



Arzan Financial Group
For Financing & Investment K.P.S.C.

Annual Report





HH the Amir

Sheikh/ Sabah Al-Ahmad Al-Jaber Al-Sabah



HH the Crown Prince

Sheikh/ Nawaf Al-Ahmad Al-Jaber Al-Sabah

YOUR TRUSTED PARTNER IN ALL FINANCIAL SERVICES

Arzan Financial Group for Financing and Investment K.S.P.C.
Established on 15th April 1980

Paid up Capital: KD 80,288,257
(Eighty million two hundred and eighty eight thousand
and two hundred and fifty seven thousand Kuwaiti Dinars)

Head Office

Sharq - Arzan Tower
P.O. Box: 26442 - Safat - 13125 Safat, Kuwait
Tel.: (965) 1 820 200 - Fax: (965) 2242 8875
www.arzan.com.kw

BOARD MEMBERS CONTENT

Jassem Hasan Zainal

Chairman & CEO

Ebrahim Saleh Al-Tharban

Vice Chairman

Emad Abdullah Al Eissa

Board Member

Rami Khaled Abdullah

Board Member

Ammar Taleb Hajeyah

Board Member

Ahmad Faisal Al Qatami

Board Member

Abdul Hamid Mihrez

Board Member

Members Message

Chairman's Message

Arzan Wealth

Arzan Asset Management

Arzan Brokerage

Arzan Credit & Collections

Arzan Venture Capital

Risk Management & Compliance

Information Technology

Internal Audit

Marketing

Human Resources

Finance Department

Independent Auditors' Report

Consolidated Statement of Income

Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes In Equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

07

08

09

10

10

11

11

12

14

14

15

15

16

22

23

24

25

26

28

30 to 84

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

Arzan Financial Group for Financing and Investment - K.P.S.C.
and its Subsidiaries Kuwait

31 December 2014

**MANAGEMENT'S
MESSAGE**

CHAIRMAN'S MESSAGE



On behalf of the Board of Directors, it is my pleasure to present to you Arzan Financial Group's 2014 annual financial report. The annual report discloses Arzan Financial Group's operational results and the firm's financial position after completing its set 2012 to 2014 strategic plan.

Despite the risks associated with investment, be it economic or political, Arzan spearheaded its way to implementing its strategy for 2014 with an eye on reaping the best returns for its shareholders. Amid the global turmoil, from volatile oil prices to political transitions, to growing security challenges, Arzan was able to dynamically and successfully manage its business.

The global investment scene has proved to be particularly divergent recently, with the United States displaying pre-crisis economic indicators, while the financial crisis still shadows over Europe; the Eurozone is still struggling with some of its counterparts to maintain its union. On the Far Eastern scene of the globe, Japan recessed towards the end of 2014 while China is attempting to control its decelerating growth rate after being the prime advocate of growth in the recent years.

Global growth is forecasted to rise moderately in 2015/2016, from 3.3% in 2014 to 3.5% in 2015 and 3.7% in 2016. These figures are post the re-evaluation of the global outlook that was revisited in October 2014 by international monetary bodies such as The World Bank and IMF, following the sharp decline in oil prices.

At Arzan, we are believers in the diversity of income and therefore we always structure our strategies as multidimensional and dynamic ones. This approach has enabled us to endure circumstantial variables and repercussions which strengthen our commitment to our shareholders.

Your trust and belief in Arzan's vision has been a true source of inspiration and support. We look forward to exceeding your expectations in the years to come.

The board increased the number of independent members that included experts in the finance and investment fields during 2014 to comply with the corporate governance requirements and to strengthen the board's position and role to meet its assigned responsibilities.

Thus, the board advised to distribute incentives to its members amounting to KD 6,000 for the fiscal year for their hard work and great efforts during last year, in addition to an allowance of KD 4,000 to committee members.

On my behalf and on behalf of the Board of Directors, I would like to thank with great gratitude and appreciation His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al -Sabah, Amir of the State of Kuwait, the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al -Sabah, and His Highness Sheikh Jaber Mubarak Al-Hamad Sabah, the Prime Minister, may Allah protect and save them, and the Deputy Prime Minister and the Minister of Commerce & Industry, Dr. Abdul Mohsen Al-Mudaj, His Excellency the Governor of the Central Bank, Dr. Mohammad Yousuf Al-Hashel, and Dr. Naif Falah Al Hajraf, Chairman of the Board of Commissioners of the Capital Markets Authority, for their enduring support and valuable guidance.

I would also like to take this opportunity to express my sincere and profound recognition and appreciation to the shareholders for giving us their confidence and their unwavering support. My sincere gratitude goes out to all of our customers for their confidence in the firm, and to Arzan Financial Group employees for their outmost dedication and hard work.

By Jassem Hasan Zainal
Chairman & CEO

ARZAN WEALTH

During 2014, Arzan Wealth achieved several milestones in its growth journey. With the valuable support of our expanding network of investor partners, we were able to successfully advise on the acquisition of four real estate assets in four different countries. Of those acquisitions, three were part of our highly regarded yielding strategy which offers high security of principal and a predictable and stable monthly income stream.

Of greater importance than new acquisitions, is the continuous delivery of results by Arzan Wealth on deals completed in the past. We are particularly proud of the fact that 2014 witnessed our first exit from an asset, delivering an IRR of 16.6% versus the initially projected IRR of 12.4%. This was a major milestone as it marked the first return of capital to our investor partners from a completed investment cycle.

Arzan Wealth looks forward to the opportunity to continue on its mission of providing world class advice to its clients, with the aim of achieving a diversified portfolio of safe and income producing investments in major mature economies. We consider our greatest success to be the prudent nurturing of our clients' wealth, and the protection and preservation of their legacies.

During these turbulent macroeconomic and geopolitical circumstances around the world, we feel that investors need to prioritize global diversification, safety and regular income. Arzan Wealth has developed an enviable track record in this regard.

By Muhannad Abulhasan
Chief Executive Officer – Arzan Wealth

ARZAN

ASSET MANAGEMENT

The department aims to compose a diversified portfolio in an attempt to outperform the market. The portfolio's strategy is mainly focused on blue chip, large cap equities to achieve long term investments with short term capital appreciation. The department maintains a conservative risk appetite with a slight increase in risk due to the macroeconomics of the markets.

The portfolio composite is diversified throughout the targeted sectors of interest and is reviewed quarterly on performance basis. The department uses both technical and fundamental analysis approaches in a way to arrive at the desired asset distribution equilibrium.

ARZAN

BROKERAGE

The department's mission and vision are comprised mainly on the current plans for the brokerage in the restructuring and recapitalizing of the subsidiaries brokerage companies, with a prime focus on Egypt. The department holds a positive outlook to Egypt for a number of attributes, mainly since it is one of the primary markets that demonstrated success in the past period. The department's successful expansion in Egypt is due to the capital increase which aims to increase the department's return in numerous ways.

Egypt is the key component in our portfolio next year, backed by our forecasts of positive economic views. The existing plans for the brokerage in Egypt are to increase the clientele base, provide increased products for the customers and open new branches in Egypt.

The department's positive approach is in the diversification of its investments as a way to increase both return and client base.

The department is vigilant in monitoring the Brokerage Subsidiaries which are EFG Hermes IFA (Kuwait), IFA Securities Brokerage (Egypt), and IFA Financial Services (Jordan). Annual and quarterly reports are produced as well as annual visitations to optimize operational efficiency for our brokerage subsidiaries and the department as a whole.

By Talal Bader Al Bahar

Executive Director - Asset Management & Brokerage

ARZAN

CREDIT & COLLECTIONS

Credit & Collections division has performed exceptionally well during the year 2014. Although the market has presented tough challenges and fierce competition from all financing institutions, consumer as well as SME's credit performance have however witnessed a surge after conducting a market research, employing new qualified professionals and amending lending policies and procedures to reclaim our position as one of the leading financing company in the market. As a result, revenue figures was remarkably higher compared to 2013.

Moreover, Insurance Brokerage sub-division has also witnessed a growth as a result of credit division performance serving all clients in finalizing automotive car insurance policies and starting a new marketing strategy by signing deals to promote products on behalf of insurance companies and auto road services.

Last but not least, in order to improve the collection efficiency and earnings, the Credit division transformed the existing Collections unit into a fully-fledged third party Collections Company under the name of "Arzan Collections Company" with the objective to provide collection services both to Arzan Financial Group and third parties. A new team of professionals was recruited for the task, and all delinquencies have been maintained at a very low ratio.

By Khaled Sultan Murad

Executive Director - Credit & Collections

ARZAN

VENTURE CAPITAL

We at Arzan VC aim to help build a strong entrepreneurial eco system in the MENA region. Entrepreneurs in this region are in need for major financial and technical support, hence we built our strategy and team accordingly.

In 2014, we were able to meet entrepreneurs from different countries with diverse backgrounds. We looked at 100 different opportunities and invested in three unique companies, one of which is Kuwait based. We have built a strong investment process that will allow us to add value into the invested companies.

In 2015, we will continue to support entrepreneurs throughout the MENA by sponsoring events, investing and mentoring. We will focus more on closing deals and following up on our existing investments. We believe that there is a huge opportunity in this field and we are here to capture it!

By Hasan J. Zainal

Partner - Arzan VC

RISK MANAGEMENT & COMPLIANCE

1. Arzan Risk Management Principles

The management of risk lies at the heart of Arzan business strategy. We actively take risks in connection with our business and follow stringent risk principles in order to preserve and enhance value for our shareholders.

Our risk strategy is based on the following risk principles.

- a. Risk is taken within Board of Directors defined risk appetite guidelines;
- b. Risk should be continuously monitored and managed;
- c. A strong risk culture within the organization.

2. Risk Management Governance

The Risk Management function is independent within the organizational governance structure and is not involved in the origination, trading or lending activities. The independence of the risk function is consistently monitored to ensure that risk decisions are not compromised and/or influenced and adequate balance between risk and return is achieved in order to accomplish our sustainable growth objectives.

During the year 2014, Arzan has taken a number of initiatives in order to enhance risk management capabilities by increasing the number of head counts and imparting different training courses to our Risk Management staff. We have also implemented a strong risk culture and we commit to maintain this in the coming years including 2015 by imparting different risk training and awareness sessions to the employees.

3. Operational Risk Management

Arzan has devised and implemented a comprehensive framework for the management of Operational Risk. The following are the key elements of such comprehensive operational risk framework;

- a. Risk and Control Self-Assessment (RCSA);
- b. Residual Risk Registers;
- c. Key Risk Indicators (KRIs);
- d. Loss data collection and incident management.

The risk team has conducted regular workshops and brainstorming sessions for completing the Risk and Control Self-Assessments (RCSAs) for different departments. Inventory of inherent risks, corresponding controls and residual risks have been identified and assessed. The team also reached the Residual Risks register by stating the summary of risks needed for management attention. The Residual Risk Register is being used for monitoring the risk strategies (acceptance, avoidance, transfer or dilution) and risk migration on a periodic basis.

Risk Management has also started the process of collection and analysis of Key Risk Indicators (KRIs) and lodgment of operational risk incidents occurred.

In addition, Risk Management is consistently trying to update the policies and procedures, authority matrix and organizational structure to ensure that employees cannot exploit internal controls for misappropriation of Arzan assets.

4. Market Risk Management

Arzan is exposed to Market Risk due to adverse movement in the equity prices, FX rates and interest rates. The Market Risk is primarily managed and retained within the Board defined limit structure.

The Risk Management has worked out Value at Risk (VaR) model by passing through different phases of testing and validation to ensure that model deliver accurate and reliable results.

We have started to calculate the VaR for foreign currency and equity investment exposure under different scenarios and assumptions. The information derived from VaR calculation will help the business manager to take prompt decisions and avoid excessive risks. In 2015, we will further enhance our model, increase its coverage to ensure that VaR findings become an integrated part of the key decisions making.

5. Corporate Governance

During the year 2014, Arzan has accomplished a milestone and inducted two independent members in its current Board of Directors (BOD) in line with the best corporate governance guidelines.

Arzan is also gradually working to implement the Capital Market Authority (CMA) guidelines on corporate governance and confident that we will be fully compliant before the deadline. We have developed an internal forum, which report directly to the CEO and update regarding the implementation of Corporate Governance recommendation to ensure that Arzan will be fully compliant with such requirements way before the deadline.

6. Anti-Money Laundering (AML)

Arzan gives utmost importance to AML policies, regulatory requirements and controls required to combat Anti-Money Laundering (AML) particularly keeping in view the various regional and international developments. During the year 2014, we have imparted AML training to our employees and we are regularly working to improve AML policies including the customer screening process and enhanced due diligence and periodic reporting to different regulatory authorities.

By Sohail Ur Rehman Toor

Head of Risk Management & Compliance

INFORMATION TECHNOLOGY

In the year 2014, the Information Technology department contributed a great deal to the core business systems transformation program that covers Arzan Financial Group (AFG) business needs. IT Department's main focus of this year was to address AFG's top managements' strategy by covering AFG's business needs that triggered multi projects depending on redesigning AFG's IT infrastructure to match the technology advancements in the area of networks and security.

The core business transformation project aimed at the T24 Automated Analysis and Build System (TAABS) activity to consolidate today's and the future's credit & finance requirements. This includes implementing a new policy driven credit origination system and consolidation of the group subsidiaries.

The current systems used in AFG were to be replaced due to technology and business enhancement constraints. AFG concluded the TAABS activity with all requirements documented for the Core business to start the implementation of Temenos system "T24". The needs of the Arzan Collections Company, one of the group's subsidiaries were fulfilled with the system from Pio-Tech vendor. System for Payment Gateway was hunted to serve SWIFT services for full automation of money transfers with the service known as Straight Thru Process STP requirements from East Nets vendor, which will play a major part of speeding up AFG's consumer loan process. All systems procured are in line with the IT strategy and based on the latest Service Oriented Architecture (SOA). The requirement to have a centralized Management Information System (MIS) for the Group was also incorporated in the procurement of these systems to address the operational, compliance and decision support and analytics. The IT department concluded the procurement of the IP-telephony system for the group to facilitate AFG with the latest communication advanced technology that can link AFG office in Kuwait with its subsidiaries and its current and future potential branches outside of Kuwait.

By Ahmad Al Homaid

Administration & IT Manager

INTERNAL AUDIT

Arzan has an Internal Audit function that is commensurate with the size, nature and extent of business conducted by the company. The Manager of the Internal Audit functionally reports to the Board Audit Committee and administratively to the Chief Executive Officer. A risk based audit approach is followed and the Board Audit Committee approves annual audit plans.

The scope of work of the Internal Audit department is to determine whether Arzan's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning.

The Internal Audit function verifies the adequacy and effectiveness of internal controls from operation, financial and statutory compliance point of view through a blend of process and transactional audits.

A summary of significant observations along with any action plan identified by the management is placed quarterly before the Board Audit Committee for review and guidance.

By Karthikeyan Palanisamy

Manager - Internal Audit

MARKETING

At Arzan, we acknowledge that communication and marketing strategies are parallel and enrich each other; and that they also lie at the heart of the business success. By managing our brand communication we take into consideration our stakeholders, our clients, our employees, our regulators, the media and the community. Our objective is therefore to provide a better understanding of every segment of our business, our approach and our value add proposition to our target audience as aforementioned.

We put a lot of emphasis on clear and consistent communication as it's been the primary medium and contributor to Arzan Financial Group (AFG) successful expansion, whether in increasing its line of business to meet its clients' needs or by increasing its revenue and achieving its business objectives. The brand is gradually becoming familiar and indistinguishable in an increasingly competitive market.

AFG strives to reassert its position in the market by daily reinforcing its organizational objectives which are to protect clients' and shareholders' wealth, safeguard their trust and attend to their every need by diversifying its financial activities. We aim to craft a market leader position as a fully-fledged and value-creator investment and financing house in the mind of our targeted clientele.

