Consolidated financial statements and independent auditors' report

Noor Financial Investment Company – KPSC and Subsidiaries

Kuwait

31 December 2014

Contents

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Independent auditors' report

To the shareholders of
Noor Financial Investment Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Noor Financial Investment Company – KPSC (the "Parent Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and 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 adopted for use by the State of Kuwait and, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Matters

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

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

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

Talal Yousef Al-Muzaini
(Licence No. 209A)
of Deloitte & Touche Al-Wazzan & Co.

Kuwait
13 April 2015

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Income			
Revenue from hotel operations and IT Services		13,639,645	7,254,585
Cost of sales and services	9	(11,621,585)	(6,081,068)
Gross profit from hotel operations and IT Services		2,018,060	1,173,517
Realised gain on investments at fair value through profit or loss		1,154,046	547,970
Unrealised (loss)/gain on investments at fair value through profit or loss	10.2	(151,889)	2,214,986
Realised gain on sale of available for sale investments		1,957,674	3,815,312
Change in fair value of investment properties	19	1,104,532	1,232,097
Realised gain on sale of investment properties		300,000	-
Dividend income		1,718,821	4,145,815
Management and placement fees		54,010	305,617
Interest and other income	8	1,040,112	2,489,700
Rental income		1,008,259	1,130,444
Share of results of associates	18	9,842,763	6,953,943
Profit on disposal of associate		-	105,367
Foreign exchange loss		(58,359)	(30,970)
		19,988,029	24,083,798
Expenses and other charges			
General, administrative and other expenses	9	5,152,188	5,292,816
Finance costs	11	4,538,858	4,601,533
Impairment in value of available for sale investments	17	8,671,511	6,448,846
Impairment in value of investment in associate	18	111,473	-
Impairment in value of accounts receivable	16.4	1,436,255	127,008
		19,910,285	16,470,203
Profit before KFAS, Zakat , NLST and directors' remuneration		77,744	7,613,595
Contribution to KFAS		-	(62,140)
Provision for Zakat		(5,899)	(59,976)
Provision for National Labour Support Tax (NLST)		(20,052)	(207,830)
Directors' remuneration	27	-	(60,000)
Profit for the year		51,793	7,223,649
Attributable to:			
Owners of the Parent Company		918,814	9,050,160
Non-controlling interests		(867,021)	(1,826,511)
		51,793	7,223,649
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	12	2.28	22.47

The notes set out on pages 9 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Profit for the year	**51,793**	7,223,649
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	**3,607,119**	(2,990,700)
Available for sale investments:		
-Net changes in fair value arising during the year	**(6,601,199)**	(2,295,664)
-Transferred to consolidated statement of profit or loss on sale	**(1,957,674)**	(3,815,312)
-Transferred to consolidated statement of profit or loss on impairment	**8,671,511**	6,448,846
Share of other comprehensive income of associates	**(523,481)**	(142,819)
Total other comprehensive income for the year	**3,196,276**	(2,795,649)
Total comprehensive income for the year	**3,248,069**	4,428,000
Total comprehensive income attributable to:		
Owners of the Parent Company	**3,994,442**	3,639,115
Non-controlling interests	**(746,373)**	788,885
	3,248,069	4,428,000

The notes set out on pages 9 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2014 KD	31 Dec. 2013 KD
Assets			
Cash and bank balances	13	8,137,702	7,996,585
Short-term deposits	13	1,570,220	189,481
Murabaha and wakala investments	14	598,354	4,500,000
Investments at fair value through profit or loss	15	17,372,642	21,545,840
Accounts receivable and other assets	16	14,604,165	28,302,787
Available for sale investments	17	58,207,419	68,619,650
Investment in associates	18	50,294,896	39,865,645
Investment properties	19	32,840,512	28,604,121
Property and equipment		6,632,396	4,476,204
Goodwill and intangible assets	20	10,314,660	1,990,375
Total assets		200,572,966	206,090,688
Liabilities and Equity			
Liabilities			
Due to banks	13	1,508,363	-
Accounts payable and other liabilities	21	9,932,077	6,433,037
Borrowings from banks and financial institutions	22	124,927,082	134,564,750
Provision for end of service indemnity		526,243	516,387
Total liabilities		136,893,765	141,514,174
Equity			
Share capital	23	41,316,276	37,560,251
Share premium	23	3,410,573	3,410,573
Treasury shares	24	(3,410,573)	(3,410,573)
Legal reserve	25	1,507,907	1,413,431
Voluntary reserve	25	1,507,907	1,413,431
Cumulative changes in fair value	26	6,009,404	6,540,895
Foreign currency translation reserve	26	(9,537,538)	(13,218,472)
Retained earnings		4,495,457	10,741,380
Equity attributable to the owners of the Parent Company		45,299,413	44,450,916
Non-controlling interests	26	18,379,788	20,125,598
Total equity		63,679,201	64,576,514
Total liabilities and equity		200,572,966	206,090,688

Fahad Sulaiman Al-Khaled
Chairman

Abdulghani M.S. Behbehani
Vice Chairman

The notes set out on pages 9 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company										Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	KD
Balance as at 1 January 2014	37,560,251	3,410,573	(3,410,573)	1,413,431	1,413,431	6,540,895	(13,218,472)	10,741,380	44,450,916	20,125,598	64,576,514
Issue of bonus shares (Note 23.2)	3,756,025	-	-	-	-	-	-	(3,756,025)	-	-	-
Increase in non-controlling interest of subsidiary during the year	-	-	-	-	-	-	-	-	-	2,500	2,500
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(137,423)	(137,423)
Non –controlling interests arising on acquisition of a subsidiary (Note 7.3.1)	-	-	-	-	-	-	-	-	-	637,847	637,847
Decrease of non-controlling interests on sale of subsidiary	-	-	-	-	-	-	-	-	-	(8,655)	(8,655)
Acquisition of non-controlling interest (Note 26.3.1)	-	-	-	-	-	-	-	76,498	76,498	(804,494)	(727,996)
Amount due to non-controlling interest on reduction of share capital by subsidiary (Note 26.3.2)	-	-	-	-	-	-	-	-	-	(3,911,655)	(3,911,655)
Reallocation to Non-controlling interests (Note 26.3.3)	-	-	-	-	-	-	73,815	(3,296,258)	(3,222,443)	3,222,443	-
Transactions with owners	3,756,025	-	-	-	-	-	73,815	(6,975,785)	(3,145,945)	(999,437)	(4,145,382)
Profit/(loss) for the year	-	-	-	-	-	-	-	918,814	918,814	(867,021)	51,793
Total other comprehensive income for the year	-	-	-	-	-	(531,491)	3,607,119	-	3,075,628	120,648	3,196,276
Total comprehensive income for the year	-	-	-	-	-	(531,491)	3,607,119	918,814	3,994,442	(746,373)	3,248,069
Transfer to reserves	-	-	-	94,476	94,476	-	-	(188,952)	-	-	-
Balance as at 31 December 2014	41,316,276	3,410,573	(3,410,573)	1,507,907	1,507,907	6,009,404	(9,537,538)	4,495,457	45,299,413	18,379,788	63,679,201

The notes set out on pages 9 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company										Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	KD
Balance as at 1 January 2013	37,560,251	3,410,573	(3,410,573)	469,420	469,420	8,961,240	(10,227,772)	3,579,242	40,811,801	26,403,014	67,214,815
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(1,532,227)	(1,532,227)
Net increase in non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	130,625	130,625
Additional investment made by non-controlling interests in the capital of a subsidiary	-	-	-	-	-	-	-	-	-	616,000	616,000
Amount due to non-controlling interest on reduction of share capital by subsidiary	-	-	-	-	-	-	-	-	-	(6,642,010)	(6,642,010)
Other net changes in non-controlling interests	-	-	-	-	-	-	-	-	-	361,311	361,311
Transactions with owners	-	-	-	-	-	-	-	-	-	(7,066,301)	(7,066,301)
Profit/(loss) for the year	-	-	-	-	-	-	-	9,050,160	9,050,160	(1,826,511)	7,223,649
Total other comprehensive income for the year	-	-	-	-	-	(2,420,345)	(2,990,700)	-	(5,411,045)	2,615,396	(2,795,649)
Total comprehensive income for the year	-	-	-	-	-	(2,420,345)	(2,990,700)	9,050,160	3,639,115	788,885	4,428,000
Transfer to reserves	-	-	-	944,011	944,011	-	-	(1,888,022)	-	-	-
Balance as at 31 December 2013	37,560,251	3,410,573	(3,410,573)	1,413,431	1,413,431	6,540,895	(13,218,472)	10,741,380	44,450,916	20,125,598	64,576,514

