1,820,855 was not transferred till the date of consolidated financial statements and its under the process of transferring ownership.

4. Wakala Investments

Wakala investments represent contracts with Islamic financial institution. The effective rate of return ranges from 0.75% to1.25% per annum (December 31, 2013 – 0.75% to 1.25% per annum).

5. Accounts receivable and other debit balances

	2014	2013
Payments to purchase investment properties (a)	-	932,928
Due from sale of investment properties (b)	2,730,682	3,756,024
Due from sale of a subsidiary	1,330,533	-
Staff receivable	465	2,310
Prepaid expenses and other	53,271	82,740
	4,114,951	4,774,002

a) During the year, the Group has received waiver letter for investment properties which was included in payments to purchase investment properties, and is transferred to investment properties (Note 10).

b) Due from sale of investment properties of KD 3,953,861 resulted from purchase of assets from a former subsidiary (Note 3), after deducting an amount of KD 479,043 which was recognized as a loss on sale of lands during year 2013 included in the financial statement of the former subsidiary. During the six months ended June 30, 2014, the Group had recorded part of deferred revenue amount KD 197,837. Also, the Parent Company had recorded part of deferred revenue for the six months ended December 31, 2014 of KD 120,519. The remaining deferred revenue of KD 160,687 will be recognized within the consolidated statement of profit or loss based on a proportionate time basis. In October, 2014, an amount of KD 1,255,948 was received which represent the second installment from sale of lands. The Group had written off an amount of KD 87,750 (Note 5-c)

c) During the year, the Group write off receivables amounted to KD 147,092, which included an amount of KD 58,886 in due from sale of a subsidiary (Note 3), and KD 87,750 from due from sale of investment properties (Note 5-b) and amount of KD 456 from other debit balance.

6. Related party disclosures

The Group has entered into various transactions with related parties, i.e. the ultimate parent company and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

Balances included in the consolidated statement of financial position	Ultimate Parent Company	Other related parties	2014	2013
Accounts receivable and other debit balances	5,703	-	5,703	5,101
Due from ultimate parent company (a)	2,101,267	-	2,101,267	2,100,000
Murabaha receivables	-	-	-	220,046
Transactions included in the consolidated statement of profit or loss				
Consultancy income	-	-	-	250,000
Murabaha income	-	-	-	3,320
Net investment income	-	-	-	112,998

Key management compensation	2014	2013
Short term benefits	301,465	347,608
Post - employment benefits	24,346	29,308

a) Due from ultimate Parent Company include an amount of KD 2,100,000 secured against local shares. The amount will be settled on June 30, 2015.

7. Murabaha receivables

	2014	2013
Murabaha receivables	1,592,191	922,501
Less: provision for impairment	(702,652)	(9,433)
	889,539	913,068

Movement in provision for impairment of murabaha receivables is as follows:

	2014	2013
Balance at the beginning of the year	9,433	1,592
Provision charge for the year	702,652	9,389
Provision no longer required	(9,433)	(1,548)
Balance at the end of the year	702,652	9,433

The provision for impairment for Murabaha receivables complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all credit facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision.

During the year, the Parent Company had granted murabaha for its former subsidiary (Al Fouz Investment Company - K.S.C. (Closed)) an amount of KD 900,000, with average cost 5% per annum and mature on October 29, 2014, it is secured against pledges the Ultimate Parent Company's shares. Murabha receivable was not paid on its maturity and the settlement date had been postponed to April 15, 2015.

8. Investments available for sale

	2014	2013
Quoted equity securities	2,200,412	3,025,628
Unquoted equity securities	6,271,920	8,968,659
Funds and portfolios	4,246,532	2,542,327
	12,718,864	14,536,614

It was not possible to reliably measure the fair value of unquoted equity securities amounting to KD 6,271,920 (December 31, 2013 – KD 8,968,659) due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses
The movement during the year is as follows:

	2014	2013
Balance at the beginning of the year	14,536,614	11,567,783
Effect of (sale) / acquisition of a subsidiary (Note 3)	(3,002,074)	1,396,163
Additions (a)	10,529,451	14,918,778
Disposals	(9,427,628)	(13,122,312)
Transfer from / (to) investment in a subsidiary	91,585	(41,000)
Change in fair value	87,028	(132,298)
Impairment loss	(96,112)	(50,500)
Balance at the end of the year	12,718,864	14,536,614

a) Additions include investments which the Parent Company purchase it during the year from the former subsidiary with a book value of KD 3,002,074 (Note 3).