By Jawaher Menassa

Head of Marketing & Client Relations

HUMAN RESOURCES

The HR department at Arzan Financial Group aims at providing a structure to the company that will aid in meeting business requirements by managing the company's most valuable resources - our Employees. We attract high performing individuals from different walks of life who bring with them a unique point of view and unique business skills as diversity of ideas and thoughts enable us to provide better services to our client. At Arzan, we ensure that our workforce receives the experience and training that will help our employees to progress and develop in their career path. We offer a competitive compensation and benefits package, with good training and an enthusiastic working environment. Reward and recognition form an integral part of our company's Human Resource Policy. At Arzan, we invest in our employees by supporting them to take up Bachelors, Masters or any professional certifications related to their job profile. We at Arzan believe that employers who treat their employees well can outperform their peers in customer satisfaction, revenue growth and overall profitability.

By Abeer Botrous

HR Services Manager

FINANCE DEPARTMENT

The success achieved by Arzan Financial Group for Financing and Investments in 2014 comes as a result of the firm's commitment and successful implementation of its 2012 to 2014 strategic plan. The plan entailed diversification of income streams to increase profits whilst maintaining low levels of risk and developing the business environment.

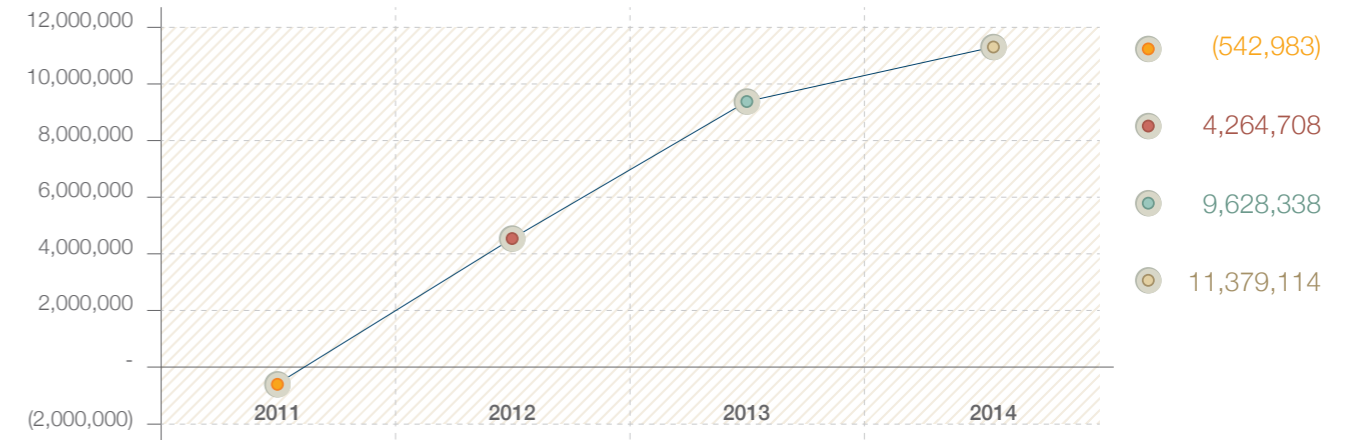
During 2014, the group witnessed an exceptional financial performance as it achieved a net profit of KD 3.61 million compared to a net profit of KD 2.37 million in 2013 which is a 52% increase from the previous year. Furthermore, the total assets of the group amounted to KD 183.71 million as of December 2014 which represents a 7% growth from the previous year.

Below, are the other financial indicators which outline the outstanding performance of Arzan Financial Group.