The notes set out on pages 9 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
OPERATING ACTIVITIES			
Profit before KFAS, Zakat , NLST and directors remuneration		77,744	7,613,595
Adjustments:			
Realised gain on sale of available for sale investments		(1,957,674)	(3,815,312)
Dividend income		(1,718,821)	(4,145,815)
Realized gain on sale of investment properties		(300,000)	-
Change in fair value of investment properties		(1,104,532)	(1,232,097)
Share of results of associates		(9,842,763)	(6,953,943)
Profit on disposal of associate		-	(105,367)
Interest income and income from murabaha and wakala investments		(120,175)	(75,829)
Net effect of unwinding discounting on receivable		-	(214,212)
Reversal of impairment provision on Wakala investment		-	(874,497)
Depreciation & amortisation		221,122	191,892
Provision for end of service indemnity		168,452	131,151
Finance costs		4,538,858	4,601,533
Impairment in value of accounts receivable		1,436,255	127,008
Impairment in value of investments		8,782,984	6,448,846
		181,450	1,696,953
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		4,173,198	5,884,057
Accounts receivable and other assets		9,627,709	(6,856,993)
Accounts payable and other liabilities		(946,250)	585,321
Cash from operation		13,036,107	1,309,338
Zakat, KFAS and NLST paid		(474,182)	(32,149)
Payment of end of service indemnity		(158,596)	(188,594)
Net cash from operating activities		12,403,329	1,088,595
INVESTING ACTIVITIES			
Change in short term deposits	13	(224,117)	-
Change in blocked deposits	13	(1,363,541)	5,048,933
Proceeds from sale of available for sale investments		5,183,253	11,056,993
Purchase of available for sale investments		(1,372,221)	(134,878)
Investments in associate		(250,828)	(50,000)
Dividend received from associate		2,480,549	1,832,689
Dividend received from other investments		1,718,821	4,145,815
Proceeds from disposals /redemption of units of an associate		-	2,974,491
Acquisition of subsidiaries (net)	7.3	(1,005,629)	(2,182,009)
Net cash and cash equivalent on consolidation of a subsidiary		-	742,987
Decrease in Wakala investments		3,901,646	6,793,421
Money received from impaired Wakala investment		-	874,497
Acquisition of investment property		(3,850,359)	(10,626,868)
Proceeds from sale of investments properties		2,100,000	-
Net acquisition of property and equipment		(2,331,704)	(105,728)
Interest income & income from Murabaha and Wakala investments received		120,175	75,829
Net cash from investing activities		5,106,045	20,446,172
FINANCING ACTIVITIES			
Repayments of borrowings (net)		(9,637,668)	(12,892,114)
Redemption of units by non-controlling interests of a subsidiary		(137,423)	(1,532,227)
Payment to non-controlling interests on reduction of share capital by subsidiaries		(4,042,064)	(6,591,086)
Additional investment made by non-controlling interest in the capital of a subsidiary		2,500	616,000
Acquisition of non-controlling interest in a subsidiary		(727,996)	-
Dividend paid		(2,300)	(8,150)
Finance costs paid		(4,538,588)	(4,598,928)
Net cash used in financing activities		(19,083,539)	(25,006,505)
Net decrease in cash and cash equivalents		(1,574,165)	(3,471,738)
Cash and cash equivalents at beginning of the year		7,820,066	11,291,804
Cash and cash equivalents at end of the year	13	6,245,901	7,820,066

The notes set out on pages 9 to 64 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Noor Financial Investment Company – KPSC ("the Parent Company") was incorporated in Kuwait on 1 February 1997 and during May 2006 its shares were listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries are together referred to as "the Group". The Parent Company is regulated by the Central Bank of Kuwait and also by the Capital Market Authority (CMA), as an investment company and is a subsidiary of National Industries Group Holding SAK ("the Ultimate Parent Company"). During the year, in accordance with the memo number 476 dated 9th November 2014 issued by the Shareholding Companies Department of the Ministry of Commerce and Industry, and based on the Extraordinary General Assembly held on 25 September 2014, the shareholders of the Parent Company approved to amend the objective of the Parent Company as stated below.

The principal objectives of the Parent Company are as follows:

- Invest in various economic sectors through contribution to the establishment of specialized companies or purchase of shares or stakes in those companies;
- Perform the functions of investment trustees and manage all kinds of investment portfolios for third parties;
- Facilitate in lending and borrowing transactions for commission or remuneration;
- Fund and facilitate in international trade operations;
- Conduct research, studies and other technical services related to investment operations and manage funds for third parties;
- Create and manage various investment funds according to the law;
- Perform the functions of lead manager for the bonds issued by companies and bodies;
- Prepare studies and provide financial advice related to investment for privatization projects.
- Carry out all the services and activities that help developing the financial and monetary market in the State of Kuwait;
- Trade, by selling and buying, in shares, bonds, Sukuks and other securities listed and unlisted in Kuwait stock exchange market and foreign stock exchange markets for the Company's account or the account of its clients for commission or remuneration;
- Invest in real estate, industrial and agricultural sectors of the economy in all types of investment;
- Facilitate in selling or buying financial assets and other assets for commission or remuneration and facilitate and participate in international trade operations;
- Provide funding operations to third parties to buy or lease fixed assets and movables through contracts.
- Provide technical services for the incorporation of companies and restructure, merge or dispose of the existing companies;
- Prepare studies and research and provide the necessary consultation in all matters relating to the objectives of the company;
- Acquire industrial property rights, patents, trade and industrial marks, literary and intellectual property right related to the program and literature;
- Represent foreign companies the objectives of which are identical with the objectives of the company in order to market their products and services in accordance with the relevant Kuwaiti legislation.

The Parent Company has the right to perform the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also purchase these entities or affiliate them therewith. Further, the Parent Company may practice works similar or complementary or necessary or related to its above mentioned objectives and may utilize its surplus funds by investing same in portfolios and funds managed by specialized companies and bodies.

Notes to the consolidated financial statements

1 Incorporation and activities (continued)

The above amendments to the objective were approved by the relevant authorities on 9th November 2014.

The previous objectives of the Parent Company were as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission.

The Parent Company has the right to participate and subscribe, in any way, with other firms which operate in the same field or those which would assist it in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the Parent Company's registered office is NIG Building, Ground Floor, Shuwaikh, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

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. The Company has amended its Memorandum of Incorporation and Articles of Association according to the new Law and it was approved by the shareholders at the Extraordinary General Assembly held on 25 September 2014.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 13 April 2015. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss, available for sale financial investments and investment properties.

As disclosed in Note 22.1, the management of the Parent Company is actively engaged with all its lenders to restructure its loans and is confident that based on the constructive discussions held to date they will be able to achieve an acceptable debt rescheduling within a short period of time.

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

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

3 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait.

These regulations require adoption of all IFRS 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 as described under the accounting policy for impairment of financial assets.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

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

4.1 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 which are relevant to the Group 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 mechanisms may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendments had no material effect on the Group's financial statements for any periods presented.

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 amendments have been applied retrospectively in accordance with their transitional provisions. The adoption of the amendments had no material effect on the disclosures in the Group's financial statements for any period presented.

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 had no material effect on the Group's financial statements for any period presented.

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 amendments had no material effect on the Group's financial statements for any period presented.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IFRIC 21 Levies

IFRIC 21 clarifies that:

a) 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.
b) 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, but had no material effect on the financial statements for any period presented.

4.2 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, but 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 be relevant to 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 and 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 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

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 new standard introduces extensive changes to ISA 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance an application of hedge accounting.

Notes to the financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Although earlier application of his standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and provides a new control-based revenue recognition model using five step approaches 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 obligations.

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 recognized 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 have yet to assess the impact of IFRS 15 on these Group consolidated financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between and 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.

Notes to the financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture – Amendments (continued)

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 an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

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.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

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 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 provides 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.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Notes to the financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 16 and IAS 38 Clarifications 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.

These amendments are 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. These amendments are not expected to have any material impact to the Group's financial statements.

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.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Notes to the financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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.

These amendments are not expected to have any material impact to the Group's consolidated financial statements.

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 Group statement of comprehensive 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.

These amendments are not expected to have any material impact to the Group's financial statements.

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.

These amendments are not expected to have any material impact to the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies

The significant accounting policies and measurement basis adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The Group consolidate financial statements those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary 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. Losses of subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences, recorded in consolidated statement of changed in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in consolidated statement of profit or loss;
- Reclassifies the parent's share of components previously recognized in consolidated statement of comprehensive income;

  to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5.2 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 consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of profit or loss or as change to consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within consolidated statement of comprehensive income.

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 consolidated statement of profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.13 for a description of impairment testing procedures.

5.4 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

The financial statements of the associates are prepared either to the reporting date of the Parent Company or to a date not earlier than three months of the Parent Company's reporting date, using consistent accounting policies. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in 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 under separate heading in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5 Segment reporting

The Group has three operating segments: Investments, Real Estate and Hotel & IT services. 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.

For management purposes, the Group uses the same measurement policies as those used in its consolidated 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.

5.6 Revenue

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

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. The following specific recognition criteria should also be met before revenue is recognised;

5.6.1 Rendering of services

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)

5.6.1 Rendering of services (continued)

- *Fee income from providing transaction services*

Fees arising for 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.

5.6.2 Rental income

The Group earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

5.6.3 Interest income

Interest income is recognised on a time proportion basis using effective interest method.

5.6.4 Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the investments property to the purchaser and the amount of revenue can be reliably measured.

5.6.5 Dividend income

Dividend income, other than those from investments in associates, is recognised at the time the right to receive payment is established.

5.6.6 Revenue from hotel operations

Revenue from hotel operations includes hotel services revenue, food and beverage and room revenue.

Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale and other related services are recognised on the performance of the service.

5.6.7 Revenue from IT services

Revenue from IT services represent IT related services and sale of IT related products. Revenue from services are recognised in the period in which the services are rendered and revenue from sale is recognised on delivery of goods to customer.

5.7 Operating expenses

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

5.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Intangible assets

Identifiable non-monetary assets acquired in as business combination and from which future benefits are expected to flow are treated as intangible assets.

Intangible assets which have a finite life are amortized over their useful lives. Intangible assets of the Group comprise of Indefeasible Rights of Use (IRU).

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.11 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuators and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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.

5.12 Investment in jointly controlled assets

Investment in jointly controlled assets are accounted for under the method of proportionate consolidation whereby the Group recognises its interest in assets, liabilities, income and expenses relating to the assets on a line-by-line basis and classified according to their nature.

5.13 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Impairment testing of goodwill and non-financial assets (Continued)

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 asset's 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 the asset or 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 effect of future reorganisations and assets enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk 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.

5.14 Financial instruments

15.14.1 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 profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

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.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily 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.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14 Financial instruments (continued)

15.14.1 Recognition, initial measurement and derecognition (continued)

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

5.14.2 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 profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL 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.

All significant income and expenses relating to financial assets that are recognised in consolidated statement of profit or loss are presented, under separate headings in the consolidated statement of profit or loss.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial 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.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The Group categorises loans and receivables into following categories:

- *Cash and bank balances and short term deposits*

Cash on hand and demand deposits are classified under cash and bank balances and deposits placed with financial institutions with a maturity of less than one year are classified as short term deposits.

- *Murabaha investments/receivables*

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14 Financial instruments (continued)

5.14.2 Classification and subsequent measurement of financial assets (Continued)

- *Murabaha investments / receivables (continued)*

When the credit risk of the transaction is attributable to a financial institution, the amount due under Murabaha contracts is classified as a Murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as Murabaha receivable.

Murabaha receivables which arise from the Group's financing of long-term transactions on an Islamic basis are classified as Murabaha receivables originated by the Group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Murabaha are treated as part of the cost of the transaction.

All Murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

- *Wakala investments*

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

- *Loans and advances*

Loans and advances 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.

- *Receivables and other financial assets*

Trade receivables are stated at original invoice 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.

Loans and receivables which are not categorised under any of the above are classified as "other receivables/other assets".

- *Financial assets at* FVTPL

Classification of investments as financial assets at FVTPL depends on how management monitors the performance of these investments. Investments at FVTPL are either "held for trading" or "designated" as such on initial recognition.

The Group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. 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 profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. 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.

- *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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14 Financial instruments (continued)

5.14.2 Classification and subsequent measurement of financial assets (Continued)

- *AFS financial assets (continued)*

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 profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in consolidated statement of 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 consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in consolidated statement of comprehensive income is reclassified from the equity reserve to consolidated statement of profit or loss and presented as a reclassification adjustment within consolidated statement of 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 consolidated statement of comprehensive income and recognised in the consolidated statement of profit or loss.

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

5.14.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, due to banks and accounts payable and other liabilities. The subsequent measurement of financial liabilities depends on their classification.

The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL).

- *Financial liabilities other than at fair value through profit or loss(FVTPL)*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Borrowings*

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

- *Wakala payables*

Wakala payables represent borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- *Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14 Financial instruments (continued)

5.14.3 Classification and subsequent measurement of financial liabilities (Continued)

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "other liabilities"

All interest-related charges are included within finance costs.

5.14.4 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.

5.14.5 Offsetting of financial instruments

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

5.14.6 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 30.3.

5.15 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.

Statutory 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.

Other components of equity include the following:

- foreign currency translation reserve – comprises of foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries and associates into Kuwaiti Dinar (KD)
- Cumulative changes in fair value reserve – comprises of gains and losses relating to available for sale financial assets and Group share of cumulative consolidated statement of change in fair value of associates

Retained earnings include all current and prior period profit. All transactions with owners of the parent are recorded separately within consolidated statement of changes in equity.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Equity, reserves and dividend payments *(Continued)*
Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a General Assembly.

5.16 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been re-acquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares re-acquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. 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.

5.17 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.

5.18 Foreign currency translation

5.18.1 Functional and presentation currency
The consolidated financial statements are presented in Kuwait Dinar (KD), 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.

5.18.2 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 re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.18 Foreign currency translation (continued)

5.18.2 Foreign currency transactions and balances (continued)

Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "available for sale" is reported as part of the cumulative change in fair value reserve within consolidated statement of comprehensive income.

5.18.3 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 are translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are 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 consolidated statement of 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 consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.19 End of service indemnity

The Parent Company and its local subsidiaries provide 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.

5.20 Taxation

5.20.1 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. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

5.20.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.20.3 Zakat

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

5.21 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.22 Fiduciary assets

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

6 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.

6.1 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:

6.1.1. Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or consolidated statement of comprehensive income.

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 at fair value through profit or loss 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 fair value through profit or loss.

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.

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property, plant and equipment or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost less amortisation and impairment, cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss or consolidated statement of comprehensive income.

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 and equipment if it is acquired with the intention of owner occupation or being developed for owner occupation.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.2 Classification of real estate (Continued)
The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.3 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.

6.2 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.

6.2.1 Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6.2.2 Impairment of non financial assets (intangible assets)
The carrying amounts of the Group's non-financial assets are reviewed at each financial position date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

6.2.3 Impairment of associates
After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on the Group's investment in its associates, 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 recognizes the amount in the consolidated statement of profit or loss.

6.2.4 Impairment of available for sale investments
The Group treats available for sale equity 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. In addition, the Group evaluates other factors, including normal volatility in share price for quoted entities and the future cash flows and discount factors for unquoted entities.

During the year ended 31 December 2014, impairment loss recognised for available for sale investments amounted to KD8,671,511 (2013: KD6,448,846) (see note 17).

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.5 Impairment of loans and receivables

The Group's management reviews periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2014, impairment loss recognised for loans and receivables amounted to KD1,436,255 (2013: KD127,008).

6.2.6 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. 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.

6.2.7 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuators have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

Subsidiary	Country of registration and place of business	Proportion of ownership interest held by the Group		Nature of business
		2014	2013	
Noor Telecommunication Company KSCC (though the Group holds 49.11% of the subsidiary, the Group exercises control over the subsidiary based on majority board members)	Kuwait	**49.11%**	49.11%	Telecommunications and IT Services
Noor Al Salhiya Real Estate Co. KSCC,	Kuwait	**99.87%**	99.87%	Real estate & related activities
Noor Kuwait Holding-KSC (Holding)	Kuwait	**92.2%**	92.2%	Investment & related activities
Kuwaiti Indian Holding Company KSCC,	Kuwait	**56.59%**	56.59%	Investment & related activities
Noor GCC Islamic Fund	Kuwait	**92.38%**	91.38%	Investment & related activities
Noor Jordanian Kuwaiti Financial Investment Co. Ltd,	Jordan	**100%**	100%	Investment & related activities
Hotels Global Group Company PSC	Jordan	**100%**	100%	Hospitality

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests

The Group includes two subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2014 %	31 Dec. 2013 %	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Kuwaiti Indian Holding Company KSCC (KIHC)	43.41%	43.41%	68,600	(27,977)	4,165,197	5,162,569
Noor Telecommunication Company KSCC, (NTEL)	50.89%	50.89%	(647,292)	(1,847,908)	13,294,796	12,131,304
Individually immaterial subsidiaries with non-controlling interests			(288,329)	49,374	919,795	2,831,725
			(867,021)	(1,826,511)	18,379,788	20,125,598

Summarised financial information for the above subsidiaries, before intra group eliminations, is set out below:

	KIHC		NTEL	
	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Non-current assets	235,002	293,867	32,863,441	23,770,094
Current assets	9,668,644	18,348,354	7,270,483	11,114,843
Total assets	9,903,646	18,642,221	40,133,924	34,884,937
Non-current liabilities	633	-	380,858	5,093,435
Current liabilities	308,400	331,668	14,965,657	3,573,017
Total liabilities	309,033	331,668	15,346,515	8,666,452
Equity attributable to owners of the Parent Company	5,429,416	10,361,606	11,492,613	13,333,725
Non-controlling interests (including non-controlling interest of the sub subsidiary)	4,165,197	7,948,947	13,294,796	12,884,760

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 *Subsidiaries with material non-controlling interests (continued)*

	KIHC		NTEL	
	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Revenue	427,326	537,834	11,955,802	7,068,712
Profit/(loss) for the year	230,272	477,199	(1,362,570)	(3,786,355)
Total other comprehensive income for the year	121,267	(91,807)	238,010	946,969
Total comprehensive income/(loss) for the year	351,539	385,392	(1,124,560)	(2,839,386)
-attributable to owners of the Parent Company	198,930	218,086	(598,310)	(1,448,086)
-attributable to NCI	152,609	167,306	(526,250)	(1,391,300)
Net cash flow from/ (used in) operating activities	299,971	6,694,491	(488,807)	518,743
Net cash flow from /(used in)investing activities	4,681,349	-	(2,548,427)	(9,305,124)
Net cash flow from/(used in) financing activities	(3,932,248)	(6,642,010)	1,119,070	4,854,898
Net cash inflow/(outflow)	1,049,072	52,481	(1,918,164)	(3,931,483)

7.3. *Acquisition of subsidiaries*

7.3.1. During the current year, one of the Group's local subsidiary acquired 60% equity stake in Cable Sat Satellite Service Company, a Kuwait Limited Liability Company (engaged in renting and sale of indefeasible right of use) and the acquisition was accounted in accordance with IFRS 3 as follows:

	KD
Total consideration	2,511,200
Value of non-controlling interests	637,847
	3,149,047
Less : Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and Bank balances	916
Trade and other receivable	46,305
Intangible assets	8,325,996
Trade and other payable	(5,224,170)
Total identifiable net assets	3,149,047
Goodwill	-

The initial accounting for business combination is provisional due to its complexity, and will be adjusted retrospectively (if required) when the final Purchase Price Allocation is completed during the one year measurement period from the acquisition date.

The result of the newly acquired subsidiary was consolidated to the Group's results effective from 1 July 2014 and the financial position as at 31 December 2014 was consolidated with the Group's financial position as of that date. Accordingly, Cable Sat Satellite Service Company WLL as a subsidiary contributed revenue and profit of KD203,894 and KD37,632 to the net result of the Group respectively.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.3. Acquisition of subsidiaries (continued)

The net cash out flow on acquisition of subsidiary is disclosed under note 7.3.3 below.

7.3.2. During the previous year, one of the Group's local subsidiaries acquired 89.5% equity stake in Arab Information Management Services (AIMS), a Kuwaiti limited liability company (engaged in opening training institutions, importing and exporting for commission and consultancy of computers and computer equipment) and the acquisition was accounted in accordance with IFRS 3 as follows:

	2014 Based on Final PPA KD	2013 Provisional KD
Total consideration	3,166,000	3,166,000
Value of non-controlling interests	126,303	130,625
	3,292,303	3,296,625
Less : Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and Bank balances	398,762	398,762
Inventory	365,467	365,467
Account receivables and other assets	1,775,548	1,775,548
Property, plant and equipment	133,734	133,734
Due to banks	(235,563)	(1,063,884)
Borrowings	(828,321)	-
Account payable and other liabilities	(72,688)	(29,464)
Provision for end of service indemnity	(273,914)	(273,913)
Total identifiable net assets	1,263,025	1,306,250
Goodwill	2,029,278	1,990,375

The difference between the provisional assessment of goodwill and the goodwill arrived at after the Purchase Price Allocation has been adjusted to the goodwill during the current year.