Investments available for sale are demonstrated in the following currencies:

	2014	2013
Currency:		
Kuwait Dinar	8,178,914	5,584,652
US Dollar	1,194,963	2,027,226
Bahrain Dinar	479,941	506,135
GBP	906,724	4,801,037
Other currency	1,958,322	1,617,564
	12,718,864	14,536,614

9. Investment in associates

Investment in associates resulted from acquisition of a subsidiary (Note 3).

			Ownership percentage %			
Name of subsidiary	Country of incorporation	Principle activities	2014	2013	2014	2013
Ajwan Al Khalij Real Estate Company - K.S.C. (Closed)	State of Kuwait	Real Estate	-	21.62	-	1,650,764
Estidamah Holding Company – K.S.C. (Holding)	State of Kuwait	Holding	21.77	22.08	124,134	174,285
					124,134	1,825,049

The movement during the year was as follows:

	2014	2013
Balance at the beginning of the year	1,825,049	-
Effect of (sale) acquisition on a subsidiary (Note 3)	(1,812,336)	2,142,178
Additions (Note3)	124,134	-
Disposals	-	(82,519)
Share of results from associates	(12,713)	(234,610)
Balance at the end of the year	124,134	1,825,049

10 Investment properties

	2014	2013
Balance at the beginning of the year	-	-
Transfer from payments to purchase investment properties (a)	932,928	-
Effect of (sale) acquisition of a subsidiary (Note 3)	(1,280,300)	647,225
Additions (b)	1,280,300	-
Disposals	-	(647,225)
Cumulative change in fair value	451,366	-
Balance at the end of the year	1,384,294	-

a) During the year, the Group transferred amount of KD 932,928 from payments to purchase investment properties (Note 5) after obtaining waiver letter and record it at fair value of KD 1,280,300 based on two independent valuers at the date of transfer, which resulted in a revaluation gain of KD 347,372, included in the consolidated statement of profit or loss.

b) The Parent Company purchased investment properties from the former subsidiary with its book value of KD 1,280,300 (Note 3).

The fair value of the Group's investment properties as of December 31, 2014 is based on valuation by two independent valuers. Management of the Group has complied with Capital Markets Authority decision dated July 23, 2012 with respect to guidelines for valuation of investment properties. Investment properties represent lands which included in the second level according to the fair value measurement which are valued by two independent valuers based on comparative market selling.

11. Property and equipment

	Buildings	Computer	Tools and Equipment	Furniture and fixtures	Vehicles	Total
Cost:						
As of December 31, 2013	1,028,670	318,738	23,940	481,884	20,550	1,873,782
Additions	738,280	8,812	983	1,660	-	749,735
Effect of sale of a subsidiary	(1,028,670)	(174,145)	-	(464,048)	-	(1,666,863)
As of December 31, 2014	**738,280**	**153,405**	**24,923**	**19,496**	**20,550**	**956,654**
Accumulated depreciation:						
As of December 31, 2013	269,816	291,296	14,336	454,368	5,830	1,035,646
Charge for the year	14,806	13,022	6,383	3,867	4,109	42,187
Effect of sale of a subsidiary	(269,816)	(174,065)	-	(449,828)	-	(893,709)
As of December 31, 2014	**14,806**	**130,253**	**20,719**	**8,407**	**9,939**	**184,124**
Net book value:						
As of December 31, 2014	**723,474**	**23,152**	**4,204**	**11,089**	**10,611**	**772,530**
As of December 31, 2013	758,854	27,442	9,604	27,516	14,720	838,136

12. Accounts payable and other credit balances

	2014	2013
Accrued expenses	20,274	95,732
Accrued sharea'a Zakat	275,832	132,011
Accrued staff leave	71,878	88,316
Accrued staff bonus	100,000	254,480
Accrued KFAS	7,644	13,823
Accrued Zakat	8,807	15,623
Other credit balances	41,305	126,449
	525,740	726,434

13. Provision for end of service indemnity

	2014	2013
Balance at beginning of the year	94,590	49,255
Effect of acquisition of a subsidiary	-	69,417
Charge for the year	70,182	86,397
Paid during the year	(69,081)	(110,479)
Balance at the end of the year	95,691	94,590

14. Capital

The authorized, issued and fully paid up capital consists of 249,375,930 shares with nominal value of 100 fils each and all shares are in cash.

The Parent Company Shareholders' Extraordinary General Assembly held on October 15, 2014 had approved the decrease in capital from KD 25,023,732 to KD 24,937,593, since the unpaid amount was not collected, hence the company decide to have its authorized, issued and fully paid up capital as KD 24,937,593. The above was notarized in the commercial register on December 3, 2014.

15. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

16 Voluntary reserve

As required by the Parent Company's Article of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

17. Net investment income

	2014	2013
Unrealized loss from investments at fair value through profit or loss	(66,576)	-
Realized gain from sale of investments at fair value through profit or loss	1,786	-
Realized gain from sale of investments available for sale	955,969	575,631
Dividend income	366,288	223,188
	1,257,467	798,819

18. General and administrative expenses

During the year ended December 31, 2014, staff costs which are included in general and administrative expenses amounted to KD 1,067,124 (December 31, 2013 – KD 1,215,313).

20. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the consolidated profit of the Company before deducting contribution to Kuwait Foundation for the advancement of science, contribution to Zakat after transfer to statutory reserve, after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

20. Contribution to Zakat

Contribution to Zakat is calculated at 1% on the consolidated profit of the Parent Company before deducting contribution to Kuwait Foundation for the advancement of science and contribution to Zakat, after deducting its share of profit from Kuwaiti shareholding associates and cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

21. Earnings per share

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2014	2013
Net profit for the year attributable to the Parent Company's shareholders (KD)	833,027	1,506,396
Weighted average number of outstanding shares during the year (shares)	249,375,930	183,666,903
Earnings per share attributable to the Parent Company's shareholders (fils)	3.34	8.20

22. Shareholders' General Assembly and Proposed dividends

The Board of Directors' meeting held on March 12, 2015 proposed not to distribute cash dividends for the year ended December 31, 2014, also not to distribute Board of Directors' remuneration. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly meeting held on October 15, 2014 approved not to distribute cash dividends and Board of Directors' remuneration for the year ended December 31, 2013.

23. Fiduciary assets

The aggregate value of assets held in a trust or fiduciary capacity by the Parent Company (Items off consolidated statement of financial position) as of December 31, 2014 amounted to KD 44,827,894 (December 31, 2013 – KD 38,845,903).

24. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, wakala investments, investments at fair value through profit or loss, receivables, due from ultimate parent company, murabaha receivables, investments available for sale and payables and as a result, is exposed to the risks indicated below.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, wakala investments, receivables, due from ultimate parent company and murabaha receivables. The cash at banks and wakala placed with high credit rating financial institutions. Receivables are presented net of provision for doubtful debts. Murabaha receivables are presented net of provision as per the requirements of Central Bank of Kuwait.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, wakala investments, receivables, due from ultimate parent company and murabaha receivables.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves.

The maturity table of financial liabilities is as follows:

2014	From 1 to 3 months	From 3 to 12 months	Total
Financial liabilities			
Accounts payable and other credit balances	-	525,740	525,740
Total liabilities	-	525,740	525,740

2013	From 1 to 3 months	From 3 to 12 months	Total
Financial liabilities			
Accounts payable and other credit balances	88,316	638,118	726,434
Total liabilities	88,316	638,118	726,434

c) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of return rate. The effective return rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes. The Group is not currently exposed significantly to such risk.

d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate used by the group against Kuwaiti Dinar:

	2014		2013	
	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss(KD)	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss (KD)
U S Dollar	±5%	±59,748	±5%	±101,361
Bahrain Dinar	±5%	±23,997	±5%	±25,307
GBP	±5%	±45,336	±5%	± 240,052
Other currency	±5%	±97,916	±5%	± 80,878

e) Equity price risk:

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group›s investment in equity securities classified as at fair value through profit or loss and available for sale arises from the Group's investment portfolio. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the reporting date:

	2014		
Market Indices	Change in equity price %	Effect on consolidated statement of income	Effect on consolidated statement of comprehensive income
Kuwait Stock Exchange	±5%	-	±19,757

	2013		
Market Indices	Change in equity price %	Effect on consolidated statement of income	Effect on consolidated statement of comprehensive income
Kuwait Stock Exchange	±5%	±49,620	±16,680

25. Fair value measurement

The Group measures financial assets such as investments at fair value through profit or loss and available for sale investments and non – financial assets such as investment properties at fair value at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

2014	Level 1	Level 2	Total
Assets			
Investments available for sale	2,200,412	1,319,252	6,446,944
	2,200,412	1,339,652	6,446,944

2013	Level 1	Level 2	Total
Assets			
Investments at fair value through profit or loss	972,007	20,400	992,407
Investments available for sale	3,025,628	2,542,327	5,567,955
	3,997,635	2,562,727	6,560,362

As of December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note (8). The management of the Group has assessed that fair value of its financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value details of investment properties are mentioned in Notes No. (10).

26. Capital risk management

The Group's objectives when managing capital resources are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividend paid to shareholders, return capital, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

27. Contingent liabilities

	2014	2013
Letters of guarantee	20,402	20,402

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