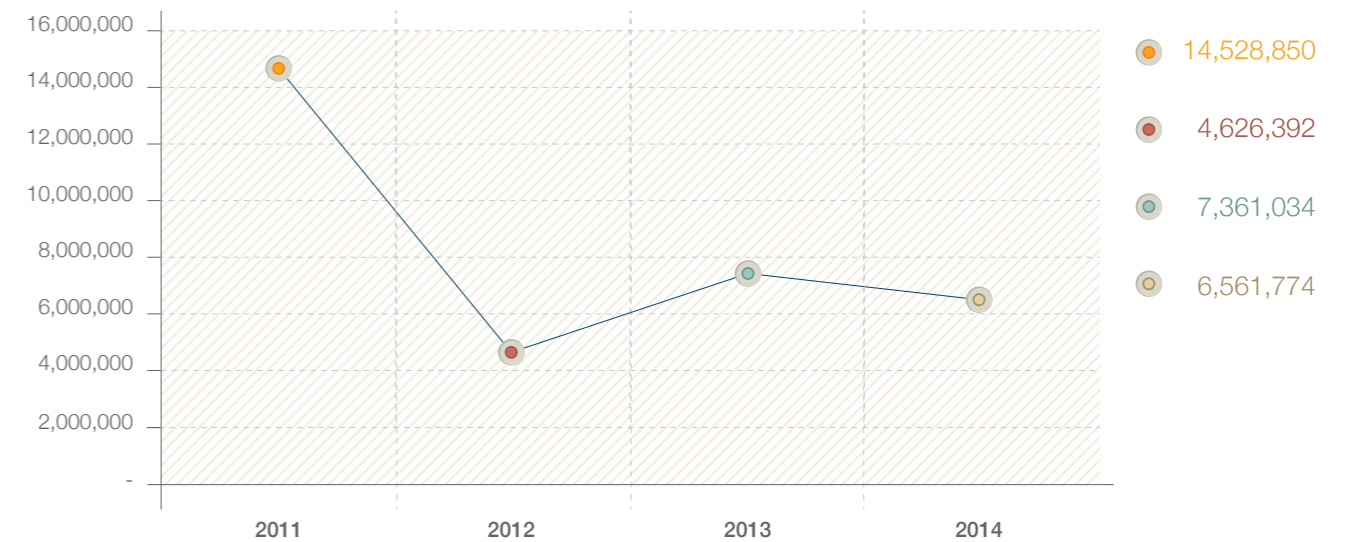
By Mohammed Farid

Director of Finance

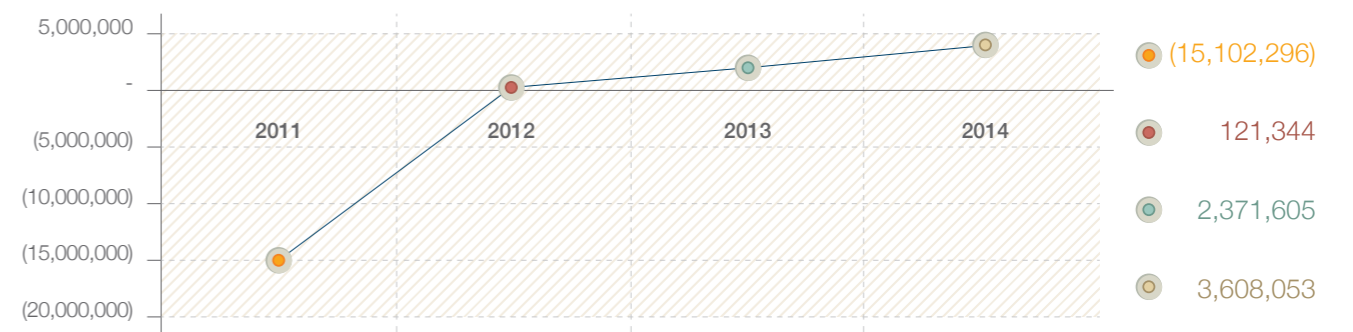
INCOME



EXPENSES

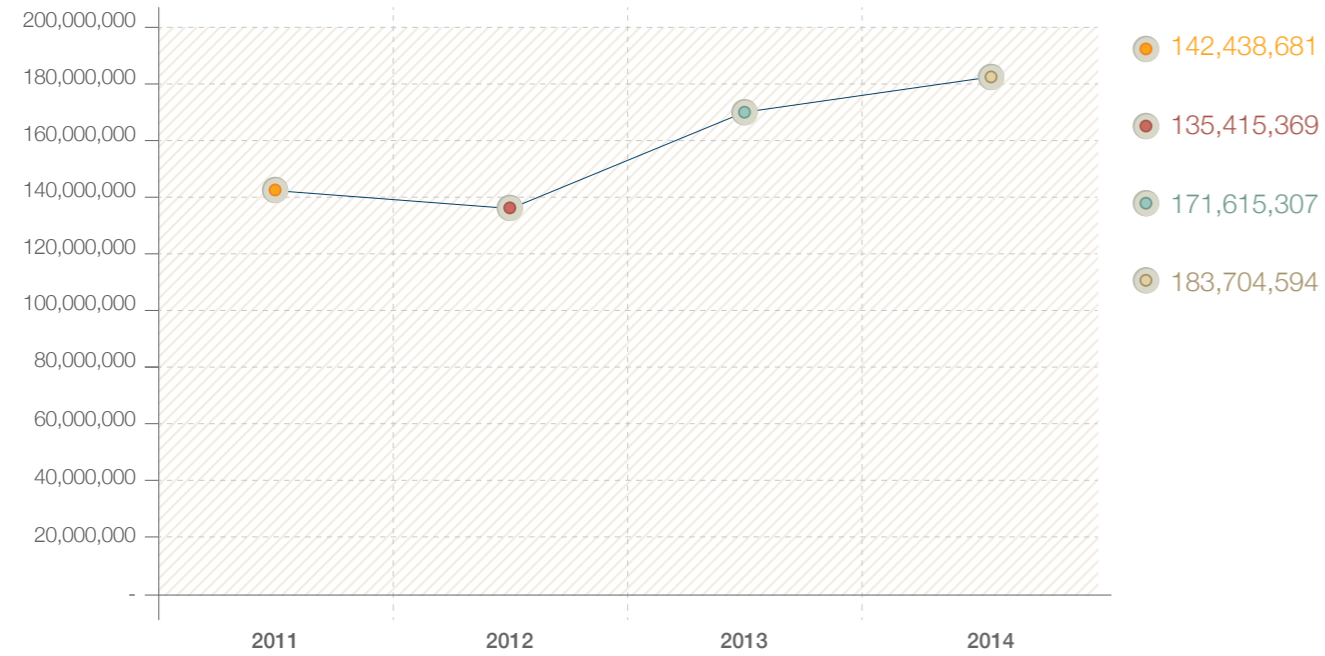


NET INCOME

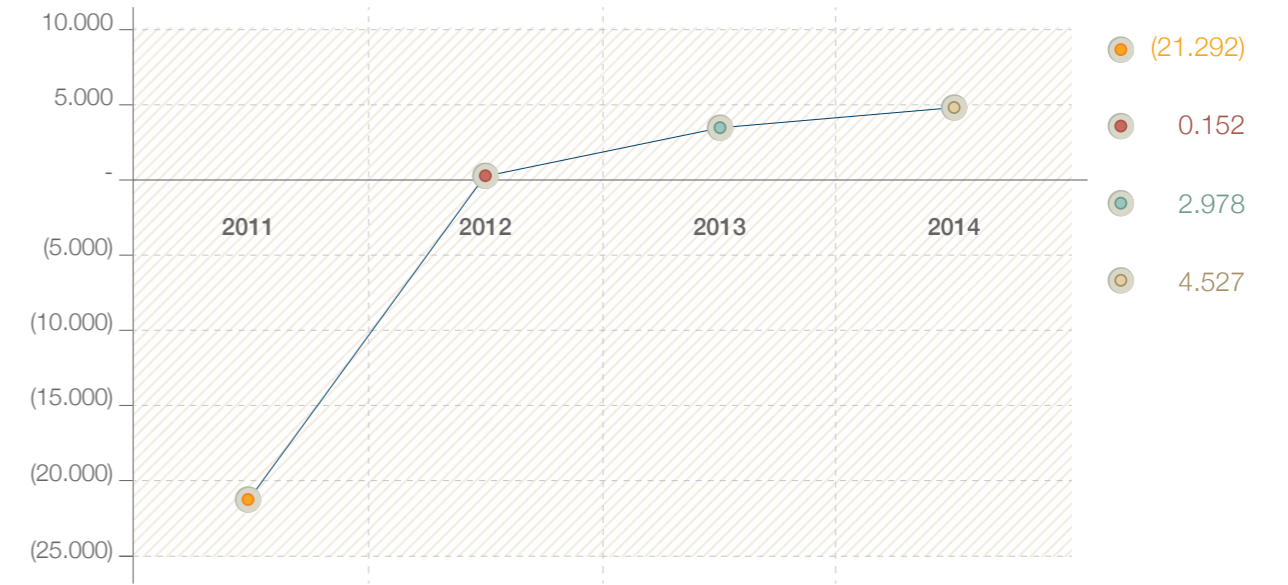


Member's Message

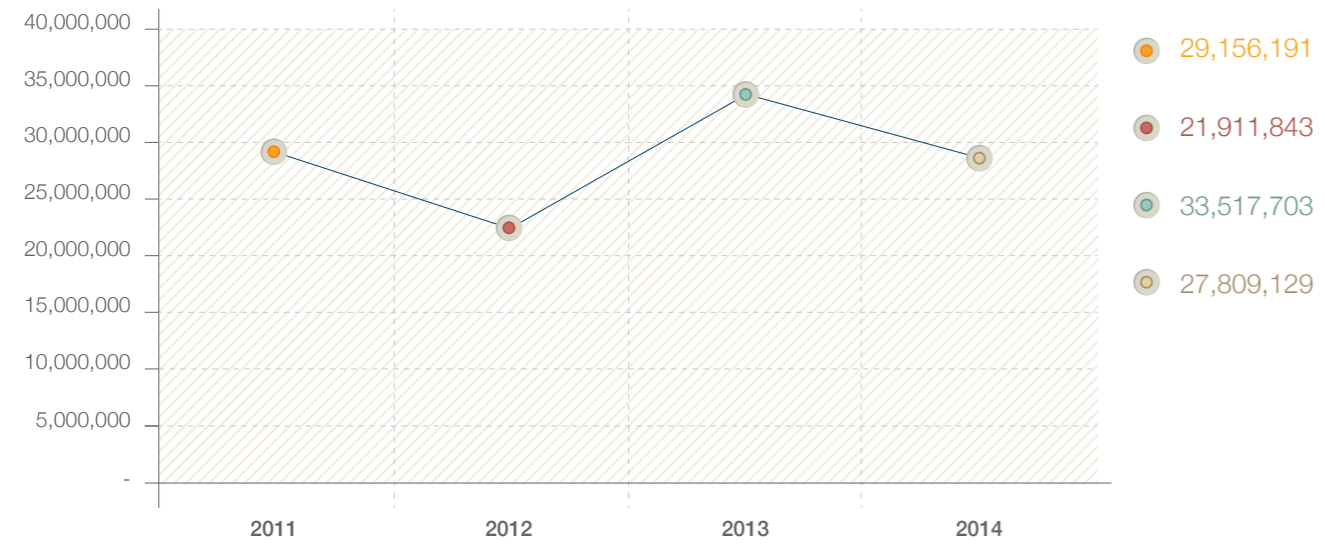
ASSETS



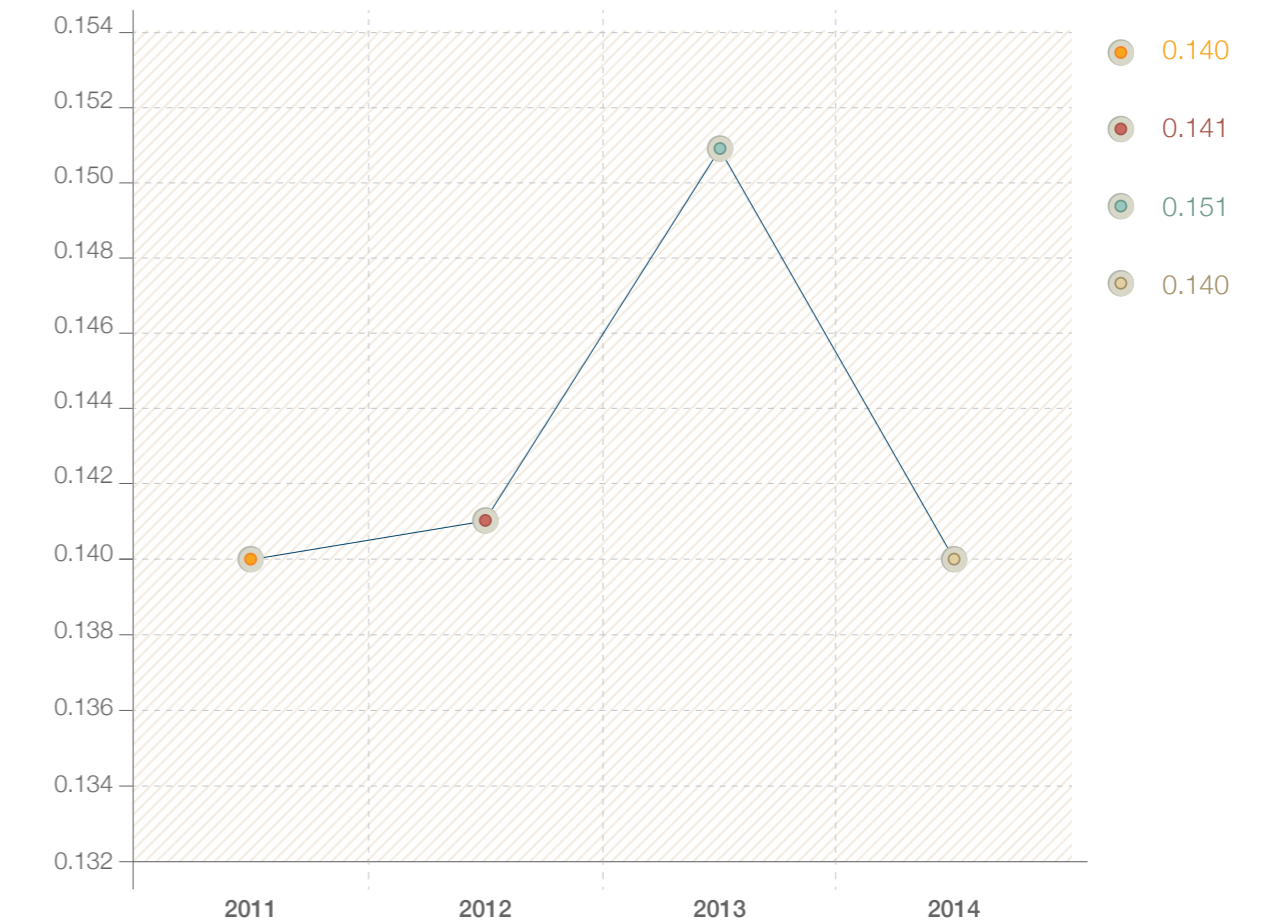
EARNINGS PER SHARE



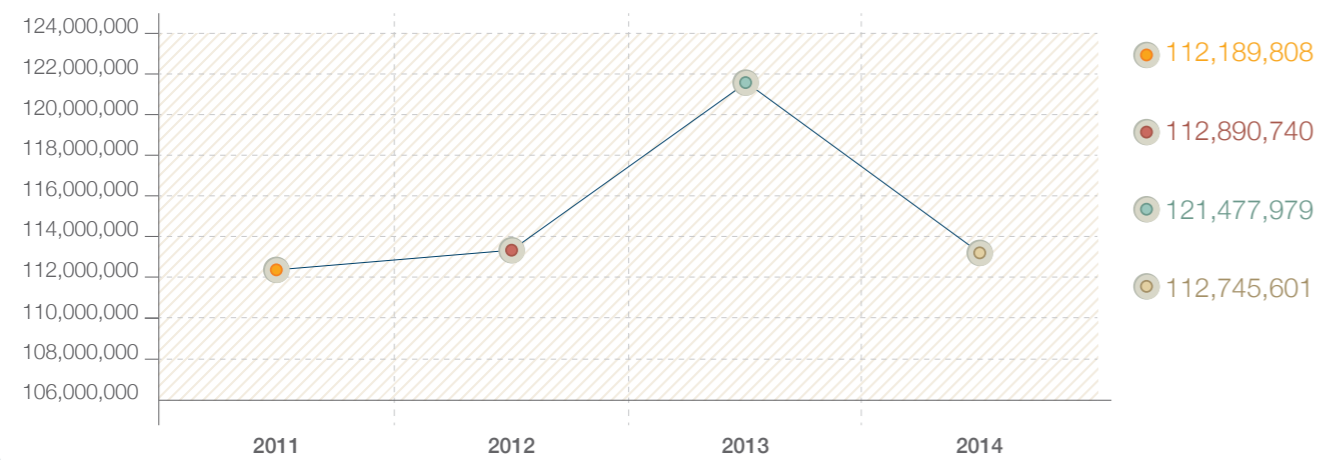
LIABILITIES



BOOK VALUE PER SHARE

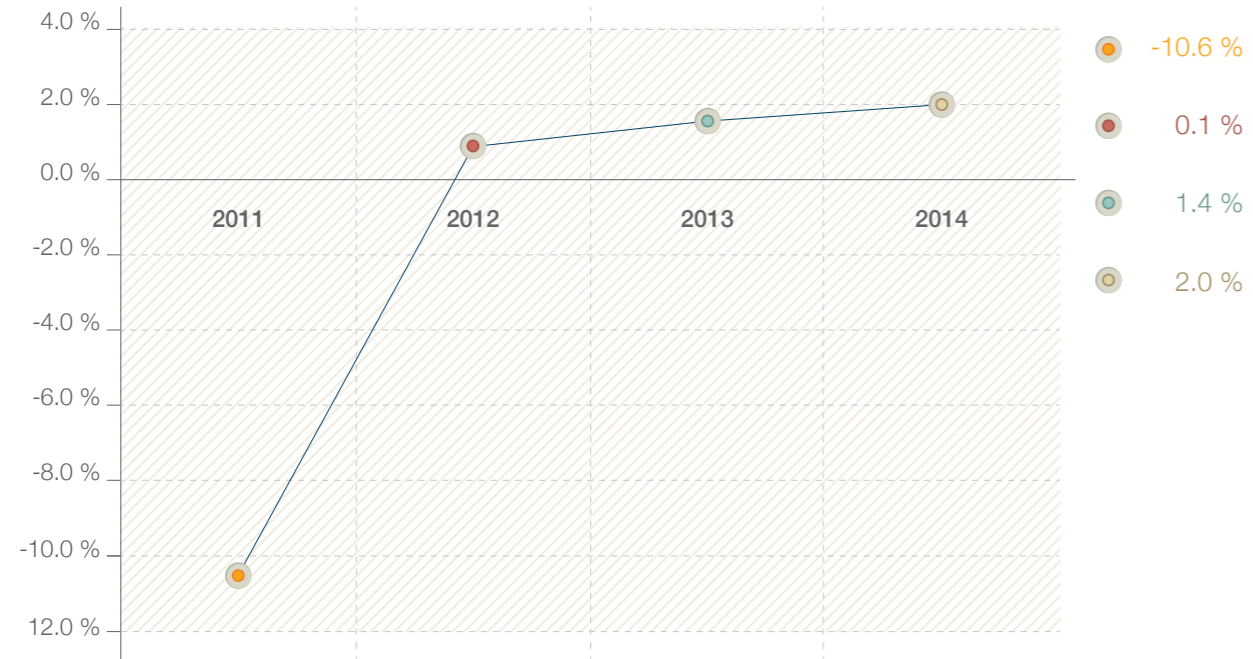


SHAREHOLDERS' EQUITY

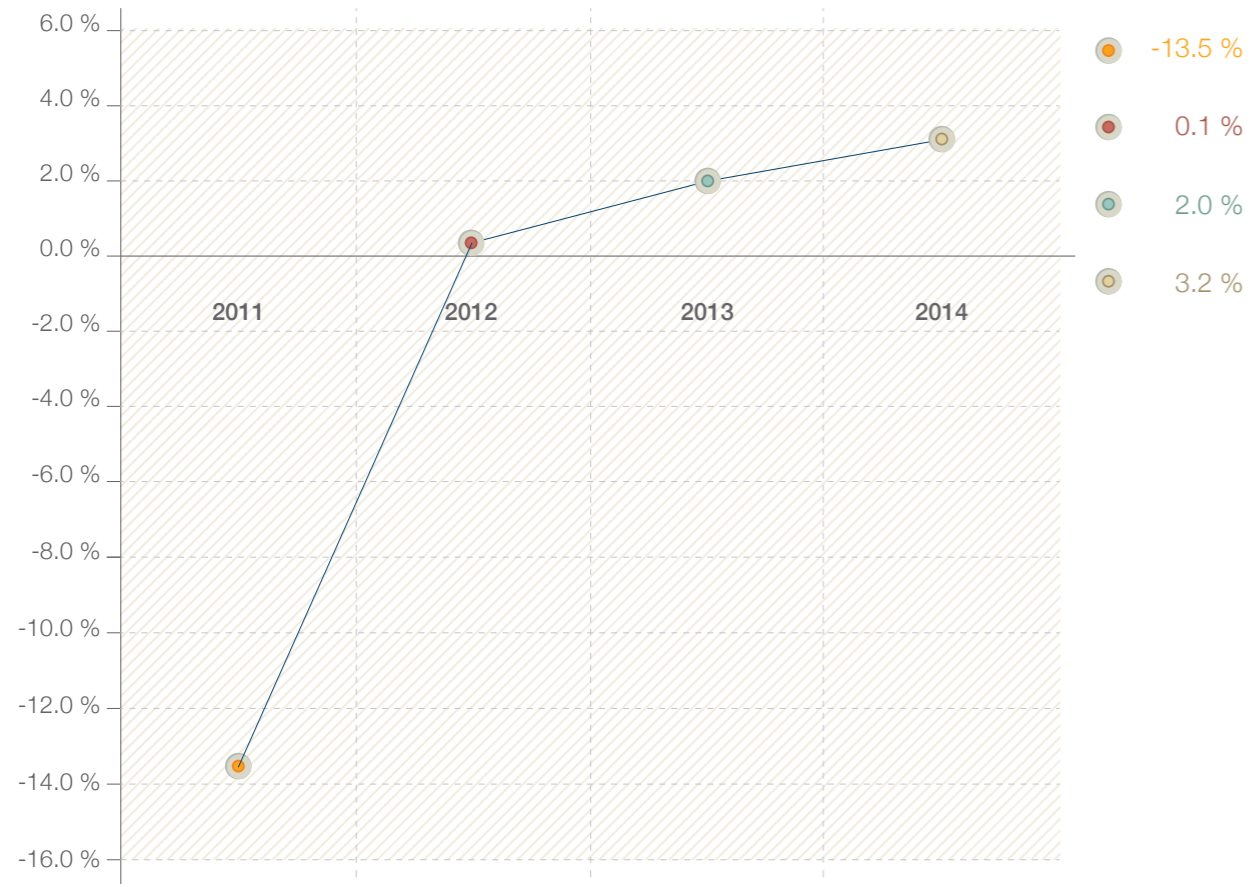


Member's Message

RETURN ON ASSETS



RETURN ON EQUITY



INDEPENDENT AUDITORS' REPORT

To the shareholders of
Arzan Financial Group for Financing and Investment - KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arzan Financial Group for Financing and Investment - Kuwaiti Public Shareholding Company ("the Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use in the State of Kuwait and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012 and its executive regulations, and by the Parent Company's Articles and Memorandum of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 and its executive regulations, nor of the Parent Company's Articles and Memorandum of Association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Parent Company, except for the matter discussed in note (1) to the consolidated financial statements with respect to the separation of the powers of the chief executive officer and the chairman.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2014.

We further report that, during the course of our audit, we have not become aware of any material violations, during the year ended 31 December 2014, of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.

Abdullatif M. Al-Aiban (CPA)
(Licence No. -94A)
of Grant Thornton - Al-Qatami,
Al-Aiban & Partners



Ali A. Al-Hasawi
(Licence No. -30A)
of Rödl Middle East
Burgan - International Accountants



Arzan Financial Group for Financing and Investment K.P.S.C. and its Subsidiaries - Kuwait Consolidated Statement of Income

For the year ended 31 December 2014

Notes	Year ended	
	31 December 2014	31 December 2013
	KD	KD
Revenue		
7	1,446,213	1,615,070
	153,676	162,708
	276,254	410,626
	425,007	120,018
	(367,103)	(364,951)
	408,677	1,338,985
	223,283	183,736
18	(237,382)	1,227,119
18	406,143	184,625
8	1,866,189	1,323,617
	452,472	304,975
	963,804	328,709
	205,753	274,529
13	4,661,703	2,375,505
	494,425	143,067
	11,379,114	9,628,338
Expenses and other charges		
	(2,279,178)	(1,719,495)
	(1,643,704)	(1,452,624)
9	(996,773)	(1,499,226)
	(205,360)	(176,762)
	-	(603,019)
17	(692,314)	(1,831,234)
18	(597,529)	-
	(6,414,858)	(7,282,360)
Profit for the year before provisions for contribution to KFAS, National Labour Support Tax, Zakat and directors' remuneration		
	4,964,256	2,345,978
	(34,934)	-
	(92,809)	(63,028)
	(19,173)	(15,646)
	4,817,340	2,267,304
Attributable to:		
	3,608,053	2,371,605
	1,209,287	(104,301)
	4,817,340	2,267,304
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (Fils)		
10	4.527	2.978

The notes set out on pages 30 to 84 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Profit for the year	4,817,340	2,267,304
Other comprehensive (loss)/income:		
Items that will be reclassified subsequently to consolidated statement of income:		
Exchange differences arising on translation of foreign operations	(984,935)	501,054
Share of other comprehensive (loss)/income of associates	(214)	216
Available for sale investments:		
- Net change in fair value arising during the year	(12,550,598)	4,525,291
- Transferred to consolidated statement of income on sale	(523,174)	(406,467)
- Transferred to consolidated statement of income on impairment	692,313	1,831,234
Total other comprehensive (loss)/income for the year	(13,366,608)	6,451,328
Total comprehensive (loss)/income for the year	(8,549,268)	8,718,632
Attributable to:		
Shareholders of the Parent Company	(8,764,621)	8,515,175
Non-controlling interests	215,353	203,457
	(8,549,268)	8,718,632

The notes set out on pages 30 to 84 form an integral part of these consolidated financial statements.