7.3.3 For the purpose of the consolidated cash flow statement the net cash out flow on acquisition of subsidiaries are as follows:

	Cable Sat 2014 KD	AIMS 2013 KD
Total consideration	(2,511,200)	(3,166,000)
Less: Consideration due	1,504,655	85,229
Less: Adjustment for advance payment made during previous year	-	500,000
Less: Bank balance of subsidiary on acquisition	916	398,762
Net cash outflow	(1,005,629)	(2,182,009)

Notes to the consolidated financial statements (continued)

8 Interest and other income

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Interest income	109,690	61,221
Income from murabaha and wakala investments	10,485	14,608
Effect of un-winding of discount on receivables	-	214,212
Income from future trade customers	350,889	355,246
Income from Islamic debt instruments (held for trading)	-	112,550
Reversal of impairment provision on Wakala investments	-	874,497
Other income	569,048	857,366
	1,040,112	2,489,700

9 Cost of sales and services and General, administrative and other expenses

a) General, administrative and other expenses include the following:

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Staff costs	3,102,117	3,462,278
Depreciation and amortization	221,122	191,892
Other expenses	1,828,949	1,638,646
	5,152,188	5,292,816

Number of staff employed by the Parent Company as at 31 December 2014 was 50 (2013: 31) including 22 employees transferred from a subsidiary during the year.

b) Cost of sales and services include staff costs of KD5,452,865 (2013: KD4,777,348).

10 Net gain/(loss) on financial assets

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

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Loans and receivables		
- Interest on cash and bank balances and short term deposits	109,690	61,221
- Profit from murabaha wakala investment	10,485	14,608
- Income from future trade customers	350,889	355,246
- Impairment in value of accounts receivable	(1,436,255)	(127,008)
- Reversal of impairment provision on wakala investments	-	874,497
- Effect of discounting of accounts receivable(net)	-	214,212
Investments at fair value through profit or loss		
- Net gain on held for trading	1,545,342	3,146,517
- Net gain on designated as such on initial recognition	16,140	181,040

Notes to the consolidated financial statements (continued)

10 Net gain/(loss) on financial assets (continued)

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

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Available for sale investments		
- recognised directly in consolidated statement of comprehensive income (net)	112,638	337,870
- recognised directly in consolidated statement of profit or loss on sale and dividend income	1,159,496	3,581,214
- recycled from equity to consolidated statement of profit or loss		
on impairment	(8,671,511)	(6,448,846)
on sale	1,957,674	3,815,312
	(4,845,412)	6,005,883
Distributed as follows:		
Net gain recognised in the consolidated statement of profit or loss		
-Realized gain on investments at fair value through profit or loss	1,154,046	547,970
-Unrealized (loss)/gain on investments at fair value through profit or loss	(151,889)	2,214,986
-Realized gain on sale of available for sale investments	1,957,674	3,815,312
-Dividend income	1,718,821	4,145,815
-Impairments in value of accounts receivable	(1,436,255)	(127,008)
-Impairments in value of available for sale investments	(8,671,511)	(6,448,846)
-Others(part of interest and other income)	471,064	1,519,784
Net gain recognised in the consolidated statement of comprehensive income	112,638	337,870
	(4,845,412)	6,005,883

10.2 Unrealised (loss)/gain on investments at fair value through profit or loss

This represents the difference between closing market value at the end of the year and carrying value at the beginning of the year and/or cost of investments acquired during the year. Local funds are valued on the basis of their net asset values.

11 Finance costs

Finance costs relate to borrowings from banks and financial institutions which are financial liabilities stated at amortised cost.

12 Basic and diluted earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Profit for the year attributable to the owners of the Parent Company	918,814	9,050,160
Weighted average number of shares outstanding during the year	413,162,761	413,162,761
Less: Weighted average number of treasury shares	(10,359,065)	(10,359,065)
	402,803,696	402,803,696
Basic and diluted earnings per share (Fils)	2.28	22.47

Notes to the consolidated financial statements (continued)

12 Basic and diluted earnings per share (continued)

The weighted average number of shares outstanding during the previous year has been restated to add the bonus shares issued during the year (Note 23.2).

The earnings per share reported during the previous year were 24.71 Fils.

13 Cash and cash equivalents

Cash and cash equivalents for the purpose of the consolidated statement of cash flows are made up as follows:

	Effective interest/ profit rate % (per annum) 31 Dec. 2014	31 Dec. 2013	31 Dec. 2014 KD	31 Dec. 2013 KD
Cash and bank balances	0.25%-0.50%	0.25%-0.50%	8,137,702	7,996,585
Short term deposits	0.625%-1.35%	0.312%-0.875%	1,570,220	189,481
			9,707,922	8,186,066
Less: Due to banks	3.875%-7.5%	-	(1,508,363)	-
Less: Blocked balances			(1,729,541)	(366,000)
Less: Short term deposits maturing after 3 months			(224,117)	-
Cash and cash equivalents as per cash flow statement			6,245,901	7,820,066

Cash and bank balances include call accounts which earn interest. The short term deposits mature within three to nine months and are placed with local banks.

Due to banks represent bank overdraft facilities utilised by subsidiary and are secured by short term deposits of KD970,545.

14 Murabaha & wakala investments

	Effective interest/ profit rate % (per annum) 31 Dec. 2014	31 Dec. 2013	31 Dec. 2014 KD	31 Dec. 2013 KD
Due from a local Islamic investment company/ due from related parties			14,324,160	14,324,160
Provision for impairment in value			(14,324,160)	(14,324,160)
			-	-
Placed with local Islamic banks	0.5%	0.25%-0.625%	598,354	4,500,000
			598,354	4,500,000

No profit was recognised on impaired Wakala investment during the current year (2013: Nil).

Wakala investments of KD14,324,160 (31 December 2013: KD14,324,160) placed with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date.

Notes to the consolidated financial statements (continued)

14 Murabaha & wakala investments (continued)

During the previous years, the Group assumed the financial and legal obligations on wakala investments of KD9,968,250 (in violation of the Commercial Companies Law of 1960) that the Group had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement.

The Group has initiated legal proceedings against the parties to recover the amount including profits thereon. During the year the court of appeal has ordered the related parties to pay KD8,285,000 with 7% of profit thereon to the Group. However, the related parties have submitted appeals to the court of cassation against the order of the court of appeal. The legal proceeding relating to remaining amounts are still in process.

15 Investments at fair value through profit or loss

	31 Dec. 2014 KD	31 Dec. 2013 KD
Held for trading:		
Quoted shares	**17,372,642**	21,269,751
- Local	**12,548,333**	15,987,385
- Foreign	**4,824,309**	5,282,366
Quoted Islamic debt instruments- foreign	**-**	276,089
	17,372,642	21,545,840

In 2008 as a result of significant developments in the global financial markets, the Group had reclassified investments with a fair value of KD138,694,153 as at 1 July 2008 from "fair value through profit or loss" category to "available for sale" category. The fair value of the remaining re-classified investments as of 31 December 2014 was KD20,552,366 (2013: KD27,892,258) (note 17).

Quoted shares with a fair value of KD7,546,813 (2013: KD11,502,217) are secured against bank loans (refer note 22)

16 Accounts receivable and other assets

	31 Dec. 2014 KD	31 Dec. 2013 KD
Financial assets:		
Accounts receivable	**3,111,645**	4,304,497
Due from the Ultimate Parent Company (net of discount and provision)	**55,837**	59,032
Due from other related parties	**80,484**	5,016,167
Due from investment brokerage companies	**2,124,189**	5,032,812
Due from Kuwait Clearing Company (future trade customers)	**5,250,261**	5,544,247
Due on sale of foreign investment properties (net)	**937,715**	3,766,548
Advance payments to acquire investments	**-**	2,887,127
Accrued income	**1,333,508**	1,363,902
Other financial assets	**1,107,273**	62,288
	14,000,912	28,036,620
Non-financial assets:		
Other assets	**603,253**	266,167
	14,604,165	28,302,787

Notes to the Consolidated Financial Statements (continued)

16 Accounts receivable and other assets (continued)

16.1 During the year 2012, the Parent Company and the Ultimate Parent Company (along with certain of its subsidiaries) entered into a settlement agreement to partially settle the outstanding balance due to the Parent Company by way of transferring the shares of the unlisted local entity (previously held as security) for a consideration of KD13,800,000 based on an independent valuation. The shares are classified as available for sale investments. Under the terms of the settlement agreement, the remaining balance of approximately KD2,200,000 (which was provided for in previous year) was due to be settled, by the Ultimate Parent Company, contingent upon the value of the unlisted shares upon occurrence of liquidity event (i.e sale or public listing) of the shares on or before 31 December 2014 or if no liquidity event occurs by then based on a valuation to be performed of the shares as of 31 December 2014. Accordingly, the parent Company has obtained an independent valuation of the shares as of 31 December 2014 which established that the remaining balance of approximately KD2,200,000 is due to be settled by the ultimate parent company. Consequently, the Parent Company has reached an understanding with the Ultimate Parent Company that the due balance will be settled by way of transferring the shares of a listed foreign entity by June 2015. Therefore, the provision of KD2,188,998 pertaining to the remaining balance will be reversed only upon final settlement.

16.2 Due on sale of foreign investment properties has been discounted based on an effective interest rate of 5.5% to give effect to the deferred payment term. The effect of unwinding of discount for the year ended 31 December 2014 on this receivable amounted to KD Nil (2013: KD214,212) has been recognised in other income.

16.3 The consideration due on sale of the Group's investment property in the Kingdom of Saudi Arabia amounting to KD12,404,655 (sold during 2011) was due in instalments. Out of the consideration due, KD9,136,369 (31 December 2013: KD6,383,417) has been settled in cash and KD2,330,571 has been settled by transferring another real estate property situated in KSA based on a valuation. The Group's management expects that the remaining due amount of KD937,715 will be settled during 2015.

16.4 During the year, the Group recognised an impairment loss of KD1,436,255 against certain accounts receivable balances and accrued management fees due from related parties (2013: KD127,008, against certain accrued management fee and due from related party).

17 Available for sale investments

	31 Dec. 2014 KD	31 Dec. 2013 KD
Quoted shares	34,464,926	39,580,163
- Local	21,257,418	26,884,226
- Foreign	13,207,508	12,695,937
Unquoted shares	15,713,763	22,380,652
- Local	9,583,457	15,150,644
- Foreign	6,130,306	7,230,008
Foreign funds	8,028,730	6,658,835
	58,207,419	68,619,650

17.1 Available for sale investments include investments in unquoted shares and foreign funds whose fair values cannot be reliably determined and as a result investments with a carrying value of KD1,808,118 (2013: KD663,875) are carried at cost or cost less impairment. The Group's management is not aware of any circumstance that would indicate impairment/ further impairment in value of these investments.