Consolidated statement of Financial Position

For the year ended 31 December 2014

		31 December 2014	31 December 2013
	Notes	KD	KD
Assets			
Cash and cash equivalents	12	9,566,645	12,062,146
Instalment credit debtors	13	14,549,898	9,454,266
Investments at fair value through statement of income	14	5,640,753	8,120,193
Accounts receivable and other assets	15	6,200,635	5,016,378
Due from related parties	31	1,002,023	108,920
Properties held for trading	16	1,510,290	1,849,329
Available for sale investments	17	87,044,475	75,973,784
Held to maturity investment		-	283,050
Investment in associates	18	53,143,043	54,071,423
Investment properties	19	1,891,123	1,950,185
Property and equipment	20	3,155,709	2,725,633
Total assets		183,704,594	171,615,307
Liabilities and Equity			
Liabilities			
Due to banks	21	2,683,248	2,374,655
Accounts payable and other liabilities	22	7,119,902	7,492,130
Due to related parties	31	424,547	271,060
Term loans	23	11,660,000	16,000,000
Murabaha payable	24	5,200,000	6,800,000
Provision for employees' end of service benefits		721,432	579,856
Total liabilities		27,809,129	33,517,701
Equity			
Share capital	25	80,288,257	80,288,257
Share premium	25	27,142,826	32,950,027
Treasury shares	26	(557,080)	(597,141)
Legal reserve	27	375,497	6,977,142
Voluntary reserve	27	375,497	-
Foreign currency translation reserve		12,717	3,718
Fair value reserve		2,184,188	14,565,861
Retained earnings/(accumulated losses)		2,923,699	(12,709,887)
Total equity attributable to the shareholders of the Parent Company		112,745,601	121,477,977
Non-controlling interests		43,149,864	16,619,629
Total equity		155,895,465	138,097,606
Total liabilities and equity		183,704,594	171,615,307

Jassem Hasan Zainal

Chairman and Chief Executive Officer

The notes set out on pages 30 to 84 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

Equity Attributable to the Shareholders of the Parent Company

	Share capital		Share premium		Treasury shares		Legal reserve		Voluntary reserve		Foreign currency translation reserve		Fair value reserve		(Accumulated losses) / retained earnings		Sub Total		Non-controlling interests		Total		
	KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		
Balance at 1 January 2014	80,288,257	32,950,027	(597,141)	6,977,142	-	3,718	14,565,861	(12,709,887)	121,477,977	16,619,629	138,097,606												
Purchase of treasury shares	-	-	(220,950)	-	-	-	-	-	(220,950)	-	-	-	-	(220,950)	-	-	-	-	-	-	-	-	(220,950)
Sale of treasury shares	-	(74,456)	261,011	-	-	-	-	-	186,555	-	-	-	-	186,555	-	-	-	-	-	-	-	-	186,555
Write off of accumulated losses (note 28)	-	(5,732,745)	-	(6,977,142)	-	-	-	12,709,887	-	-	-	-	12,709,887	-	-	-	-	-	-	-	-	-	-
Disposal of partial interests in subsidiaries (note 6.1)	-	-	-	-	-	-	-	66,640	66,640	-	-	-	66,640	-	-	-	-	66,640	26,314,882	-	-	26,314,882	
Transactions with shareholders	-	(5,807,201)	40,061	(6,977,142)	-	-	-	12,776,527	32,245	-	-	-	12,776,527	32,245	-	-	-	32,245	26,314,882	-	-	26,314,882	
Profit for the year	-	-	-	-	-	-	-	3,608,053	3,608,053	-	-	-	3,608,053	3,608,053	-	-	-	3,608,053	1,209,287	-	-	4,817,340	
Other comprehensive income/(loss):																							
Exchange differences arising on translation of foreign operations	-	-	-	-	-	8,999	-	-	-	-	8,999	-	-	8,999	-	-	-	8,999	(993,934)	-	-	(984,935)	
Share of other comprehensive loss of associates	-	-	-	-	-	-	(214)	-	-	-	-	-	-	(214)	-	-	-	(214)	-	-	-	(214)	
Available for sale investments:																							
- Net change in fair value arising during the year	-	-	-	-	-	-	(12,550,598)	-	-	-	-	-	(12,550,598)	-	-	-	-	(12,550,598)	-	-	-	(12,550,598)	
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	(523,174)	-	-	-	-	-	(523,174)	-	-	-	-	(523,174)	-	-	-	(523,174)	
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	692,313	-	-	-	-	-	692,313	-	-	-	-	692,313	-	-	-	692,313	
Total other comprehensive income/(loss) for the year	-	-	-	-	-	8,999	(12,381,673)	-	-	-	8,999	(12,381,673)	-	(12,372,674)	-	-	-	(12,372,674)	(993,934)	-	-	(13,366,608)	
Total comprehensive income/(loss) for the year	-	-	-	-	-	8,999	(12,381,673)	3,608,053	(8,764,621)	-	-	8,999	(12,381,673)	3,608,053	(8,764,621)	215,353	-	(8,549,268)	215,353	-	-	(8,549,268)	
Transfer to reserves	-	-	-	375,497	375,497	-	-	(750,994)	-	-	-	-	(750,994)	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014	80,288,257	27,142,826	(557,080)	375,497	375,497	12,717	2,184,188	2,923,699	112,745,601	43,149,864	155,895,465												

The notes set out on pages 30 to 84 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2014

Equity Attributable to the Shareholders of the Parent Company (Continued)

	Share Capital		Share Premium		Treasury Shares		Legal Reserve		Voluntary Reserve		Foreign currency translation reserve		Fair value reserve		Accumulated losses		Sub Total		Non-controlling interests		Total		
	KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		
Balance at 1 January 2013 (as previously reported)	80,288,257	32,950,027	(931,786)	7,087,901	151,824	(189,578)	8,615,587	(15,081,492)	112,890,740	612,786	113,503,526												
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 1 January 2013 (as restated)	80,288,257	32,950,027	(931,786)	7,087,901	151,824	(189,578)	8,615,587	(15,081,492)	112,890,740	612,786	113,503,526												
Purchase of treasury shares	-	-	(461,694)	-	-	-	-	-	(461,694)	-	-	-	-	(461,694)	-	-	-	-	-	-	-	-	(461,694)
Sale of treasury shares	-	-	796,339	(110,759)	(151,824)	-	-	-	533,756	-	-	-	-	533,756	-	-	-	-	-	-	-	533,756	
Transactions with shareholders	-	-	334,645	(110,759)	(151,824)	-	-	-	72,062	-	-	-	-	72,062	-	-	-	-	-	-	-	72,062	
Profit/(loss) for the year	-	-	-	-	-	-	-	2,371,605	2,371,605	(104,301)	2,267,304	-	-	2,371,605	-	-	-	2,371,605	3,185,056	-	-	5,556,661	
Other comprehensive income/(loss):																							
Exchange differences arising on translation of foreign operations	-	-	-	-	-	193,296	-	-	-	-	-	193,296	-	-	-	-	-	193,296	307,758	-	-	605,054	
Share of other comprehensive income of associates	-	-	-	-	-	-	216	-	216	-	-	-	-	216	-	-	-	216	-	-	-	216	
Available for sale investments:																							
- Net change in fair value arising during the year	-	-	-	-	-	-	4,525,291	-	-	-	-	-	4,525,291	-	-	-	-	4,525,291	-	-	-	4,525,291	
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	(406,467)	-	-	-	-	-	(406,467)	-	-	-	-	(406,467)	-	-	-	(406,467)	
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	1,831,234	-	-	-	-	-	1,831,234	-	-	-	-	1,831,234	-	-	-	1,831,234	
Total other comprehensive income for the year	-	-	-	-	-	193,296	5,950,274	-	-	-	-	193,296	5,950,274	-	-	-	-	6,143,570	307,758	-	-	6,451,328	
Total comprehensive income for the year	-	-	-	-	-	193,296	5,950,274	2,371,605	8,515,175	-	-	193,296	5,950,274	2,371,605	-	-	-	8,515,175	203,457	-	-	8,718,632	
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,231,116	-	-	13,231,116	
Balance at 31 December 2013	80,288,257	32,950,027	(597,141)	6,977,142	375,497	3,718	14,565,861	(12,709,887)	121,477,977	16,619,629	138,097,606												

The notes set out on pages 30 to 84 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

Notes	Year ended	Year ended
	31 December 2014	31 December 2013
	KD	KD
OPERATING ACTIVITIES		
Profit for the year	4,817,340	2,267,304
Adjustments:		
Interest income	(276,254)	(410,626)
Dividend income	(1,866,189)	(1,323,617)
Impairment of available sale investments	692,314	1,831,234
Impairment of associate	597,529	-
Profit on sale of available for sale investments	(408,677)	(1,338,985)
Profit on sale of investment in an associate	(406,143)	(184,625)
Share of results of associates	237,382	(1,227,119)
Profit on sale of properties held for trading	(223,283)	(183,736)
Reversal of provision for instalment credit debtors - net	(4,661,703)	(2,375,505)
Provision for doubtful debts	-	603,019
Finance costs	996,773	1,499,226
Depreciation	205,360	176,762
Provision for employees' end of service benefits	203,867	190,519
	(91,684)	(476,149)
Changes in operating assets and liabilities:		
Instalment credit debtors	(433,929)	16,041,736
Investments at fair value through statement of income	2,479,440	(494,140)
Accounts receivable and other assets	(1,184,257)	12,739
Due from/to related parties	(739,616)	(1,257,605)
Accounts payable and other liabilities	(372,228)	924,603
Employees' end of service benefits paid	(62,291)	(106,317)
Net cash (used in)/from operating activities	(404,565)	14,644,867

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014

Notes	Year ended	Year ended
	31 December 2014	31 December 2013
	KD	KD
INVESTING ACTIVITIES		
Purchase of property and equipment	(576,374)	(63,784)
Purchase of properties held for trading	-	(1,263,553)
Proceeds from sale of properties held for trading	544,600	2,863,411
Purchase of available for sale investments	(26,300,377)	(22,593,232)
Proceeds from sale of available for sale investments	2,564,591	4,279,553
Purchase of investment in associates	(4,611,600)	(22,516,609)
Proceeds from sale of investment in an associate	2,715,097	1,316,501
Held to maturity investment	283,050	-
Dividend income received	1,866,189	1,323,617
Dividend income from associate	1,579,162	717,601
Interest income received	276,254	410,626
Net cash used in investing activities	(21,659,408)	(35,525,869)
FINANCING ACTIVITIES		
Net change in due to banks	308,593	(144,625)
Net movement in term loans	(4,340,000)	14,293,200
Repayment of murabaha payable	(1,600,000)	(1,600,000)
Purchase of treasury shares	(220,950)	(461,694)
Sale of treasury shares	186,555	533,756
Non-controlling interests arising on a business combination	-	13,231,116
Capital contribution by non-controlling interests	26,314,882	-
Finance costs paid	(996,773)	(1,499,226)
Net cash from financing activities	19,652,307	24,352,527
Net (decrease)/increase in cash and cash equivalents	(2,411,666)	3,471,525
Foreign currency adjustment	(83,835)	83,758
Cash and cash equivalents at beginning of the year	12,062,146	8,506,863
Cash and cash equivalents at end of the year	9,566,645	12,062,146
Non-cash transaction (note 6.1):		
Partial sale of subsidiary	(5,421,080)	-
Increase in investment in associates	4,611,600	-
Increase in available for sale investment	876,120	-
Gain on partial sale of subsidiary	(66,640)	-

The notes set out on pages 30 to 84 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. Incorporation and activities

Arzan Financial Group for Financing and Investment – KPSC (the “Parent Company”) was incorporated in Kuwait on 15 April 1980 in accordance with the Companies Law under the name of International Transport Equipment Company – KSC (Closed). On 14 December 1996 an extraordinary general assembly resolved to change the name of the Parent Company to International Murabaha Company – KSC (Closed). Later, on 24 April 2002 an extraordinary general assembly resolved to change the name of the Parent Company to International Finance Company – KPSC and to expand its permitted activities.

The extraordinary general assembly held on 24 July 2013 approved to change the name of the Parent Company from International Finance Company – KSCC to Arzan Financial Group for Financing and Investment – KPSC which has been registered in the commercial register under No. 29629 on 11 November 2013.

The Parent Company is listed on the Kuwait Stock Exchange and is governed under the directives of Central Bank of Kuwait and Capital Markets Authority.

The Group comprises the Parent Company and its subsidiaries (together referred as “the Group”).

The details of the subsidiaries are noted in note (6).

The extraordinary general assembly held on 26 June 2014 approved the amendment of the Parent Company’s objectives to become as follows:

- Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the company's objectives for its account and for the account of third parties inside or outside the State of Kuwait.
- Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait.
- Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account.
- Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukuk and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities.
- Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait.
- Provide economic advice related to investment and hold courses, issue brochures of various investment activities for individuals, local and foreign companies and institutions.
- Prepare and provide technical, economic and assessment studies and consultations and prepare feasibility studies for various investment activities and other studies, examining the technical, financial and administrative aspects related to these activities for its account or for the account of third parties inside or outside the State of Kuwait.
- Establish and manage the collective investment systems and local and foreign investment funds of all kinds and contribute to their establishment for the account of the company and for the account of third parties in accordance with the regulating laws, rules and conditions specified by the competent regulatory authorities; put its stakes or units to subscription so that the company's contributions to the share capital of the collective investment system or the investment fund shall not be less than the minimum limit specified by the regulatory authorities; sell or purchase stakes or units in the local or foreign collective investment systems or investment funds for its account and for the account of third parties or market same, provided the necessary approvals are obtained from the competent regulatory authorities; act as investment custodian, investment monitor and investment advisor in general for the investment funds inside or outside the State of Kuwait in accordance with the regulating laws.
- Invest funds for its account and for the account of third parties in the various aspects of investment inside or outside the State of Kuwait and acquire movable and immovable assets.
- Act as the issuance manager for the securities issued by the local and foreign government and private companies, institutions and bodies and act as the subscription agent, listing advisor, investment custodian and monitor, including publications management and commitments of subscription operations management, receiving applications and covering subscription thereto.
- Perform all advisory services that help develop and strengthen the ability of financial and monetary market in the State of Kuwait and meet its requirements within the limits of the law and the decisions or instructions issued by the competent regulatory authorities (after obtaining the necessary approvals from those authorities), provided this does not result in granting funding by the company in any way.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

1. Incorporation and activities (Continued)

- Mediate in financing operations, structure and manage the financing arrangements of the local and international companies, institutions, bodies and projects in the various economic sectors in accordance with the rules and conditions specified by the competent regulatory authorities.
- Carry out all the works related to the activities for the arrangement and management of consolidation, acquisition and separation operations for the local and foreign government and private companies, institutions and bodies.
- Trade in transportation means and related heavy equipment.
- Finance the purchases of capital goods, durable and non-durable goods.
- Lease capital and durable goods.
- Grant short and medium term loans to natural and judicial persons.
- Perform real estate investment operations aiming at the management and development of residential lands and building of residential and commercial units and complexes for the purpose of selling them in cash or on installments or leasing same.
- Manage all kinds of financial portfolios, invest and develop funds by employing them locally and internationally for the account of the company or for the account of its clients, in addition to lending and borrowing operations.
- Mediate in the operations of lending, borrowing, brokerage and warrantees against commission or pay.
- Finance and mediate in international and local trade operations.
- Manage and create mutual investment funds according to the law and after approval by the competent authorities.
- Mediate in investment in the international instruments and securities.
- Invest in real estate, industrial and agricultural sectors and other economic sectors, whether directly or through contribution to the incorporation of specialized companies or purchase of the shares of these companies.
- Sell and purchase foreign currencies and trade in precious metals only for the account of the company.
- Conduct researches and studies for private and public real estate projects and for the employment of funds for its account or for the account of third parties.
- Trade in securities such as shares and investment certificates and the like.

The company may have an interest or participate in any aspect with the companies, institutions and bodies performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The company may also open branches inside and outside the State of Kuwait in such a way that does not contradict with the company's law and the instructions of the competent regulatory authorities.

The Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the “Companies Law”) which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013. On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

At 31 December 2014, the Parent Company has not complied with the requirement of the new law relating to the separation of the powers between the chief executive officer and the chairman. The Parent Company will hold a board of directors meeting to comply with this requirement.

The address of the Parent Company's registered office is P.O. Box 26442, Safat 13125, State of Kuwait.

The Parent Company's board of directors approved these consolidated financial statements for issue on 24 February 2015. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

3. Changes in accounting policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those used in previous year except as discussed below:

3.1. New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below:

Standard or Interpretation	Effective for annual periods beginning
IAS 32: Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36: Impairment of Assets - Amendments	1 January 2014
IAS 39: Novation of Derivatives and Continuation of Hedge Accounting - Amendments	1 January 2014
Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
IFRIC 21 Levies	1 January 2014

IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the Group's consolidated financial statements.

IAS 36 Impairment of Assets - Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of the amendment did not result into any material impact on the Group's consolidated financial statements.

The amendments have been applied retrospectively in accordance with their transitional provisions.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments

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

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

The adoption of the amendments did not result into any material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Changes in accounting policies (Continued)

3.1. New and amended standards adopted by the Group (Continued)

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

The amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

The adoption of the amendment did not result into any material impact on the Group's consolidated financial statements.

IFRIC 21 Levies

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date,
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 is required to be applied retrospectively in accordance with its transitional provisions and had no material effect on the consolidated financial statements for any period presented.

3.2. IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Standard or Interpretation	Effective for annual periods beginning
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IAS 1 Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 19 Defined Benefit Plans: Employee Contributions - Amendments	1 July 2014
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle	1 January 2016
Annual Improvements to IFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	1 July 2014

3. Changes in accounting policies (Continued)

3.2. IASB Standards issued but not yet effective (Continued)

IFRS 9: Financial Instruments

The IASB has replaced IAS 39 'Financial Instruments': Recognition and Measurement (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting.

The Group's management has yet to assess the impact of this new standard on the Group's consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue-related interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as:

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts.
- Timing – whether revenue is required to be recognised over time or at a single point in time.
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue .
- Time value – when to adjust a contract price for a financing component.
- Specific issues, including:
 - o Non-cash consideration and asset exchanges.
 - o Contract costs.
 - o Rights of return and other customer options.
 - o Supplier repurchase options.
 - o Warranties.
 - o Principal versus agent.
 - o Licencing.
 - o Breakage.
 - o Non-refundable upfront fees, and
 - o Consignment and bill-and-hold arrangements.

The Group's management has yet to assess the impact of IFRS 15 on these consolidated financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

3. Changes in accounting policies (Continued)

3.2. IASB Standards issued but not yet effective (Continued)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

IAS 1 Disclosure Initiative - Amendments

The amendments to IAS 1 make the following changes:

- Materiality: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The Groups' management has yet to assess the impact of these new standards on the Group's financial statements.

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment is not expected to have any material impact to the Group's consolidated financial statements.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The Groups' management has yet to assess the impact of this new standard on the Group's financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. Changes in accounting policies (Continued)

3.2. IASB Standards issued but not yet effective (Continued)

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The amendments are aimed at clarifying the following aspects:

- Exemption from preparing consolidated financial statements. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary providing services that relate to the parent's investment activities. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- Application of the equity method by a non-investment entity investor to an investment entity investee. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- Disclosures required. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Groups' management has yet to assess the impact of these new standards on the Group's financial statements.

Annual Improvements to IFRSs 2012 - 2014 Cycle

(i) Amendments to IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

(ii) Amendments to IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

(iii) Amendments to IAS 19 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

(iv) Amendments to IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to IFRSs 2010 - 2012 Cycle:

(i) Amendments to IFRS 3 - Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of income.

(ii) Amendments to IFRS 13 - The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iii) Amendments to IFRS 8 - Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) Amendments to IAS 16 and IAS 38 - When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(v) Amendments to IAS 24 - Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

Annual Improvements 2011 - 2013 Cycle

(i) Amendments to IFRS 1 - The amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented.

(ii) Amendments to IFRS 3 - IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(iii) Amendments to IFRS 13 - The scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

(iv) Amendments to IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

4.1. Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for certain investments at fair value through statement of income and available for sale investments that are measured at fair value.

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of income" and "statement of comprehensive income".

4.2. Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of income.

4.3. Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of income immediately.

4.4. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

4. Significant accounting policies (Continued)

4.5. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made.

Revenue arises from rendering of services and is measured by reference to the fair value of consideration received or receivable, excluding taxes, rebates, and trade discounts. The Group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

4.5.1. Income from instalment credit debtors

Interest on instalment credit facilities is calculated at the time of a contract with the customer. The customer repays the total amount due (including interest) by equal instalments over the period of the contract. The interest is allocated over the life of the agreement using the "effective interest" method. Interest relating to outstanding instalments is considered as deferred income and is included in the consolidated statement of financial position as a deduction from instalment credit debtors.

4.5.2. Commission income

Commission income is recognised in full in the consolidated statement of income at the date of the contract with the customer.

4.5.3. Interest income

Interest income is recognised using the effective interest method.

4.5.4. Rental income

Rental income is recognised on a straight-line basis over the period of the rental contracts.

4.5.5. Dividend income

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

4.5.6. Fee income from providing transaction services

Fees arising from rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

4.6. Operating expenses

Operating expenses are recognised in consolidated statement of income upon utilisation of the service or at the date of their origin.

4.7. Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance of borrowing payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

4.8. Taxation

4.8.1. National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the owners of the Parent Company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.8.2. Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group attributable to the owners of the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

4.8.3. Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group attributable to the shareholders of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

4. Significant accounting policies (Continued)

4.9. Segment reporting

The Group has four operating segments: instalment credit, investments, real estate and financial brokerage. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.10. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment and the consolidated statement of income reflects the Group's share of the results of operations of associate.

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

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity. Changes in the Group's share in associate's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of income.

4.11. Financial instruments

4.11.1. Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through statement of income which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset or
 - (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

4. Significant accounting policies (Continued)

4.11. Financial instruments (Continued)

4.11.2. Classification and subsequent measurement of financial assets

- For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:
- loans and receivables
- financial assets at fair value through statement of income (FVTSI)
- held to maturity (HTM) investments
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTSI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

• Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The Group categorises loans and receivables into following categories:

- Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with banks and other financial institutions and short term deposits due within three months which are subject to an insignificant risk of changes in value.

- Instalment credit debtors

Instalment credit debtors are stated in the consolidated financial position at amortised cost, net of specific and general provisions. Specific provisions are made to reduce impaired receivables to their estimated recoverable amount and general provisions are made at a rate of 1% on instalment credit debtors for which no specific provisions were made, to provide for losses known from experience to exist, but not yet specifically identifiable, in accordance with the Central Bank of Kuwait instructions in that respect. The recoverable amounts are based on estimated future cash flows discounted at the original effective interest rate on a portfolio basis for groups of similar debtors.

- Accounts receivable and other assets

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- Due from related parties

Due from related parties are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

• Financial assets at FVTSI

Classification of investments as financial assets at FVTSI depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are classified as designated at FVTSI upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

• HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in consolidated statement of income.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

4. Significant accounting policies (Continued)

4.11. Financial instruments (Continued)

4.11.2. Classification and subsequent measurement of financial assets (Continued)

• AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of income. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in statement of income. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of income and presented as a reclassification adjustment within other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of income.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of income only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.11.3. Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include due to banks, accounts payable and other liabilities, due to related parties, term loans and murabaha payable.

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

• Financial liabilities other than at fair value through income statement

These are stated using effective interest rate method. Due to banks, accounts payable and other liabilities, due to related parties, term loans, murabaha payable are classified as financial liabilities other than at FVTSI.

Term loans and due to banks

All term loans and due to banks are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Payables and other liabilities

Payables and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

Murabaha payable

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

All the profit-related charges are included within finance costs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

4. Significant accounting policies (Continued)

4.12. Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.13. Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.14. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.15. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 33.

4.16. Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- (i) For assets carried at fair value, impairment is the difference between cost and fair value;
- (ii) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (iii) for assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Impairment reversals in respect of equity instruments classified as available for sale are recognised in fair value reserve.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

4. Significant accounting policies (Continued)

4.17. Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets' or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.18. Properties held for trading

Properties held for trading are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

4.19. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the cost model. Investment properties are initially measured at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Gains and losses arising from the sale of investment properties are included in the consolidated statement of income.

The estimated useful life for the calculation of depreciation, excluding land, is 25 years using straight line method. The carrying amounts are reviewed at each reporting date on an individual basis to assess whether they are recorded in excess of their recoverable amount. Provision for impairment losses, if any, are made where carrying values exceed the recoverable amount.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

4.20. Property and equipment

Land is stated at cost less any impairment losses based upon the reports of independent professional valuers.

Capital expenditure on assets in the course of construction are classified as assets under construction. Such costs are subsequently charged to the consolidated statement of income if the project is abandoned, or, if the project is completed, are capitalised and transferred to the appropriate property and equipment category, from which time depreciation is charged using the rate applicable to the category concerned. Interest incurred on funds specifically obtained to finance construction activities are capitalised using the actual interest rate incurred during construction.

Other property and equipment assets are stated at cost less accumulated depreciation. The Group depreciates these assets using the straight-line method at rates estimated to fully depreciate the cost of the property and equipment over their expected useful lives.

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 arising from items of property. In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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 recognised in the consolidated statement of income.

4. Significant accounting policies (Continued)

4.21. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

4.22. Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the Parent Company's Articles of Association, as amended.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.
- Fair value reserve – comprises valuation gains and losses relating to available for sale financial assets.

Retained earnings/(accumulated losses) includes all current and prior period retained profits and losses.

All transactions with owners are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.23. Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

When the treasury shares are reissued, gains are recorded directly in "treasury shares reserve" in the shareholders' equity. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and legal reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

4.24. Related parties transactions

Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

4. Significant accounting policies (Continued)

4.25. End of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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

4.26. Foreign currency translation

4.26.1. Functional and presentation currency

The consolidated financial statements are presented in Kuwait Dinar (KD) currency which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.26.2. Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.26.3. Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to the consolidated statement of income and are recognised as part of the gain or loss on disposal.

4.27. 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.

5. Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

5.1. Significant management judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

5.1.1. Classification of financial instruments

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

The Group classifies financial assets as held for trading, if they are acquired primarily for the purpose of short-term profit making.

Classification of financial assets as at fair value through statement of income depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as designated at fair value through statement of income.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM, if the Group has the intention and ability to hold them until maturity.

All other financial assets are classified as available for sale.

5.1.2. Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

5.1.3. Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5.2. Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5.2.1. Impairment of assets with definite lives

At the financial position date, the Group's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value in use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

5.2.2. Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies at each reporting date based on existence of any objective evidence that the investment in the 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 recognises the amount in the consolidated statement of income.

5.2.3. Impairment of available for sale investments

The Group treats available for sale investments as impaired, when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

5.2.4. Impairment of receivables

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

5. Significant management judgements and estimation uncertainty (Continued)

5.2. Estimates uncertainty (Continued)

5.2.5. Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property, if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development, if it is acquired with the intention of development.

The Group classifies property as investment property, if it is acquired to generate rental income or for capital appreciation or for undetermined future use.

5.2.6. Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

5.2.7. Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

5.2.8. Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (note 33).

5.2.9. Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries

6.1. Composition of the Group

Set out below are details of subsidiaries held directly by the Group:

Company name	Voting capital held as at 31 December		Place of incorporation	Principal activities	Reporting date
	2014	2013			
Al-Addan Real Estate Co. – WLL	97%	97%	Kuwait	Trading in all real estate activities	31 December 2014
Arzan CC for Collection Co. – WLL [Formerly: Al-Addan International for Collection Co. – WLL]	80%	80%	Kuwait	Trading in real estate activities and collect the money on behalf of others	31 December 2014
Kuwait Invest Real Estate Co. – WLL	51%	99%	Kuwait	Real estate services	31 December 2014
International Finance Company – SAL	100%	100%	Lebanon	Finance services including financing, management and brokerage	30 September 2014
IFA Securities Brokerage Co. - SAE	74.67%	74.67%	Egypt	Brokerage services	30 September 2014
International Financial Advisors Company – WLL	65.20%	65.20%	Jordan	Brokerage services	30 September 2014
Saudi Invest Real Estate Co. – WLL	100%	100%	Saudi Arabia	Real estate services	31 December 2014
Lot 67 Zimbali South Africa Investments (Pty) Ltd	100%	100%	South Africa	Investments activities	30 September 2014
Arzan Wealth (DIFC) Co. Limited	100%	100%	UAE	Financial advisory services	30 September 2014
Arzan VC for Project Management – WLL	99%	99%	Kuwait	Projects management	31 December 2014
Hilltop 1 UK Limited	9.44%	9.44%	United Kingdom	Real estate	30 September 2014
Hilltop 2 UK Limited	33.79%	33.79%	United Kingdom	Real estate	30 September 2014
Hilltop 3 UK Limited	32.39%	43.53%	United Kingdom	Real estate	30 September 2014
Hilltop 4 UK Limited	11.73%	45.41%	United Kingdom	Real estate	30 September 2014
Hilltop 5 UK Limited	21.87%	-	United Kingdom	Real estate	30 September 2014
Hilltop Norway Limited	10.14%	-	Norway	Real estate	30 September 2014
Hilltop Germany Limited	10.24%	-	Germany	Real estate	30 September 2014
HI Equity Company Ltd.	99.29%	-	Cayman Islands	Real estate	30 September 2014
HI Debt Company Ltd.	99.29%	-	Cayman Islands	Real estate	30 September 2014

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.1. Composition of the Group (Continued)

- During the year, the Group swapped 49% ownership interest in Kuwait Invest Real Estate Co. – WLL to a related party in exchange for certain investments having a fair value on the date of exchange of KD 5,487,720 resulting into a gain of KD 66,640. The investments acquired were classified as available for sale investments and investment in associates (notes 17 and 18). Since the Group continues to control the subsidiary before and after the disposal, the gain on the partial disposal of the subsidiary has been recognised directly in the equity.

- During the year, the Group participated in the establishment of Hilltop 5 UK Limited with an amount of KD 1,675,536 representing its 21.87% interest ownership interest in the subsidiary.

- During the year, the Group participated in the establishment of Hilltop Germany Limited with an amount of KD 769,994 representing 10.24% interest ownership in the subsidiary.

- During the year, the Group participated in the establishment of Hilltop Norway Limited with an amount of KD 806,658 representing 10.14% interest ownership in the subsidiary.

- During the year, the Group participated in the establishment of HI Equity Co. Ltd. with an amount of KD 400,824 representing 99.29% interest ownership in the subsidiary.

- During the year, the Group participated in the establishment of HI Debt Co. Ltd. with an amount of KD 1,190,750 representing 99.29% ownership in the subsidiary.

The Group considers that it controls Hilltop 1 UK Limited, Hilltop 2 UK Limited, Hilltop 3 UK Limited, Hilltop 4 UK Limited, Hilltop 5 UK Limited, Hilltop Germany Limited and Hilltop Norway Limited, even though it owns less than 50% ownership interest. As a result of contractual arrangement with the other investors in these entities, the Group has the majority voting rights through class "A" shares in the respective companies and its approval is required for all major operational decisions.

6.2. Subsidiaries with material non-controlling interests:

The Group includes the following subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NC		Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	%	%	KD	KD	KD	KD
Kuwait Invest Real Estate Co. – WLL	49%	-	(380)	-	5,420,698	-
IFA Securities Brokerage Co. – SAE	25.33%	25.33%	27,831	30,341	200,965	171,383
International Financial Advisors – WLL	34.80%	34.80%	(19,470)	(6,041)	447,162	450,856
Hilltop 1 UK Limited	90.56%	90.56%	225,927	(22,217)	2,792,984	96,979
Hilltop 3 UK Limited	67.61%	56.47%	232,869	(89,299)	7,760,346	4,019,863
Hilltop 4 UK Limited	88.27%	54.59%	454,879	-	7,897,465	4,981,614
Hilltop 5 UK Limited	78.13%	-	-	-	5,752,798	-
Hilltop Norway Limited	10.14%	-	-	-	6,535,663	-
Hilltop Germany Limited	10.24%	-	-	-	6,574,554	-

No dividends were paid to the NCI during the years 2014 and 2013

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.2 Subsidiaries with material non-controlling interests (Continued)

Summarised financial information for subsidiaries with material non-controlling interests, before intergroup elimination is set out below:

a) Kuwait Invest Real Estate Co. – WLL

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	11,056,652	13,765,829
Current assets	7,522	7,522
Total assets	11,064,174	13,773,351
Non-current liabilities	-	-
Current liabilities	1,524	434,557
Total liabilities	1,524	434,557
Equity attributable to the shareholders of the Parent Company	5,641,952	13,338,794
Non-controlling interests	5,420,698	-

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Revenue	(1,665,236)	145,164
Expenses and other charges	(610,908)	(615,619)
Loss for the year attributable to the shareholders of the Parent Company	(2,275,764)	(470,455)
Loss for the year attributable to NCI	(380)	-
Loss for the year	(2,276,144)	(470,455)
Other comprehensive income for the year attributable to the shareholders of the Parent Company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive loss for the year attributable to the shareholders of the Parent Company	(2,275,764)	(470,455)
Total comprehensive loss for the year attributable to NCI	(380)	-
Total comprehensive loss for the year	(2,276,144)	(470,455)

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow from operating activities	-	-
Net cash flow from investing activities	-	-
Net cash flow from financing activities	-	-
Net cash inflows	-	-

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.2 Subsidiaries with material non-controlling interests (Continued)

b) IFA Securities Brokerage Co. - SAE

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	165,269	75,930
Current assets	2,992,108	3,632,313
Total assets	3,157,377	3,708,243
Non-current liabilities	-	-
Current liabilities	2,364,085	3,031,642
Total liabilities	2,364,085	3,031,642
Equity attributable to the shareholders of the Parent Company	592,327	505,218
Non-controlling interests	200,965	171,383