Notes to the consolidated financial statements (continued)

17 Available for sale investments (continued)

17.2 Quoted shares with a fair value of KD22,016,526 (2013: KD27, 040,946) and unquoted shares with a fair value of KD8,300,000 (2013: KD13,800,000) are secured against bank loans (refer note 22).

17.3 During the year, the Group recognised an impairment loss of KD922,655 (2013: KD6,109,925) for certain local and foreign quoted shares, as the market value of these shares declined significantly below their cost. Further the Group also recognised an impairment loss of KD7,748,856 (2013: KD338,921) against certain unquoted shares, local and foreign funds based on independent valuations, estimate and the net asset values reported by the investment managers at the reporting date.

17.4 Unquoted shares include shares of an unlisted local entity with a carrying value of KD 8,300,000 (2013:KD13,800,000) acquired from the Ultimate Parent Company during a previous year under a settlement agreement (refer note 16.1).

17.5 Quoted shares with a carrying value of KD20,552,366 (2013: KD27,892,258) represent investments which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 15).

18 Investment in associates

This represent the Group share's of following associates using the equity method.

Associates	Country of Registration & principal place of business	Percentage of ownership 31 Dec. 2014	Percentage of ownership 31 Dec. 2013	Nature of business
Meezan Bank Limited	Pakistan	49.11%	49.11%	Islamic Banking
National Tamouh GTC Company – WLL	Kuwait	50.00%	50.00%	Trading & Contracting
Al Raya Global Real Estate Company	Jordan	50.00%	50.00%	Real Estate Developments

Movements of the investments in associates during the year are as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Balance at 1 January	39,865,645	44,894,829
Additions during the year	367,754	50,000
Disposal of associate	(137,553)	(2,869,124)
Share of results	9,842,763	6,953,943
Reclassification	-	(4,395,660)
Share of other comprehensive income of associate	(523,481)	(142,819)
Impairment in value of associate	(111,473)	-
Dividend received	(2,480,549)	(1,832,689)
Foreign currency translation adjustment	3,471,790	(2,792,835)
Balance at the end of the year	50,294,896	39,865,645

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

18.1 Summarised financial information in respect of Group's material associate (Meezan Bank Limited) is set out below. The summarised financial information below represents the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

18.1.1. Meezan Bank Limited.

	31 Dec. 2014 KD	31 Dec. 2013 KD
Total Assets	1,289,545,066	889,748,481
Total liabilities	(1,212,287,093)	(833,289,210)
Equity	77,257,973	56,459,271
Revenue	53,308,158	39,786,638
Profit for the year	22,460,382	12,514,772
Other comprehensive loss for the year	(1,108,546)	(130,116)
Total comprehensive income for the year	21,351,836	12,384,656
Dividends received from the associate during the year	2,480,549	1,832,689
Proportion of the Group's ownership interest in Meezan Bank	49.11%	49.11%
Group share in Meezan Bank's net assets	37,941,390	27,727,148
Goodwill	9,261,687	8,468,107
Carrying value of Group's ownership interest in Meezan Bank	47,203,077	36,195,255

As at 31 December 2014 the fair value of the Group's interest in Meezan Bank Limited, which is listed on the Karachi Stock Exchange was KD 67,660,542 (2013: KD51,835,794), based on the quoted market price available on that exchange, which is a level 1 input in terms of IFRS 13.

Share of results of associates includes KD4,035,124, which represents the Group's share of gain on bargain purchase recognised by Meezan Bank Limited. This has been designated as distributable only for stock dividends with prior approval of the regulator in Pakistan.

Aggregate information of associates that are not individually material to the Group;

	31 Dec. 2014 KD	31 Dec. 2013 KD
Group share of results for the year	(764,197)	1,370,756
Group share of total comprehensive income	(764,197)	1,370,756
Aggregate carrying value of the group interest in associates	3,091,819	3,660,988

18.2 Group's share of associate's contingent liabilities:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Guarantees	20,454,293	7,845,203
Letters of credit	35,420,246	32,816,929
Commitments in respect of forward exchange contracts	164,048,894	85,827,582
Commitment for the acquisition of operating fixed assets	39,598	-
Commitment in respect of financing	124,299,823	64,811,599
Bills for collection	29,741,313	19,443,499
	374,004,167	210,744,812

Notes to the consolidated financial statements (continued)

19 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Fair value as at 1 January	28,604,121	16,745,156
Additions	4,931,859	10,626,868
Disposals	(1,800,000)	-
Changes in fair value	1,104,532	1,232,097
	32,840,512	28,604,121

19.1 Investment properties comprise of lands and buildings in the following countries:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Kuwait	32,425,450	28,203,475
Jordan	415,062	400,646
	32,840,512	28,604,121

19.2 Investments properties amounting to KD9,432,000 (2013: KD9,272,000) and another investment properties of KD9,350,000 (2013: KD9,005,900) are secured against bank loans and Ijara Financing facilities respectively (refer note 22).

19.3 At 31 December 2014, the Group re-valued its properties based on independent valuations. (Refer note. 30.4 for further details relating to fair values).

19.4 During the year a subsidiary entered into a joint agreement with a related party to acquire a plot of land in Kuwait for a total consideration of KD6,532,650 and to partly finance the acquisition from an Islamic Bank. The asset has been treated as a jointly controlled asset and the Group's share of the asset (50%) amounting to KD3,266,325 have been included above under additions to investment properties. The acquisition was partially financed by an Ijara financing arrangement (KD3,250,000) arranged by the joint owner (a related party) with a local Islamic Bank. Accordingly the related finance costs are to be borne by both parties jointly. The Group has accounted for its share of the related liability to the bank amounting to KD1,625,000 under borrowings. The subsidiary has entered into a similar arrangement with the same related party during the previous year and consequently the Group's share of that jointly controlled (50%) asset at 31 December 2014 included under investment properties amounted to KD3,513,450 (2013: KD3,045,575) and the Group's share of the joint controlled liability at 31 December 2014 included under borrowings amounted to KD1,500,000 (2013: KD 1,500,000)

20 Goodwill and Intangible assets

20.1 Goodwill

The movement in Goodwill is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
At the beginning of the year	1,990,375	-
Additional amount recognised from business combination (Refer 7.3.2)	-	1,990,375
Adjustments	38,903	-
At the end of the year	2,029,278	1,990,375

Notes to the consolidated financial statements (continued)

20 Goodwill and Intangible assets (continued)

20.1 Goodwill (continued)

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill has been allocated to the IT service business of the Group as that is the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Impairment testing

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	*Basis used to determine value to be assigned to key assumption*
Growth rate	Anticipated average growth rate of 10% per annum. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a growth rate of 3%. This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Discount rate	Discount rates of 22%. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

20.2 Intangible assets – Indefeasible right of use (IRU)

Intangible asset comprises of indefeasible right of use and the movement is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Cost		
At the beginning of the year	-	-
Addition due to acquisition of a subsidiary (Refer Note 7.3.1)	8,325,996	-
Balance at the end of the year	8,325,996	-
Accumulated amortization		
At the beginning of the year	-	-
Charge for the year	(40,614)	-
At the end of the year	(40,614)	-
Net book value at the end of the year	8,285,382	-
Total goodwill and intangible assets	10,314,660	1,990,375

Notes to the consolidated financial statements (continued)

21 Accounts payable and other liabilities

	31 Dec. 2014 KD	31 Dec. 2013 KD
Financial liabilities:		
Accounts payable	1,553,664	1,785,307
Payable on acquisition of subsidiary (note 7.3.3)*	1,504,655	-
Payable on acquisition of intangible assets*	3,504,000	-
Accrued interest	12,064	11,794
Accrued expenses	1,177,184	1,971,691
Dividend payable	16,379	18,679
Other payables	844,002	561,262
Due to related parties	84,813	536,035
Payable on account of capital reduction in subsidiary (Note 26.3.2)	1,235,316	1,365,725
	9,932,077	6,250,493
Non-financial liabilities:		
Other payables	-	182,544
	9,932,077	6,433,037

All above financial liabilities are non-interest bearing. The carrying values of the above liabilities approximate their fair values.

* The payable on, acquisition of intangible and the subsidiary are both due in instalments and an amount of KD2,344,000 and KD1,504,655 are due respectively and the Group's management is presently in discussions with the parties concerned to reschedule these amounts.

22 Borrowings from banks and financial institutions

	Effective interest/ cost rate (p.a.%) 31 Dec. 2014	Effective interest/ cost rate (p.a.%) 31 Dec. 2013	Security	31 Dec. 2014 KD	31 Dec. 2013 KD
Short term					
Ijara Financing – Kuwaiti Dinar	4.5	4.5	Secured	4,205,000	1,500,000
				4,205,000	1,500,000
Long term					
Loans payable – Kuwaiti Dinar	3.25-3.5	3.25	Secured	81,657,500	88,614,750
Wakala payable – Kuwaiti Dinar	3.25	3.25	Secured	33,000,000	39,600,000
Ijara financing – Kuwaiti Dinar	4.5-5.0	4.5	Secured	6,064,582	4,850,000
				120,722,082	133,064,750
				124,927,082	134,564,750

22.1 During 2011 and 2012, the Parent Company restructured its financing arrangements with some local banks and accordingly loans amounting to KD114,657,500 (net of repayment of KD43,892,500) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 31 December 2014, these are partly secured (notes 15, 17 and 19) and the process of identification and securitization of the required balance has not been completed as yet.

Notes to the consolidated financial statements (continued)

22 Borrowings from banks and financial institutions (continued)

The Parent Company is currently in the process of rescheduling the original repayment plan of its loans amounting to KD114, 657,500 including an amount of KD37, 302,500 which was due within one year and KD 77,355,000 due after one year. Loan instalments totalling to KD18, 373,500 (including an amount of KD 1,375,000 which has been paid during December 2014) from two lending bankers fell due and both lenders have agreed to rollover the balance and continue discussions with the Parent Company to reschedule the dues. The Parent Company has submitted a debt reschedulement plan to all its lenders and has also requested from all of the lenders to enter into standstill agreements till 30 June 2015 and to continue negotiations to reach an acceptable debt rescheduling solution. Subsequently the Parent Company has received approval from Majority of its lenders to whom an amount of KD107,782,500 (94%) is payable at 31 December 2014, to the requested standstill till 30 June 2015 and is in discussions with the remaining lender as well for the requested standstill. As per the standstill approval letters, the Parent Company should pay 50% of the third instalment within four months from the original due date and remaining 50% (KD19,338,750) to be added to the outstanding loan for final restructuring. Subsequent to the reporting date, the parent Company has paid KD7, 811,875 as required under the standstill approval letters.

Debt rescheduling may involve upfront settlement of part of the debts, providing collateral to the financers over the Group assets, renegotiating the pricing and repayment period of credit facilities and other terms and restrictions usually associated with such debts rescheduling process.

22.2 Ijara financing contracts amounting to KD10,269,582 (31 December 2013: KD6,350,000) are secured by investments properties (Note 19) and Property and equipment (KD2,200,000) (2013: KD Nil).

22.3 Long term loans and wakala amounting to KD114,675,500 (31 December 2013: KD128,214,750) are secured by investment at fair value through profit or loss (note 15), available for sale investments (note 17) and investment properties (note 19).

22.4 The above loans are due as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Short term Ijara Financing and loans	4,205,000	1,500,000
Long term loans and Wakala payable		
- Current portion due within one year	15,024,375	30,556,000
- Due after more than one year	99,633,125	97,658,750
Long term ijara financing		
- Current portion due within one year	870,886	600,000
- Due after more than one year	5,193,696	4,250,000
	124,927,082	134,564,750

22.5 The fair value of the short term financing including the current portion of long term borrowings equals their carrying amount, as the impact of discounting is not significant. The fair value of the long term financing of the Parent Company amounted to KD98,812,605 (2013: KD94,993,577) carrying amount KD99,633,125 (2013: KD97,658,750). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.5% (2013: 4.5 %) and are within level 2 of the fair value hierarchy.

Notes to the consolidated financial statements (continued)

23 Share capital and share premium

23.1. The authorised, issued and paid up share capital of the Parent Company as at 31 December 2014 comprise of 413,162,761 shares of 100 Fils each (31 December 2013: 375,602,510 of 100 Fils each) fully paid up in cash.

23.2 At the AGM held on 15 May 2014, the shareholders approved 10% bonus shares on outstanding shares as at the date of the AGM, which is 37,560,251 shares of 100 Fils each amounting to KD3,756,025.

23.3 Share premium is not available for distribution

24 Treasury shares

The Group holds treasury shares as follows:

	31 Dec. 2014	31 Dec. 2013
Number of shares	10,359,065	9,416,985
Percentage of issued shares	2.51%	2.51%
Market value (KD)	973,752	1,073,536
Cost (KD)	3,410,573	3,410,573

Reserves equivalent to the cost of treasury shares held are not distributable.

25 Legal and voluntary reserves

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the Parent Company's profit before KFAS, Zakat, NLST and directors' remuneration for the year is to be transferred to legal reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

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

In accordance with the Parent Company's Articles of Association, a certain percentage of the Parent Company's profit before KFAS, Zakat, NLST and directors' remuneration, is to be transferred to the voluntary reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist. For the year 2014, Board of Directors proposed to transfer 10% of the above mentioned profit to the voluntary reserve and this is subject to approval of General Assembly of shareholders. There are no restrictions on distribution of voluntary reserve.

Notes to the consolidated financial statements (continued)

26 Cumulative changes in fair value, foreign currency translation reserve and Non-controlling interests

26.1 Cumulative changes in fair value

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Balance at 1 January	6,540,895	8,961,240
Other comprehensive income:		
Net changes in fair value of available for sale investments	(6,225,759)	(2,818,709)
Transferred to consolidated statement of profit or loss on disposal of available for sale of investments	(1,957,674)	(3,217,608)
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	8,175,423	3,758,791
Share of fair value adjustment in associates	(523,481)	(142,819)
Other comprehensive income for the year	(531,491)	(2,420,345)
Balance at 31 December	6,009,404	6,540,895

26.2 Foreign currency translation reserve

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Balance at 1 January	(13,218,472)	(10,227,772)
Reallocation of non-controlling interest (Note 26.3.3)	73,815	-
	(13,144,657)	(10,227,772)
Other comprehensive income:		
Exchange differences arising from translation of foreign subsidiaries	135,329	(197,865)
Exchange difference arising on translation of foreign associates	3,471,790	(2,792,835)
Other comprehensive income for the year	3,607,119	(2,990,700)
Balance at 31 December	(9,537,538)	(13,218,472)

26.3 Non-controlling interests

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Balance at 1 January	20,125,598	26,403,014
Amounts due to non-controlling interest on capital reduction/redemption of units of subsidiaries	(4,049,078)	(8,174,237)
Increase in non-controlling interest of subsidiary during the year	2,500	-
Non-controlling interest arising on acquisition of a subsidiary	637,847	130,625
Additional investment made in the capital of a subsidiary	-	616,000
Acquisition of non-controlling interest	(804,494)	-
Decrease of non-controlling interest on sale of subsidiary	(8,655)	-
Reallocation from retained earnings (note 26.3.3)	3,222,443	
Other net changes	-	361,311
Transactions with non-controlling interests	(999,437)	(7,066,301)

Notes to the consolidated financial statements (continued)

26 Cumulative changes in fair value, other components of equity and Non-controlling interests (continued)

26.3 Non-controlling interests (continued)

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Loss for the year	(867,021)	(1,826,511)
Other comprehensive income :		
- Net change in fair value of available for sale investments	(375,440)	523,045
- Transferred to consolidated statement of profit or loss on disposal of available for sale investments	-	(597,704)
-Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	496,088	2,690,055
Total other comprehensive income for the year	120,648	2,615,396
Total comprehensive income for the year	(746,373)	788,885
Balance at 31 December	18,379,788	20,125,598

26.3.1. Acquisition of non-controlling interests

During the year, the Group acquired the entire shareholding held by non-controlling interests (34.44%) with respect of National Drilling and Petroleum Services KSCC for a consideration of KD727,996 resulting in a gain of KD76,498 which has been recognized in equity.

26.3.2 Capital reduction by subsidiaries

On 5 March 2014, the shareholders of one of the subsidiaries of the Group, (Kuwaiti Indian Holding Company KSCC) decided to further decrease its share capital by KD9,000,000 out of which KD3,911,655 pertains to non-controlling interests. An amount of KD3,932,248 (including payment for prior capital reduction) has been paid to non-controlling interest during the year and the balance amount is shown under accounts payable and other liabilities.

Further an amount of KD943,381 (2013: KD1,053,197) is due to non-controlling interest on the decrease in the share capital by Noor Telecommunication Company KSCC during 2012 and it included under accounts payable and other liabilities.

26.3.3 During the year, the Group reallocated an amount of KD3,222,443 to non-controlling interests from retained earnings and foreign currency translation reserve of the Parent Company which represents accumulated impact of the misallocation of non-controlling interest's share of profit in previous years. This mainly arose from the full elimination of intergroup profits that a partially owned subsidiary earned on a murabaha investment with the Parent Company.

27 Dividend distribution and Directors' remuneration

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose not to make any distributions (2013: stock dividend 10%).

Further, the Directors have proposed to distribute a total amount of KD24,000 as remuneration to the Board of Directors for the current year, which is in excess of the amount stipulated in the Companies Law. Accordingly, this proposal is subject to the approval of the Ordinary General Assembly of the shareholders.

The total remuneration of the Board of Directors' of the Parent Company for the year 2013 was KD60,000 and it was approved by the Annual General Assembly of the Parent Company's shareholders held on 15 May 2014.

Notes to the consolidated financial statements (continued)

28 Segment analysis

The Group activities are concentrated in three main segments: investments, real estate and hotel & IT services. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. In addition, the segments results, assets and liabilities are reported based on the geographical location in which the Group operates in. Segment results include revenue and expense directly attributable to each reporting segment as the Group does not have any inter segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

Segmental information for the years ended 31 December 2014 and 31 December 2013 are as follows:

	Investments		Real Estate		Hotel and IT services		Total	
	31 Dec 2014 KD	31 Dec 2013 KD	31 Dec 2014 KD	31 Dec 2013 KD	31 Dec 2014 KD	31 Dec 2013 KD	31 Dec 2014 KD	31 Dec 2013 KD
Sales	-	-	-	-	13,639,645	7,254,585	13,639,645	7,254,585
Investments related income (realised, unrealised and dividend income)	4,678,652	10,724,083	-	-	-	-	4,678,652	10,724,083
Rental income	-	-	1,008,259	1,130,444	-	-	1,008,259	1,130,444
Change in fair value of investment properties	-	-	1,104,532	1,232,097	-	-	1,104,532	1,232,097
Interest and other income	1,040,112	1,680,279	-	214,211	-	595,210	1,040,112	2,489,700
Share of results of associates	10,607,431	6,189,600	(778,804)	764,343	14,136	-	9,842,763	6,953,943
Others	(4,349)	274,647	300,000	105,367	-	-	295,651	380,014
Segment revenue	16,321,846	18,868,609	1,633,987	3,446,462	13,653,781	7,849,795	31,609,614	30,164,866
Cost of sales and services	-	-	-	-	(11,621,585)	(6,081,068)	(11,621,585)	(6,081,068)
Net revenue as per consolidated statement of profit or loss	16,321,846	18,868,609	1,633,987	3,446,462	2,032,196	1,768,727	19,988,029	24,083,798
Less								
General and administrative expenses	2,024,975	3,172,050	382,226	276,201	2,744,987	1,844,565	5,152,188	5,292,816
Impairments	9,503,966	6,575,854	-	-	715,273	-	10,219,239	6,575,854
Finance cost	4,400,210	4,596,725	138,648	4,808	-	-	4,538,858	4,601,533
Segment profit/(loss) before Zakat, KFAS, NLST and Directors remunerations	392,695	4,523,980	1,113,113	3,165,453	(1,428,064)	(75,838)	77,744	7,613,595
Assets	135,236,915	148,202,878	40,794,118	42,019,357	24,561,933	15,868,453	200,572,966	206,090,688
Liabilities	(116,339,924)	(131,420,543)	(8,862,106)	(1,636,571)	(11,691,735)	(8,457,060)	(136,893,765)	(141,514,174)
Net Assets	18,896,991	16,782,335	31,912,012	40,382,786	12,870,198	7,411,393	63,679,201	64,576,514