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Revenue	484,464	476,475
Expenses and other charges	(374,604)	(356,694)
Profit for the year attributable to the shareholders of the Parent Company	82,029	89,440
Profit for the year attributable to NCI	27,831	30,341
Profit for the year	109,860	119,781
Other comprehensive income for the year attributable to the shareholders of the Parent Company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income for the year attributable to the shareholders of the Parent Company	82,029	89,440
Total comprehensive income for the year attributable to NCI	27,831	30,341
Total comprehensive income for the year	109,860	119,781

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow from operating activities	7,934	256,977
Net cash flow used in investing activities	(212)	(6,855)
Net cash inflows	7,722	250,122

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.2 Subsidiaries with material non-controlling interests (Continued)

c) International Financial Advisors – WLL

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	1,025	1,839
Current assets	1,833,469	1,724,490
Total assets	1,834,494	1,726,329
Non-current liabilities	-	-
Current liabilities	549,545	430,767
Total liabilities	549,545	430,767
Equity attributable to the shareholders of the Parent Company	837,787	844,706
Non-controlling interests	447,162	450,856

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Revenue	70,608	81,174
Expenses and other charges	(126,557)	(98,720)
Loss for the year attributable to the shareholders of the Parent Company	(36,479)	(11,505)
Loss for the year attributable to NCI	(19,470)	(6,041)
Loss for the year	(55,949)	(17,546)
Other comprehensive income for the year attributable to the shareholders of the Parent Company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive loss for the year attributable to the shareholders of the Parent Company	(36,479)	(11,505)
Total comprehensive loss for the year attributable to NCI	(19,470)	(6,041)
Total comprehensive loss for the year	(55,949)	(17,546)

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow from operating activities	113,752	235,568
Net cash flow from investing activities	42,814	88,665
Net cash flow used in financing activities	(1,400)	(2,900)
Net cash inflows	155,166	321,333

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.2 Subsidiaries with material non-controlling interests (Continued)

d) Hilltop 1 UK Limited

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	2,916,447	3,115,698
Current assets	167,678	6,461
Total assets	3,084,125	3,122,159
Non-current liabilities	-	3,015,071
Current liabilities	-	-
Total liabilities	-	3,015,071
Equity attributable to the shareholders of the Parent Company	291,141	10,109
Non-controlling interests	2,792,984	96,979

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Revenue	255,635	169,782
Expenses and other charges	(6,157)	(194,315)
Profit/(loss) for the year attributable to the shareholders of the Parent Company	23,551	(2,316)
Profit/(loss) for the year attributable to NCI	225,927	(22,217)
Profit/(loss) for the year	249,478	(24,533)
Other comprehensive income for the year attributable to the shareholders of the Parent Company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent Company	23,551	(2,316)
Total comprehensive income/(loss) for the year attributable to NCI	225,927	(22,217)
Total comprehensive income/(loss) for the year	249,478	(24,533)

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow from investing activities	8,063	6,461
Net cash inflows	8,063	6,461

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.2 Subsidiaries with material non-controlling interests (Continued)

e) Hilltop 3 UK Limited

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	11,299,109	11,291,122
Current assets	180,504	182,180
Total assets	11,479,613	11,473,302
Non-current liabilities	-	4,221,571
Current liabilities	1,509	133,149
Total liabilities	1,509	4,354,720
Equity attributable to the shareholders of the Parent Company	3,717,758	3,098,719
Non-controlling interests	7,760,346	4,019,863

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Revenue	347,911	405,928
Expenses and other charges	(3,481)	(564,064)
Profit/(loss) for the year attributable to the shareholders of the Parent Company	111,561	(68,837)
Profit/(loss) for the year attributable to NCI	232,869	(89,299)
Profit/(loss) for the year	344,430	(158,136)
Other comprehensive income for the year attributable to the shareholders of the Parent Company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent Company	111,561	(68,837)
Total comprehensive income/(loss) for the year attributable to NCI	232,869	(89,299)
Total comprehensive income/(loss) for the year	344,430	(158,136)

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow (used in)/from investing activities	(1,513)	182,017
Net cash (outflows)/inflows	(1,513)	182,017

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.2 Subsidiaries with material non-controlling interests (Continued)

f) Hilltop 4 UK Limited

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	8,922,120	8,883,620
Current assets	24,821	241,887
Total assets	8,946,941	9,125,507
Non-current liabilities	-	-
Current liabilities	-	-
Total liabilities	-	-
Equity attributable to the shareholders of the Parent Company	1,049,476	4,143,893
Non-controlling interests	7,897,465	4,981,614

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Revenue	530,973	-
Expenses and other charges	(15,646)	-
Profit for the year attributable to the shareholders of the Parent Company	60,448	-
Profit for the year attributable to NCI	454,879	-
Profit for the year	515,327	-
Other comprehensive income for the year attributable to the shareholders of the Parent Company	-	-
Other comprehensive income for the year attributable to NCI	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income for the year attributable to the shareholders of the Parent Company	60,448	-
Total comprehensive income for the year attributable to NCI	454,879	-
Total comprehensive income for the year	515,327	-

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow (used in)/from investing activities	(217,066)	241,887
Net cash (outflows)/inflows	(217,066)	241,887

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.2 Subsidiaries with material non-controlling interests (Continued)

g) Hilltop 5 UK Limited

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	7,314,640	-
Current assets	34,369	-
Total assets	7,349,009	-
Non-current liabilities	-	-
Current liabilities	-	-
Total liabilities	-	-
Equity attributable to the shareholders of the Parent Company	1,596,211	-
Non-controlling interests	5,752,798	-

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow from investing activities	34,369	-
Net cash inflows	34,369	-

h) Hilltop Norway Limited

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	7,077,363	-
Current assets	195,391	-
Total assets	7,272,754	-
Non-current liabilities	-	-
Current liabilities	-	-
Total liabilities	-	-
Equity attributable to the shareholders of the Parent Company	737,091	-
Non-controlling interests	6,535,663	-

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow from investing activities	195,391	-
Net cash inflows	195,391	-

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. Subsidiaries (Continued)

6.2 Subsidiaries with material non-controlling interests (Continued)

i) Hilltop Germany Limited

	31 December 2014	31 December 2013
	KD	KD
Non-current assets	7,150,572	-
Current assets	169,085	-
Total assets	7,319,657	-
Non-current liabilities	-	-
Current liabilities	-	-
Total liabilities	-	-
Equity attributable to the shareholders of the Parent Company	745,103	-
Non-controlling interests	6,574,554	-

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Net cash flow from investing activities	169,085	-
Net cash inflows	169,085	-

6.3. Interests in unstructured entities:

The Group has no interest in unstructured entities.

7. Income from instalment credit debtors

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Interest income from instalment credit	1,175,588	1,398,797
Discount, commission and fees	270,625	216,273
	1,446,213	1,615,070

8. Dividend income

From:

Investments at fair value through statement of income
Available for sale investments

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
	304,455	356,822
	1,561,734	966,795
	1,866,189	1,323,617

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

9. Finance costs

Finance costs relate to the Group's borrowing activities including amounts due to banks, term loans and murabaha payable.

10. Basic and diluted earnings per share

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

The Parent Company had no outstanding dilutive potential shares.

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Profit for the year attributable to shareholders of the Parent Company (KD)	3,608,053	2,371,605
Weighted average number of shares outstanding during the year (excluding treasury shares) – Share	797,059,057	796,502,656
Basic and diluted earnings per share attributable to the shareholders of the Parent Company – Fils	4.527	2.978

11. Net gain/(loss) on financial assets

Net gain/(loss) on financial assets, analysed by category, is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
	KD	KD
Cash and cash equivalents	276,254	410,626
Instalments credit debtors	6,107,916	3,990,575
Investments at fair value through statement of income	494,689	111,889
Held to maturity investment	15,304	44,426
Available for sale investments	1,145,767	474,547
Net realised and unrealised gain	8,039,930	5,032,063
Net unrealised (loss)/gain recognised directly in equity	(12,381,673)	5,950,274
	(4,341,743)	10,982,337

12. Cash and cash equivalents

	31 December 2014	31 December 2013
	KD	KD
Cash and bank balances	6,460,709	8,947,736
Term deposits – 1 to 3 months	3,105,936	3,114,410
	9,566,645	12,062,146

The term deposits carry effective interest rate of 1.75% (31 December 2013: 1.75%) per annum.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

13. Instalment credit debtors

	31 December 2014	31 December 2013
	KD	KD
Gross instalment credit debtors	17,168,587	23,401,664
Deferred income	(1,603,343)	(983,643)
	15,565,244	22,418,021
Specific provision for doubtful debts	(708,325)	(10,957,594)
General provision for doubtful debts	(307,021)	(2,006,161)
	14,549,898	9,454,266

Gross instalment credit debtors are repayable as follows:

	31 December 2014	31 December 2013
	KD	KD
Within one year	8,434,343	19,278,570
More than a year	8,734,244	4,123,094
	17,168,587	23,401,664

The effective annual interest rate earned on instalment credit ranged from 2.5% to 8% per annum (31 December 2013: 3% to 9% per annum).

The movement in the provision for instalment credit debtors is as follows:

	31 December 2014			31 December 2013		
	Specific provision	General provision	Total	Specific provision	General provision	Total
	KD	KD	KD	KD	KD	KD
Opening balance	10,957,594	2,006,161	12,963,755	14,767,423	569,665	15,337,088
Foreign currency translation	-	12,350	12,350	2,172	-	2,172
Write off	(7,299,056)	-	(7,299,056)	-	-	-
Charge for the year	82,591	97,780	180,371	55,116	32,269	87,385
Transfer	-	-	-	(1,412,715)	1,412,715	-
Reversal during the year	(3,032,804)	(1,809,270)	(4,842,074)	(2,454,402)	(8,488)	(2,462,890)
Closing balance	708,325	307,021	1,015,346	10,957,594	2,006,161	12,963,755

The provision for doubtful debts is in agreement, in all material respect, with the specific provision requirements of the Central Bank of Kuwait and IFRS. Furthermore, a general provision of 1% on instalment credit balances, where no specific provision is made, is taken in accordance with the instructions of the Central Bank of Kuwait.

Included within the gross instalment credit debtors is an amount of KD 1,144,873 (31 December 2013: KD 3,148,937) in respect of related parties (note 31). This amount is secured by way of pledge of certain local and foreign shares.

The gross instalment credit debtors include an amount of KD 24,704 (31 December 2013: KD 252,719) representing a portfolio of customer loans which have been discounted according to a debt factoring agreement with a local bank (note 21).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

14. Investments at fair value through statement of income

	31 December 2014	31 December 2013
	KD	KD
Local quoted shares	2,020,898	2,371,605
Foreign quoted shares	103,001	2,371,605
Investments in managed portfolios	3,516,854	796,502,656
	5,640,753	2,978

An investment portfolio with a carrying value of KD 3,516,854 (31 December 2013: KD 5,910,407) is pledged against term loans (note 23).

15. Investments at fair value through statement of income

	31 December 2014	31 December 2013
	KD	KD
Trade receivables	7,391,855	5,537,317
Provision for doubtful debts	(2,094,742)	(2,094,742)
	5,297,113	3,442,575
Staff loans receivable	6,829	17,576
Prepayments and refundable deposits	51,818	46,882
Advance payments towards purchase of investments	-	930,241
Other assets	844,875	579,104
	6,200,635	5,016,378

16. Properties held for trading

Properties held for trading represent the Group's share of investments in properties outside Kuwait.

The movement in the properties held for trading is as follows:

	31 December 2014	31 December 2013
	KD	KD
Balance at 1 January	2,538,593	3,954,715
Additions	-	1,263,553
Sale	(407,536)	(2,679,675)
	2,131,057	2,538,593
Provision for properties held for trading	(620,767)	(689,264)
Balance at 31 December	1,510,290	1,849,329

The movement in the provision for properties held for trading is as follows:

	31 December 2014	31 December 2013
	KD	KD
Balance at 1 January	689,264	717,993
Relating to sale	(68,497)	(28,729)
Balance at 31 December	620,767	689,264

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

17. Available for sale investments

	31 December 2014	31 December 2013
	KD	KD
Local quoted shares	27,309,384	39,653,408
Local unquoted shares	10,497,873	11,963,271
Foreign unquoted shares	34,938,968	7,086,319
Investments in managed portfolios	14,037,510	17,081,333
Investment funds	260,740	189,453
	87,044,475	75,973,784

The movement in the available for sale investments is as follows:

	31 December 2014	31 December 2013
	KD	KD
Balance at 1 January	75,973,784	51,795,829
Additions during the year	26,300,377	22,593,232
Sale during the year	(2,679,088)	(2,940,568)
Change in fair value	(12,550,598)	4,525,291
Balance at 31 December	87,044,475	75,973,784

The unquoted investments include investments having a carrying value of KD 24,481,820 (31 December 2013: KD 2,755,147) are stated at cost due to the unavailability of reliable sources to determine their fair values. Management studies and cash flow expectations for these investments do not indicate any impairment for these investments.

Quoted and unquoted local shares and investments in managed portfolios with an aggregate carrying value of KD 28,844,009 (31 December 2013: KD 31,603,700) are pledged against due to banks, term loans and murabaha payable (Note 21, 23 and 24).

The investments in managed funds are carried at net asset value provided by the fund managers which represent the best estimate of fair value available for these investments.

During the year, the Group acquired investment with a carrying value of KD 876,120 as part of the consideration received on partial sale of one of its subsidiaries (note 6.1).

During the year, the Group recognised an impairment loss of KD 692,314 (31 December 2013: KD 1,831,234) on certain investments. Management is not aware of any factors which may indicate any further impairment against the available for sale investments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

18. Investment in associates

18.1. The details of the Group's investment in associates are given below:

	Country of incorporation	Percentage of ownership		Activity
		31 December		
		2014	2013	
		%	%	
Offset Holding Co. - KSCC	Kuwait	50.00	50.00	Brokerage
Al Wafir Marketing Services Co. - KSCC	Kuwait	34.00	26.95	Real estate
Al Oula Slaughterhouse Co. - KSCC	Kuwait	28.89	28.89	Services
Gulf Real Estate Co. - WLL	Kuwait	20.13	20.13	Real estate
Al Safat House Co. - WLL	Kuwait	20.00	20.00	Real estate
Hill Property Investment LP	United Kingdom	84.25	84.25	Real estate
Surtees LP	United Kingdom	96.96	96.96	Real estate
Hunt Property LP	United Kingdom	97.84	97.84	Real estate

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

18. Investment in associates (Continued)

18.2. Summarised financial information of group's material associates are set out below:

	Offset Holding Co. KSCC		Al Wafir Marketing Services Co. KSCC		Hill Property Investment LP		Surtees LP		Hunt Property LP	
	31 December		31 December		31 December		31 December		31 December	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Assets	29,206,808	32,896,511	40,757,732	35,126,220	8,410,959	8,653,005	20,290,173	21,393,241	20,168,597	20,732,055
Current	8,496,100	5,267,271	8,343,382	5,966,407	232,750	322,169	897,802	1,262,054	1,179,364	1,078,499
Non-current	20,710,708	27,629,240	32,414,350	29,159,813	8,178,209	8,330,836	19,392,371	20,131,187	18,989,233	19,653,556
Liabilities	957,270	975,697	17,628,459	15,407,957	4,952,174	4,957,903	9,362,992	9,748,410	11,417,693	11,652,259
Current	469,207	580,544	5,155,654	5,895,960	310,875	251,794	287,723	299,312	340,876	220,234
Non-current	488,063	395,153	12,472,805	9,511,997	4,641,299	4,706,109	9,075,269	9,449,098	11,076,817	11,432,025
	28,249,538	31,920,814	23,129,273	19,718,263	3,458,785	3,695,102	10,927,181	11,644,831	8,750,904	9,079,796
Non-controlling interests	(131,204)	(774,244)	-	-	-	-	-	-	-	-
Net assets	28,118,334	31,146,570	23,129,273	19,718,263	3,458,785	3,695,102	10,927,181	11,644,831	8,750,904	9,079,796
Revenue	2,100,999	1,932,178	11,925,932	5,897,427	892,704	440,013	1,261,761	1,026,321	1,271,425	-
Expenses and other charges	11,157,439	1,641,852	8,514,823	4,166,829	589,625	402,537	902,942	1,085,567	728,730	-
Net (loss) / profit	(9,056,440)	290,326	3,411,109	1,730,598	303,079	37,476	358,819	(59,246)	542,695	-
Total comprehensive (loss) / income	(9,056,440)	290,326	3,411,109	1,730,598	303,079	37,476	358,819	(59,246)	542,695	-
Group's share of results	(2,111,642)	145,163	785,622	188,540	255,556	31,573	347,911	(57,445)	530,973	-