Notes to the consolidated financial statements (continued)

28 Segment analysis (continued)

Geographical Segments

The geographical segments are as follows:

	Profit/(loss)		Assets		Liabilities	
	31 Dec 2014 KD	31 Dec 2013 KD	31 Dec 2014 KD	31 Dec 2013 KD	31 Dec 2014 KD	31 Dec 2013 KD
Domestic and GCC	(7,222,475)	5,002,426	119,680,018	136,442,631	136,134,972	140,803,168
Others	7,300,219	2,611,169	80,892,948	69,648,057	758,793	711,006
	77,744	7,613,595	200,572,966	206,090,688	136,893,765	141,514,174

29 Related party transactions

Related parties represent the Ultimate Parent Company, associates, directors and key management personnel of the Group, and other related parties such as subsidiaries of the Ultimate Parent Company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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

	31 Dec. 2014 KD	31 Dec. 2013 KD
Consolidated statement of financial position:		
Due from related parties and Ultimate Parent Company (refer note 16)		
-Due from Ultimate Parent Company	55,837	59,032
-Due from associates	34,281	4,834,626
-Due from other related party	46,203	181,541
-Accrued income and management fees	782,251	669,354
Due to related parties	84,813	536,035
Transactions with related parties		
Purchase of investment property	1,280,500	-
Sale of real estate to an associate	-	2,330,571
Consolidated statement of profit or loss		
Management and placement fees		
- earned from Ultimate Parent Company	761	20,045
- earned from other related parties	1,468	155,557
Impairment in value of accounts receivable	-	127,008
Compensation of key management personnel of the Group:		
Short term employee benefits	317,448	688,529
End of service benefits	18,919	22,036
Total key management compensation	336,367	710,565

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement

30.1 Categories of financial assets and liabilities

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

	31 Dec. 2014 KD	31 Dec. 2013 KD
Loans and receivables(at amortised cost):		
• Cash and bank balances	8,137,702	7,996,585
• Short term deposits	1,570,220	189,481
• Murabaha and wakala investments	598,354	4,500,000
• Accounts receivable and other assets (note 16)	14,000,912	28,036,620
	24,307,188	40,722,686
Investments at fair value through profit or loss: (note 15)		
• - Held for trading	17,372,642	21,545,840
	17,372,642	21,545,840
Available for sale investments (note 17)		
• At fair value	56,399,301	67,955,775
• At cost / cost less impairment (refer note17.1)	1,808,118	663,875
	58,207,419	68,619,650
Total financial assets	99,887,249	130,888,176
Financial liabilities (at amortised costs) :		
• Due to banks	1,508,363	-
• Accounts payable and other liabilities (note 21)	9,932,077	6,250,493
• Borrowings from banks and financial institutions (note 22)	124,927,082	134,564,750
	136,367,522	140,815,243

30.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures financial instruments such as investments at fair value though profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in Note 17 to the consolidated financial statements) at fair value and measurement details are disclosed in note 30.3 to the consolidated financial statements. In the opinion of the Group's management, except for certain long term borrowing (refer note 22) the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (refer 30.4).

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The level within which the 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 statement of consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2014	Note	Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Financial assets at fair value:					
Investments at fair value through profit or loss					
-Quoted shares	a	17,372,642	-	-	17,372,642
Available for sale investments					
-Quoted shares	a	34,464,926	-	-	34,464,926
-Unquoted shares	d	-	4,618,944	10,848,554	15,467,498
-Foreign funds	c	-	6,466,877	-	6,466,877
Total assets		51,837,568	11,085,821	10,848,554	73,771,943

31 December 2013	Note	Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Financial assets at fair value:					
Investments at fair value through profit or loss					
- Quoted shares	a	21,269,751	-	-	21,269,751
- Quoted debt instruments	a	276,089	-	-	276,089
Available for sale investments					
- Quoted shares	a	39,580,163	-	-	39,580,163
- Unquoted shares	d	-	-	22,067,200	22,067,200
- Foreign funds	c	-	6,308,412	-	6,308,412
Total assets		61,126,003	6,308,412	22,067,200	89,501,615

There have been no significant transfers between level 1 and 2 during the reporting period.

Measurement at fair value

The Group's finance team performs valuations of financial instruments 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.

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy (continued)

Measurement at fair value (continued)

The methods and valuation techniques used for the purpose of measuring fair value, which are unchanged compared to the previous reporting period, are as follows:

Financial instruments in level 1

a) Quoted shares and debt instruments (level 1)

All the listed equity securities and debt instruments are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at reporting date.

Financial instruments in level 2 & 3

b) Local funds (level 2)

The underlying investments of these funds mainly comprise of local quoted shares and money market instruments and the fair value of the investment has been determined based on net asset values reported by the fund manager as of the reporting date.

c) Foreign funds (level 2)

The underlying investments of foreign funds primarily comprise of foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

d) Unquoted shares (level 3)

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

Level 3 Fair value measurements

The Group's financial assets classified in level 3 uses valuation techniques based on significant 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 Dec. 2014 KD	31 Dec. 2013 KD
As at 1 January	22,067,200	24,314,645
Changes in fair value during the year recognised in other comprehensive income	1,210,027	1,170,738
Transfer to level 1 and 2	(6,928,673)	-
Disposal	-	(3,368,334)
Impairment loss recognised in the profit or loss	(5,500,000)	(49,849)
As at 31 December	10,848,554	22,067,200

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy (continued)

Level 3 Fair value measurements (continued)

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

31 December 2014

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted Shares	DCF Method	Long term growth rate for cash flows for subsequent years	2%-3.5%	Higher the growth rate, higher the fair value.
		WACC	12.7%	Higher the WACC, lower the fair value.
		Discount for lack of marketability	15%	Higher the discount rate, lower the value.

31 December 2013

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted Shares	DCF Method	Long term growth rate for cash flows for subsequent years	3.5%-4%	Higher the growth rate, higher the fair value.
		WACC	10.6%-15.6%	Higher the WACC, lower the fair value.
		Discount for lack of marketability	15%	Higher the discount rate, lower the value.

The impact on profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

In case of AFS assets, the impairment charge in the consolidated statement of profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through consolidated statement of comprehensive income) and, would not have an effect on consolidated statement of profit or loss.

30.4 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2014:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
-Buildings in Kuwait	-	-	24,112,000	24,112,000
-Land in Kuwait			8,313,450	8,313,450
-Land in Jordan	-	-	415,062	415,062
	-	-	32,840,512	32,840,512

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.4 Fair value measurement of non-financial assets (continued)

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2013:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
-Buildings in Kuwait	-	-	25,157,900	25,157,900
-Land in Kuwait			3,045,575	3,045,575
-Land in Jordan	-	-	400,646	400,646
	-	-	28,604,121	28,604,121

The above buildings represent rental properties on freehold land categorized as "Investment Lands" (i.e land which can be used to construct multiple residential unit buildings, apartments, villas, Duplex and Studios), in Kuwait. The freehold land above also represents land categorized as investment lands. The fair value of the investment property has been determined based on valuations obtained from two independent valuators, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuator is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the Yield Method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuator who is a local reputable valuator has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location and current use. For the valuation purpose, the Group has selected the lower value of the two valuations (2013: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

31 December 2014

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building on freehold land – Kuwait (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated marker price for land (per sqm)	KD1,217–KD8,837	The higher the price per square meter, the higher the fair value
		Construction cost (per sqm)	KD86-KD247	The higher the construction cost per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD2.46-KD8.96	The higher the rent per square meter, the higher the fair value
		Yield rate	5.78% to 6.73%	The higher the yield rate, the higher the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land – Kuwait and Jordarn	Market comparison approach	Estimated market price for land (per sqm)	KD1,300 to KD5,728	The higher the price per square meter, the higher the fair value

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.4 Fair value measurement of non-financial assets (Continued)

31 December 2013

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building on freehold land – Kuwait (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated marker price for land (per sqm)	KD1,074–K9,472	The higher the price per square meter, the higher the fair value
		Construction cost (per sqm)	KD81-KD244	The higher the construction cost per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD3– KD9	The higher the rent per square meter, the higher the fair value
		Yield rate	5.9% to7.2%	The higher the yield rate, the higher the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land – Kuwait and Jordarn	Market comparison approach	Estimated market price for land (per sqm)	KD1,254 to KD1,350	The higher the price per square meter, the higher the fair value

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in note 19.

31 Risk management objectives and policies

The Group's principal financial liabilities comprise of borrowings from banks and financial institution, due to banks and accounts payable. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, murabaha & wakala investments and investment securities which arise directly from operations.

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

The Parent Company's Board of Directors sets out policies for managing each of these risks as discussed below.

The Group does not use derivative financial instruments.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk

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

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle East countries and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Saudi Riyal and UAE Dirham. The Parent Company's consolidated statement of financial position can be affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the Groups' open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2014 *Equivalent KD*	31 Dec. 2013 *Equivalent KD*
US Dollar	918,872	1,369,197
Saudi Riyal	938,473	3,767,290
UAE Dirham	14,884	67,527

If the Kuwaiti Dinar had strengthened against the foreign currencies by 5%, then this would have the following impact on the results for the year. There is no other direct impact on the Group's equity.