The remaining associates are considered immaterial to the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

18. Investment in associates (Continued)

18.2. Summarised financial information of group's material associates are set out below: (Continued)

Reconciliation of the above summarised financial information of the associates with the carrying amounts in the consolidated statement of financial position is given below:

Offset Holding Co. KSCC	
31 December 2014	31 December 2013
KD	KD
Net assets of the associate	31,146,570
Group's share of net assets	15,573,285
Goodwill	597,529
Impairment	(2,404,986)
Carrying amount	13,765,828

Net assets of the associate
Group's share of net assets
Goodwill
Impairment
Carrying amount

Al Wafir Marketing Services Co. KSCC	
31 December 2014	31 December 2013
KD	KD
Net assets of the associate	19,718,263
Group's share of net assets	5,313,514
Goodwill	5,592,857
Carrying amount	10,906,371

Net assets of the associate
Group's share of net assets
Goodwill
Carrying amount

Hill Property Investment LP	
31 December 2014	31 December 2013
KD	KD
Net assets of the associate	3,695,102
Group's share of net assets	3,115,698
Carrying amount	3,115,698

Net assets of the associate
Group's share of net assets
Carrying amount

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

18. Investment in associates (Continued)

18.2. Summarised financial information of Group's material associates are set out below: (Continued)

Net assets of the associate
Group's share of net assets
Carrying amount

Surtees LP	
31 December 2014	31 December 2013
KD	KD
Net assets of the associate	11,644,831
Group's share of net assets	11,291,122
Carrying amount	11,291,122

Net assets of the associate
Group's share of net assets
Carrying amount

Hunt Property LP	
31 December 2014	31 December 2013
KD	KD
Net assets of the associate	9,079,796
Group's share of net assets	8,883,620
Carrying amount	8,883,620

18.3. Set out below is the aggregate information for the individually immaterial associates:

Aggregate share in associates' assets and liabilities:

Assets
Liabilities

31 December 2014	31 December 2013
KD	KD
Assets	3,912,205
Liabilities	(28,092)
	3,884,113

Aggregate share in associates' assets and liabilities:

Revenue
Profit for the year
Group's share of other comprehensive income
Group's share of total comprehensive income
Dividends received from associates

Revenue	306,247
Profit for the year	228,581
Group's share of other comprehensive income	-
Group's share of total comprehensive income	228,581
Dividends received from associates	717,601

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

18. Investment in associates (Continued)

18.3. Set out below is the aggregate information for the individually immaterial associates. (Continued)

The movement in the investment in associates is as follows:

	31 December 2014	31 December 2013
	KD	KD
At 1 January	54,071,423	33,408,914
Additions	4,611,600	22,516,609
Disposal	(2,308,954)	(1,131,876)
Share of results	(237,382)	1,227,119
Share of other comprehensive (loss) / income	(214)	216
Dividends	(1,579,162)	(717,601)
Impairment of associate	(597,529)	-
Reduction of an associate's capital	(337,151)	(1,223,750)
Foreign currency translation of foreign associates	(479,588)	(8,208)
At 31 December	53,143,043	54,071,423

- During the year, the Group acquired additional shares in Al Wafir Marketing Services Co. – KSCC with a carrying value of KD 4,611,600 as part of the consideration received on partial sale of one of its subsidiaries (note 6.1). The shares acquired resulted in additional provisional goodwill of KD 2,846,749 which has been recognised as part of the carrying value of the associate. The fair value of identifiable assets and liabilities acquired had been provisionally determined by the management of the Parent Company and the resultant goodwill was subject to revision within twelve months of the acquisition date.

- During the year, the Group sold one of its associates realising a gain of KD 406,143.

- As a result of the impairment testing of the carrying value of the investment in associates, the Group recognised an impairment loss of KD 597,529 (2013: KD Nil).

- All associates are unquoted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

19. Investment in associates

	Land	Building	Total
	KD	KD	KD
Cost			
1 January 2014	1,023,750	1,484,989	2,508,739
31 December 2014	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2014	-	558,554	558,554
Charge for the year	-	59,062	59,062
31 December 2014	-	617,616	617,616
Net book value			
At 31 December 2014	1,023,750	867,373	1,891,123
Fair value as at 31 December 2014	1,385,568	1,635,369	3,020,937
Cost			
1 January 2013	1,023,750	1,484,989	2,508,739
31 December 2013	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2013	-	499,492	499,492
Charge for the year	-	59,062	59,062
31 December 2013	-	558,554	558,554
Net book value			
At 31 December 2013	1,023,750	926,435	1,950,185
Fair value as at 31 December 2013	1,071,193	1,553,807	2,625,000

Land is not depreciated. Building is depreciated over 25 years. The fair value of the investment properties is based on independent valuations. The investment property represents the part of building constructed on land rented to third parties, and should be accounted as an investment property under IAS 40.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

20. Property and equipment

	Land	Building	Office equipment and computers	Fixtures and decoration	Computer software	Work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
31 December 2014:							
Cost							
At 1 January	1,316,250	2,002,570	391,749	287,952	134,800	22,000	4,155,321
Additions	-	82,471	152,643	47,149	3,003	291,108	576,374
Disposals	-	-	(7,987)	-	-	-	(7,987)
At 31 December	1,316,250	2,085,041	536,405	335,101	137,803	313,108	4,723,708
Accumulated depreciation							
At 1 January	-	741,963	350,932	258,230	78,563	-	1,429,688
Charge for the year	-	80,897	27,653	14,005	23,743	-	146,298
Relating to disposals	-	-	(7,987)	-	-	-	(7,987)
At 31 December	-	822,860	370,598	272,235	102,306	-	1,567,999
Net book value							
At 31 December 2014	1,316,250	1,262,181	165,807	62,866	35,497	313,108	3,155,709

	Land	Building	Office equipment and computers	Fixtures and decoration	Computer software	Work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
31 December 2013:							
Cost							
At 1 January	1,316,250	2,013,562	375,563	276,557	110,476	22,000	4,114,408
Additions	-	-	25,687	13,773	24,324	-	63,784
Disposals	-	(10,992)	(9,501)	(2,378)	-	-	(22,871)
At 31 December	1,316,250	2,002,570	391,749	287,952	134,800	22,000	4,155,321
Accumulated depreciation							
At 1 January	-	663,617	343,262	252,912	65,378	-	1,325,169
Charge for the year	-	80,650	16,459	7,352	13,239	-	117,700
Relating to disposals	-	(2,304)	(8,789)	(2,034)	(54)	-	(13,181)
At 31 December	-	741,963	350,932	258,230	78,563	-	1,429,688
Net book value							
At 31 December 2013	1,316,250	1,260,607	40,817	29,722	56,237	22,000	2,725,633

The building is depreciated over 25 years.

The estimated useful lives of the Group's office equipment, fixtures and decoration for the calculation of depreciation is 4 years, with the exception of its computer software which is depreciated over 3 years. Land is not depreciated.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

21. Due to banks

This represents credit facilities granted to the Group from a local bank in the form of overdraft facilities. The credit facilities carry interest rate of 4.5% per annum (31 December 2013: 4.5% per annum) and payable on demand. Credit facilities are granted against pledge of certain available for sale investments (note 17).

This balance also includes an amount of KD 76,087 (31 December 2013: KD 238,222) due to a bank against the factoring of certain instalment credit debtors (note 13).

22. Accounts payable and other liabilities

	31 December 2014	31 December 2013
	KD	KD
Trade payables	701,505	1,043,987
Other payables	2,726,009	2,901,670
Accrued interest	139,500	186,849
Provision for staff leave	155,099	108,668
KFAS payable	331,469	296,535
NLST and Zakat payable	2,842,290	2,730,308
Due to shareholders	224,030	224,113
	7,119,902	7,492,130

23. Term loans

Term loans are repayable to local and foreign banks in different periods and bear interest at rates ranging from 4.5% to 5.5% (31 December 2013: 4.5% to 5%) per annum.

Loans are repayable as follows:

	31 December 2014	31 December 2013
	KD	KD
Within one year	8,890,000	11,190,000
After one year	2,770,000	4,810,000
	11,660,000	16,000,000

Loans are all denominated in Kuwaiti Dinars and are secured by the assignment of instalment credit contracts and pledge of investments at fair value through statement of income and available for sale investments and mortgage of investment properties and property and equipment (notes 13, 14, 17, 19 and 20).

24. Murabaha payable

This represents Islamic financing obtained from a local financial institution, carrying an effective profit rate of 5% (31 December 2013: 6.00%) per annum. This financing is secured by way of mortgage of certain available for sale investments (note 17).

Murabaha payable is due as follows:

	31 December 2014	31 December 2013
	KD	KD
Within one year	-	1,600,000
After one year	5,200,000	5,200,000
	5,200,000	6,800,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

25. Share capital and share premium

As at 31 December 2014, the authorised, issued and paid up share capital of the Parent Company consists of 802,882,570 shares of 100 Fils each (31 December 2013: 802,882,570 shares). All shares are in cash.

The share premium is non distributable.

26. Treasury shares

	31 December 2014	31 December 2013
	KD	KD
Number of treasury shares	6,033,392	5,483,436
Percentage of ownership (%)	0.751%	0.683%
Market value (KD)	286,586	427,708
Cost (KD)	557,080	597,141

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

27. Reserves

Legal reserve

In accordance with the Companies Law and the Parent Company's Articles and Memorandum of Association, as amended, 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is required to be transferred to legal reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary reserve

The Parent Company's Articles of Association, as amended require that 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve.

28. Annual general assembly

The Annual General Assembly of the shareholders held on 26 June 2014 approved the consolidated financial statements for the year ended 31 December 2013 without dividend.

Also, the extraordinary general assembly of the shareholders held on 26 June 2014 approved to write off accumulated losses of KD 12,709,887 as at 31 December 2013 by transfer from share premium of KD 5,732,745 and KD 6,977,142 from legal reserve.

Further, the Annual General Assembly of shareholders held on 26 June 2014 approved to pay a total amount of KD 37,500 to the Board of Directors for the year ended 31 December 2013 which was paid and recognized as an expense in the current year.

The directors do not propose dividend for the year ended 31 December 2014.

29. Fiduciary accounts

Investment portfolios managed by the Group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the Group's assets or liabilities and accordingly are not included in the consolidated financial position. Total fiduciary assets as at the financial position date were KD 3,978,021 (31 December 2013: KD 2,456,041).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

30. Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss.

The Group's principal trading activities are carried out within the State of Kuwait and all of the Group's assets and liabilities are located in Kuwait, in addition to GCC, Middle East and other countries. The Group operates in four business segments; instalment credit, investments, financial brokerage and real estate. The segmental analysis of total revenues, profit for the year, total assets and total liabilities for the business segments are as follows:

	Instalment credit	Investments	Financial brokerage	Real estate	Total
	KD	KD	KD	KD	KD
Year ended 31 December 2014					
Total revenues	6,298,380	6,317,451	(1,613,676)	376,959	11,379,114
Profit / (loss) for the year	3,341,734	3,309,658	(2,147,686)	313,634	4,817,340
As at 31 December 2014					
Total assets	28,137,884	136,219,775	15,945,525	3,401,410	183,704,594
Total liabilities	16,948,917	7,946,582	2,913,630	-	27,809,129
Net assets	11,188,967	128,273,193	13,031,895	3,401,410	155,895,465
Year ended 31 December 2013					
Total revenues	4,094,033	4,640,191	547,670	346,444	9,628,338
Profit for the year	1,373,926	448,466	167,168	277,744	2,267,304
As at 31 December 2013					
Total assets	23,203,042	123,003,648	19,009,103	6,399,514	171,615,307
Total liabilities	20,529,972	9,525,319	3,462,410	-	33,517,701
Net assets	2,673,070	113,478,329	15,546,693	6,399,514	138,097,606

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

31. Related party balances and transactions

Related parties represent associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Details of significant related party balances and transactions are as follows:

	31 December 2014	31 December 2013
	KD	KD
Consolidated statement of financial position		
Instalment credit debtors-gross (note 13)	1,144,873	3,148,937
Due from related parties	1,002,023	108,920
Due to shareholders (note 22)	224,030	224,113
Due to related parties	424,547	271,060

	31 December 2014	31 December 2013
	KD	KD
Consolidated statement of income		
Income from instalment credit debtors	65,630	708,363
Profit on sale of investment in associate	-	184,625
Profit on sale of available for sale investments	-	461,241
Profit on sale of properties held for trading	-	48,712
Provision for doubtful debts	-	603,019
Key management compensation:		
Salaries and other short-term benefits	466,779	335,298
End of service benefits	37,203	34,492

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

32. Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risk, credit risk and liquidity risk.

The Parent Company's board of directors sets out policies for reducing each of the risks discussed below.

The Group does not use derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed are described below.

32.1. Market risk

a) Foreign currency risk

The Group mainly operates in the GCC, other Middle Eastern countries, Europe and USA and is exposed to foreign currency risk arising from various foreign currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. Risk management objectives and policies (Continued)

32.1. Market risk (Continued)

The Group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 December 2014	31 December 2013
	KD	KD
US Dollar	14,445,485	8,192,741
Lebanese Lira	6,701,787	6,431,914
GBP	3,291,561	4,582,070
Egyptian Pound	1,693,753	1,586,873
UAE Dirham	211,943	136,883
Saudi Riyal	(7,908)	(7,908)
Euro	862,531	-
Omani Riyal	38,099	38,099
Jordanian Dinar	837,119	843,507
South African Rand	(29,973)	(27,730)
Norwegian Korone	754,951	-

The following table details the Group's sensitivity to a 2% (2013: 2%) increase and decrease in the KD against above foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and liabilities and adjusts their translation at the year end for a 2% change in foreign currency rates. A positive number below indicates an increase in profit and equity and a negative number indicates decrease in profit and equity. All other variables are held constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	+2% Impact	+2% impact	-2% Impact	-2% Impact
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	KD	KD	KD	KD
Profit for the year	246,218	297,826	(246,218)	(297,826)
Equity	329,769	141,726	(329,769)	(141,726)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. As the Group is not exposed to a significant interest rate risk on interest bearing assets, the Group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a daily basis and hedging strategies used, if required, to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. Risk management objectives and policies (Continued)

32.1. Market risk (Continued)

b) Interest rate risk (Continued)

The Group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2014 was as follows:

	Up to 1 month	1-3 months	3-12 months	Subtotal up to 1 year	Over 1 year	Non-interest bearing items	Total	Effective interest rate
	KD	KD	KD	KD	KD	KD	KD	(%)
Assets								
Cash and cash equivalents	6,460,709	3,105,936	-	9,566,645	-	-	9,566,645	1.75
Instalment credit debtors	2,975,246	1,478,532	4,206,801	8,660,579	5,889,319	-	14,549,898	2.5-8
Investments at fair value through statement of income	-	-	-	-	-	5,640,753	5,640,753	-
Accounts receivable and other assets	-	-	-	-	-	6,200,635	6,200,635	-
Due from related parties	-	-	-	-	-	1,002,023	1,002,023	-
	9,435,955	4,584,468	4,206,801	18,227,224	5,889,319	12,843,411	36,959,954	-
Liabilities								
Due to banks	2,607,161	76,087	-	2,683,248	-	-	2,683,248	4.5
Accounts payable and other liabilities	-	-	-	-	-	7,119,902	7,119,902	-
Due to related parties	-	-	-	-	-	424,547	424,547	-
Term loans	170,000	340,000	8,380,000	8,890,000	2,770,000	-	11,660,000	4.5-5.5
Murabaha payable	5,200,000	-	-	5,200,000	-	-	5,200,000	5
Provision for employees' end of service benefits	-	-	-	-	-	721,432	721,432	-
	7,977,161	416,087	8,380,000	16,773,248	2,770,000	8,265,881	27,809,129	-

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. Risk management objectives and policies (Continued)

32.1. Market risk (Continued)

b) Interest rate risk (Continued)

The Group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2013 was as follows:

	Up to 1 month	1-3 months	3-12 months	Subtotal up to 1 year	Over 1 year	Non-interest bearing items	Total	Effective interest rate
	KD	KD	KD	KD	KD	KD	KD	(%)
Assets								
Cash and cash equivalents	8,947,736	3,114,410	-	12,062,146	-	-	12,062,146	1.75
Instalment credit debtors	1,897,046	1,752,484	3,703,183	7,352,713	2,101,553	-	9,454,266	3-9
Investments at fair value through statement of income	-	-	-	-	-	8,120,193	8,120,193	-
Accounts receivable and other assets	-	-	-	-	-	-	-	-
Due from related parties	-	-	-	-	-	5,016,378	5,016,378	-
Held to maturity investment	-	-	283,050	283,050	-	108,920	108,920	15
	10,844,782	4,866,894	3,986,233	19,697,909	2,101,553	13,245,491	35,044,953	-
Liabilities								
Due to banks	2,374,655	-	-	2,374,655	-	-	2,374,655	4.5
Accounts payable and other liabilities	-	-	-	-	-	7,492,130	7,492,130	-
Due to related parties	-	-	-	-	-	271,060	271,060	-
Term loans	2,000,000	4,000,000	5,190,000	11,190,000	4,810,000	-	16,000,000	4.5-5
Murabaha payable	800,000	-	800,000	1,600,000	5,200,000	-	6,800,000	6
Provision for employees' end of service benefits	-	-	-	-	-	579,856	579,856	-
	5,174,655	4,000,000	5,990,000	15,164,655	10,010,000	8,343,046	33,517,701	-

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in interest rates of +1% and -1% (2013: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant.

	31 December 2014		31 December 2013	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Profit for the year	45,733	(45,733)	(33,752)	33,752
Equity	45,733	(45,733)	(33,752)	33,752

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. Risk management objectives and policies (Continued)

32.1. Market risk (Continued)

c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income (including trading securities), and available for sale investments.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the consolidated financial statements date.

If equity prices had been 10% higher/lower, the effect on the profit for the year and equity for the years ended 31 December 2014 and 2013 would have been as follows:

	Profit for the year		Equity	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	KD	KD	KD	KD
Investments at fair value through statement of income	±564,075	±812,019	±564,075	±812,019
Available for sale investments	-	-	±8,704,448	±7,597,378

32.2. Credit risk

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

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarised below:

	31 December 2014	31 December 2013
	KD	KD
Cash and cash equivalents	9,566,645	12,062,146
Instalment credit debtors	14,549,898	9,454,266
Investments at fair value through statement of income (note 14)	3,516,854	5,910,407
Accounts receivable and other assets	6,200,635	5,016,378
Due from related parties	1,002,023	108,920
Held to maturity investment	-	283,050
Total	34,836,055	32,835,167

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. Risk management objectives and policies (Continued)

32.3. Concentration of assets

The distribution of assets by geographic region is as follows:

	Kuwait	GCC	Other Middle Eastern countries	Europe and other	USA	Total
	KD	KD	KD	KD	KD	KD
At 31 December 2014						
Cash and cash equivalents	4,427,384	122,592	4,384,803	498,792	133,074	9,566,645
Instalment credit debtors	9,124,437	-	5,425,461	-	-	14,549,898
Investments at fair value through statement of income	5,537,753	-	103,000	-	-	5,640,753
Accounts receivable and other assets	2,510,331	344,641	2,886,282	3,511	455,870	6,200,635
Due from related parties	552,356	9,097	155,794	284,776	-	1,002,023
Properties held for trading	-	1,313,947	-	196,343	-	1,510,290
Available for sale investments	52,062,621	522,189	83,991	22,151,209	12,224,465	87,044,475
Investment in associates	31,069,718	-	-	22,073,325	-	53,143,043
Investment properties	1,891,123	-	-	-	-	1,891,123
Property and equipment	2,939,276	9,492	206,941	-	-	3,155,709
Total	110,114,999	2,321,958	13,246,272	45,207,956	12,813,409	183,704,594

	Kuwait	GCC	Other Middle Eastern countries	Europe and other	USA	Total
	KD	KD	KD	KD	KD	KD
At 31 December 2013						
Cash and cash equivalents	7,312,605	394,296	3,905,833	449,412	-	12,062,146
Instalment credit debtors	4,218,754	-	5,235,512	-	-	9,454,266
Investments at fair value through statement of income	7,928,896	-	191,297	-	-	8,120,193
Accounts receivable and other assets	412,750	69,649	3,602,241	931,738	-	5,016,378
Due from related parties	52,759	-	56,161	-	-	108,920
Properties held for trading	-	1,635,265	-	214,064	-	1,849,329
Available for sale investments	68,887,465	782,097	108,125	6,196,097	-	75,973,784
Held to maturity investment	-	-	-	283,050	-	283,050
Investment in associates	28,556,312	-	-	25,515,111	-	54,071,423
Investment properties	1,950,185	-	-	-	-	1,950,185
Property and equipment	2,589,228	10,226	126,179	-	-	2,725,633
Total	121,908,954	2,891,533	13,225,348	33,589,472	-	171,615,307

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. Risk management objectives and policies (Continued)

32.4. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date. The maturity profile for available for sale investments is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities at 31 December 2014:

	Up to 1 month	1-3 months	3-12 months	Subtotal Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
ASSETS						
Cash and cash equivalents	6,460,709	3,105,936	-	9,566,645	-	9,566,645
Instalment credit debtors	2,975,246	1,478,532	4,206,801	8,660,579	5,889,319	14,549,898
Investments at fair value through statement of income	5,640,753	-	-	5,640,753	-	5,640,753
Accounts receivable and other assets	163,214	3,217,839	638,720	4,019,773	2,180,862	6,200,635
Due from related parties	-	-	1,002,023	1,002,023	-	1,002,023
Properties held for trading	-	-	1,510,290	1,510,290	-	1,510,290
Available for sale investments	-	-	-	-	87,044,475	87,044,475
Investment in associates	-	-	-	-	53,143,043	53,143,043
Investment properties	-	-	-	-	1,891,123	1,891,123
Property and equipment	-	-	-	-	3,155,709	3,155,709
Total assets	15,239,922	7,802,307	7,357,834	30,400,063	153,304,531	183,704,594
LIABILITIES						
Due to banks	2,683,248	-	-	2,683,248	-	2,683,248
Accounts payable and other liabilities	963,837	886,050	2,270,908	4,120,795	2,999,107	7,119,902
Due to related parties	-	-	424,547	424,547	-	424,547
Term loans	170,000	340,000	8,380,000	8,890,000	2,770,000	11,660,000
Murabaha payable	5,200,000	-	-	5,200,000	-	5,200,000
Provision for employees' end of service benefits	-	-	-	-	721,432	721,432
Total liabilities	9,017,085	1,226,050	11,075,455	21,318,590	6,490,539	27,809,129

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. Risk management objectives and policies (Continued)

32.4. Liquidity risk (Continued)

Maturity profile of assets and liabilities at 31 December 2013:

	Up to 1 month	1-3 months	3-12 months	Subtotal Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
ASSETS						
Cash and cash equivalents	8,947,736	3,114,410	-	12,062,146	-	12,062,146
Instalment credit debtors	1,897,046	1,752,484	3,703,183	7,352,713	2,101,553	9,454,266
Investments at fair value through statement of income	8,120,193	-	-	8,120,193	-	8,120,193
Accounts receivable and other assets	139,122	3,508,355	1,353,959	5,001,436	14,942	5,016,378
Due from related parties	-	-	108,920	108,920	-	108,920
Properties held for trading	-	-	1,849,329	1,849,329	-	1,849,329
Available for sale investments	-	-	-	-	75,973,784	75,973,784
Held to maturity investment	-	-	283,050	283,050	-	283,050
Investment in associates	-	-	-	-	54,071,423	54,071,423
Investment properties	-	-	-	-	1,950,185	1,950,185
Property and equipment	-	-	-	-	2,725,633	2,725,633
Total assets	19,104,097	8,375,249	7,298,441	34,777,787	136,837,520	171,615,307
LIABILITIES						
Due to banks	2,374,655	-	-	2,374,655	-	2,374,655
Accounts payable and other liabilities	1,086,018	3,135,647	441,939	4,663,604	2,828,526	7,492,130
Due to related parties	-	-	271,060	271,060	-	271,060
Term loans	2,000,000	4,000,000	5,190,000	11,190,000	4,810,000	16,000,000
Murabaha payable	800,000	-	800,000	1,600,000	5,200,000	6,800,000
Provision for employees' end of service benefits	-	-	-	-	579,856	579,856
Total liabilities	6,260,673	7,135,647	6,702,999	20,099,319	13,418,382	33,517,701

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. Risk management objectives and policies (Continued)

32.4. Liquidity risk (Continued)

The contractual maturity profile of the financial liabilities based on undiscounted cash flow is as follows:

	Up to 1 month	1-3 months	3-12 months	Subtotal Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
31 December 2014						
Financial liabilities						
Due to banks	2,716,789	-	-	2,716,789	-	2,716,789
Accounts payable and other liabilities	963,837	886,050	2,270,908	4,120,795	2,999,107	7,119,902
Due to related parties	-	-	424,547	424,547	-	424,547
Term loans	217,158	427,899	8,710,137	9,355,194	2,975,002	12,330,196
Murabaha payable	5,331,068	-	-	5,331,068	-	5,331,068
Provision for employees' end of service benefits	-	-	-	-	721,432	721,432
	9,228,852	1,313,949	11,405,592	21,948,393	6,695,541	28,643,934

	Up to 1 month	1-3 months	3-12 months	Sub-total Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
31 December 2013						
Financial liabilities						
Due to banks	2,404,338	-	-	2,404,338	-	2,404,338
Accounts payable and other liabilities	1,086,018	3,135,647	441,939	4,663,604	2,828,526	7,492,130
Due to related parties	-	-	271,060	271,060	-	271,060
Term loans	2,065,397	4,092,042	5,754,523	11,911,962	6,361,664	18,273,626
Murabaha payable	827,014	50,137	1,009,041	1,886,192	5,220,658	7,106,850
Provision for employees' end of service benefits	-	-	-	-	579,856	579,856
	6,382,767	7,277,826	7,476,563	21,137,156	14,990,704	36,127,860

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

33. Fair value measurement

33.1. Fair value hierarchy

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

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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

33.2. Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorised as follows:

	31 December 2014	31 December 2013
	KD	KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and cash equivalents	9,566,645	12,062,146
Instalments credit debtors	14,549,898	9,454,266
Accounts receivable and other assets	6,200,635	5,016,378
Due from related parties	1,002,023	108,920
Held to maturity investments at amortised cost:		
Held to maturity investment	-	283,050
Investments at fair value through statement of income:		
Investments at fair value through statement of income	5,640,753	8,120,193
Available for sale investments:		
Available for sale investments – at fair value	62,562,655	73,218,637
Available for sale investments – at cost	24,481,820	2,755,147
Total	124,004,429	111,018,737
Financial liabilities:		
Financial liabilities at amortised cost:		
Due to banks	2,683,248	2,374,655
Accounts payable and other liabilities	7,119,902	7,492,130
Due to related parties	424,547	271,060
Term loans	11,660,000	16,000,000
Murabaha payable	5,200,000	6,800,000
Provision for employees' end of service benefits	721,432	579,856
Total	27,809,129	33,517,701

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

33. Fair value measurement (Continued)

33.2. Fair value measurement of financial instruments (continued)

In the opinion of management, except for certain available for sale investments which are carried at cost for reasons specified in note 17 to these consolidated financial statements, the carrying amounts of financial assets and liabilities as at 31 December 2014 approximate their fair values.

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

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2014	Level 1	Level 2	Level 3	Level 4
	KD	KD	KD	KD
Investments at fair value through statement of income:				
Local quoted shares	2,020,898	-	-	2,020,898
Foreign quoted shares	103,001	-	-	103,001
Investment in managed portfolios	3,516,854	-	-	3,516,854
Available for sale investments:				
Local quoted shares	27,309,384	-	-	27,309,384
Local unquoted shares	-	-	9,907,012	9,907,012
Foreign unquoted shares	-	-	11,048,010	11,048,010
Investment in managed portfolios	1,702,109	-	12,335,400	14,037,509
Investment funds	-	260,740	-	260,740
	34,652,246	260,740	33,290,422	68,203,408
31 December 2013	Level 1	Level 2	Level 3	Level 4
	KD	KD	KD	KD
Investments at fair value through statement of income:				
Local quoted shares	2,018,491	-	-	2,018,491
Foreign quoted shares	191,595	-	-	191,595
Investment in managed portfolios	5,910,407	-	-	5,910,407
Available for sale investments:				
Local quoted shares	39,653,408	-	-	39,653,408
Local unquoted shares	-	-	10,484,843	10,484,843
Foreign unquoted shares	-	-	5,809,600	5,809,600
Investment in managed portfolios	3,437,633	-	13,643,700	17,081,333
Investment funds	-	189,453	-	189,453
	51,211,534	189,453	29,938,143	81,339,130

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

33. Fair value measurement (Continued)

33.2. Fair value measurement of financial instruments (continued)

There have been no transfers between levels during the reporting period.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out below.

Available for sale investments:

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in levels 2 and 3 are described below:

Certain unquoted equity securities are valued based on book value and price to book multiple method using latest financial statements available of the investee entities.

Other unquoted equity securities are valued using cash flow projections based on financial estimates approved by senior management. The growth rates used to arrive at the terminal value ranged from 2% to 3%. Further the revenue growth projections are based on the assessment of the future business growth.

Key assumptions used in fair value calculations

The calculation of fair value is most sensitive to the following assumptions:

- Discount rates;
- Growth rates used to extrapolate cash flows beyond the budget period;
- Local inflation rates.

Discount rates

Discount rates are calculated by using risk-free rate, equity market risk premium, beta factor and company specific risk premium (alpha factor).

Market share assumptions

These assumptions, as well as use of industry data for growth rates, are important as the entity's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates

Assumptions are based on references from published industry research reports.

Investments in funds have been valued based on Net Asset Value (NAV) of the fund provided by the fund manager.

Gains or losses recognised in the consolidated statement of income for the year are included in profit on sale of available for sale investments.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in the consolidated statement of income, total assets, total liabilities or total equity.

There were no changes to the valuation techniques during the year.

Level 3 fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 December 2014	31 December 2013
	KD	KD
Opening balance	29,938,143	22,940,163
Change in fair value	2,476,159	(1,801,307)
Additions during the year:		
Purchases	876,120	8,799,287
Closing balance	33,290,422	29,938,143
Total amount included in consolidated statement of income for unrealised gains on level 3 assets	-	-

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

33. Fair value measurement (Continued)

33.2. Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (Continued)

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

Non-financial instruments:

Investment properties were fair valued at 31 December 2014 and are classified under level 3 fair value hierarchy and reconciliation is provided in note 19.

Description of significant unobservable inputs to valuation of non-financial assets:

Fair value of investment properties were determined using Mark to Market method, conducted by valutors considering transaction prices of the property and similar properties. The significant unobservable valuation input used for the purpose of valuation is the market price per square foot / meter and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

34. Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimisation of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 December 2014	31 December 2013
	KD	KD
Due to banks (note 21)	2,683,248	2,374,655
Term loans (note 23)	11,660,000	16,000,000
Murabaha payable (note 24)	5,200,000	6,800,000
Less: Cash and cash equivalents (note 12)	(9,566,645)	(12,062,146)
Net debt	9,976,603	13,112,509
Equity	155,895,465	138,097,606
Net debt to equity ratio	6.40%	9.49%