	Impact on profit for the year	
	31 Dec. 2014	31 Dec. 2013
US Dollar	(45,944)	(68,460)
Saudi Riyal	(46,924)	(188,365)
UAE Dirham	(744)	(3,376)
	(93,612)	(260,201)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the results for the year, and the balances shown above would be positive.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (Continued)

31.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to due to banks and borrowings which are at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

The Group's interest rate risk sensitivity position, based on the contractual re-pricing or maturity dates of assets and liabilities, whichever dates are earlier, is as follows:

At 31 December 2014	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 12 months KD	Non-interest bearing items KD	Total KD
ASSETS						
Cash and bank balances	-	-	-	-	8,137,702	8,137,702
Short term deposits	729,737	616,366	224,117	-	-	1,570,220
Murabaha and wakala investments	598,354	-	-	-	-	598,354
Investments at fair value through profit or loss	-	-	-	-	17,372,642	17,372,642
Accounts receivable and other assets	-	-	-	-	14,604,165	14,604,165
Available for sale investments	-	-	-	-	58,207,419	58,207,419
Investment in associates	-	-	-	-	50,294,896	50,294,896
Investment properties	-	-	-	-	32,840,512	32,840,512
Property and equipment	-	-	-	-	6,632,396	6,632,396
Goodwill and intangible assets	-	-	-	-	10,314,660	10,314,660
	1,328,091	616,366	224,117	-	198,404,392	200,572,966
LIABILITIES						
Borrowings from banks and financial institutions and due to banks	1,508,363	10,757,170	9,343,093	104,826,819	-	126,435,445
Accounts payable and other liabilities	-	-	-	-	9,932,077	9,932,077
Provision for end of service indemnity	-	-	-	-	526,243	526,243
	1,508,363	10,757,170	9,343,093	104,826,819	10,458,320	136,893,765
Total interest rate sensitivity Gap	(180,272)	(10,140,804)	(9,118,976)	(104,826,819)	187,946,072	63,679,201
Cumulative interest rate sensitivity gap	(180,272)	(10,321,076)	(19,440,052)	(124,266,871)	-	-

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (Continued)

b) Interest rate risk (continued)

At 31 December 2013	Up to 1 month KD	1-3 months KD	3-12 months KD	Over12 months KD	Non-interest bearing items KD	Total KD
ASSETS						
Cash and bank balances	-	-	-	-	7,996,585	7,996,585
Short term deposits	189,481	-	-	-	-	189,481
Murabaha and wakala investments	-	-	-	-	4,500,000	4,500,000
Investments at fair value through profit or loss	-	-	-	276,089	21,269,751	21,545,840
Accounts receivable and other assets	-	-	-	-	28,302,787	28,302,787
Available for sale investments	-	-	-	-	68,619,650	68,619,650
Investment in associates	-	-	-	-	39,865,645	39,865,645
Investment properties	-	-	-	-	28,604,121	28,604,121
Property and equipment	-	-	-	-	4,476,204	4,476,204
Goodwill and intangible assets	-	-	-	-	1,990,375	1,990,375
	189,481	-	-	276,089	205,625,118	206,090,688
LIABILITIES						
Borrowings from banks and financial institutions	-	6,750,000	25,906,000	101,908,750	-	134,564,750
Accounts payable and other liabilities	-	-	-	-	6,433,037	6,433,037
Provision for end of service indemnity	-	-	-	-	516,387	516,387
	-	6,750,000	25,906,000	101,908,750	6,949,424	141,514,174
Total interest rate sensitivity gap	189,481	(6,750,000)	(25,906,000)	(101,632,661)	198,675,694	64,576,514
Cumulative interest rate sensitivity gap	189,481	(6,560,519)	(32,466,519)	(134,099,180)	-	-

The Group does not have any off balance sheet financial instrument which are used to manage the interest rate risk. The following table illustrates the sensitivity of the interest bearing financial instruments on the profit/loss for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +25 and -25 basis points for KIBOR interest rates for the current year (2013: Interest rate +25 and -25 for basis point for KIBOR). The calculation is based on the Group's financial instruments held at the consolidated statement of financial position date. All other variables are held constant. There is no other direct impact on Group's equity.

	Increase in interest rates		Decrease in interest rates	
	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD	**Year ended 31 Dec. 2014 KD**	Year ended 31 Dec. 2013 KD
Profit for the year	**(310,667)**	(335,248)	**310,667**	335,248

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, and USA. Equity investments are classified either as investments carried at fair value through profit or loss (including trading securities) or available for sale securities.

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 price risk sensitivity is determined at the rate of 10% on the exposure to equity price risks at the reporting date. If equity prices had been higher by 10%, the effect on the profit for the year and equity for the year ended 31 December would have been as follows, with all other variables held constant:

A positive number below indicates an increase in profit or equity and a decrease in loss or equity, where the equity prices increase by the above mentioned percentages.

	Profit for the year		Other Comprehensive Income	
	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Investments at fair value through profit or loss	1,737,264	2,154,584	-	-
Available for sale investments				
- Impaired investments (refer *)	922,655	1,108,052	481,440	-
- Un-impaired investments		-	2,042,398	2,849,965
	2,659,919	3,262,636	2,523,838	2,849,965

* Had equity prices been higher by 10%, the impairment which was recognised in the consolidated statement of profit or loss would be reduced and consequently the profit for the years 2014 and 2013 would be higher.

For a 10% decrease in the equity prices the impaired and un-impaired available for sale investment would have decreased the profit for the year by KD374,454, the investments at fair value through profit of loss and other available for sale investments would have decreased the profit for the year by KD1,737,264 and other comprehensive income by KD3,072,038 respectively.

31.2 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.

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

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.2 Credit risk (continued)

	31 Dec. 2014 KD	31 Dec. 2013 KD
Cash and bank balances	8,132,433	7,993,727
Short term deposits	1,570,220	189,481
Murabaha and wakala investments	598,354	4,500,000
Accounts receivable and other assets (refer note 16)	14,000,912	28,036,620
Investments at fair value through profit or loss (refer note 15)	-	276,089
Available for sale investments (refer note 17)	8,028,730	6,658,835
	32,330,649	47,654,752

Except for the wakala investment referred to in note 14, accounts receivable and other assets referred to in note 16, and available for sale investments referred to in note 17, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparty, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 31.3.

31.3 Concentration of assets

The distribution of financial assets and financial liabilities by geographic region is as follows:

	Kuwait KD	GCC KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2014					
Cash and bank balances	7,581,565	67,077	489,060	-	8,137,702
Short term deposits	1,570,220	-	-	-	1,570,220
Murabaha and wakala investments	598,354	-	-	-	598,354
Investments at fair value through profit or loss	12,548,333	2,924,410	1,828,578	71,321	17,372,642
Accounts receivable and other assets (note 16)	11,839,028	1,018,143	837,264	306,477	14,000,912
Available for sale investments	30,840,874	2,029,192	14,953,453	10,383,900	58,207,419
	64,978,374	6,038,822	18,108,355	10,761,698	99,887,249
Due to bank	1,508,363	-	-	-	1,508,363
Accounts payable and other liabilities	9,173,286	-	758,791	-	9,932,077
Borrowings from banks and financial institutions	124,927,082	-	-	-	124,927,082
	135,608,731	-	758,791	-	136,367,522

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.3 Concentration of assets (continued)

	Kuwait KD	GCC KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2013					
Cash and bank balances	6,589,323	1,398,952	8,310	-	7,996,585
Short term deposits	189,481	-	-	-	189,481
Murabaha and wakala investments	4,500,000	-	-	-	4,500,000
Investments at fair value through profit or loss	15,987,385	3,160,418	1,902,642	495,395	21,545,840
Accounts receivable and other assets (note 16)	18,769,523	3,938,059	257,304	5,071,734	28,036,620
Available for sale investments	42,034,870	3,590,404	15,757,241	7,237,135	68,619,650
	88,070,582	12,087,833	17,925,497	12,804,264	130,888,176
Accounts payable and other liabilities	5,623,028	-	627,465	-	6,250,493
Borrowings from banks and financial institutions	134,564,750	-	-	-	134,564,750
	140,187,778	-	627,465	-	140,815,243

31.4 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. Except for investments carried at fair value through profit or loss and available for sale investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss, available for sale investments and investment and properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

At 31 December 2014	1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and bank balances	8,137,702	-	8,137,702
Short term deposits	1,570,220	-	1,570,220
Murabaha and wakala investments	598,354	-	598,354
Investment at fair value through profit or loss	17,372,642	-	17,372,642
Accounts receivable and other assets	14,604,165	-	14,604,165
Available for sale investments	14,607,782	43,599,637	58,207,419
Investment in associates	-	50,294,896	50,294,896
Investment properties	-	32,840,512	32,840,512
Property and equipment	-	6,632,396	6,632,396
Goodwill and intangible assets	-	10,314,660	10,314,660
	56,890,865	143,682,101	200,572,966

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk (continued)

At 31 December 2014	1 year KD	Over 1 year KD	Total KD
LIABILITIES			
Accounts payable and other liabilities	9,932,077	-	9,932,077
Due to banks	1,508,363	-	1,508,363
Borrowings from banks and financial institutions	20,100,261	104,826,821	124,927,082
Provision for end of service indemnity	-	526,243	526,243
	31,540,701	105,353,064	136,893,765

At 31 December 2013	1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and bank balances	7,996,585	-	7,996,585
Short term deposits	189,481	-	189,481
Murabaha and wakala investments	4,500,000	-	4,500,000
Investment at fair value through profit or loss	21,545,840	-	21,545,840
Accounts receivable and other assets	28,302,787	-	28,302,787
Available for sale investments	-	68,619,650	68,619,650
Investment in associates	-	39,865,645	39,865,645
Investment properties	-	28,604,121	28,604,121
Property and equipment	-	4,476,204	4,476,204
Goodwill and intangible assets	-	1,990,375	1,990,375
	62,534,693	143,555,995	206,090,688
LIABILITIES			
Accounts payable and other liabilities	6,433,037	-	6,433,037
Borrowings from banks and financial institutions	32,656,000	101,908,750	134,564,750
Provision for end of service indemnity	-	516,387	516,387
	39,089,037	102,425,137	141,514,174

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

31 December 2014	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
Financial liabilities					
Accounts payable and other liabilities	-	-	9,932,077	-	9,932,077
Borrowings from banks and financial institutions including due to banks	1,515,467	11,707,188	12,166,300	112,300,026	137,688,981
	1,515,467	11,707,188	22,098,377	112,300,026	147,621,058

31 December 2013	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
Financial liabilities					
Accounts payable and other liabilities	-	-	6,250,493	-	6,250,493
Borrowings from banks and financial institutions	-	6,652,890	26,582,179	114,029,979	147,265,048
	-	6,652,890	32,832,672	114,029,979	153,515,541

Notes to the consolidated financial statements (continued)

32 Capital risk management

The Group's capital risk management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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, buy back shares, issue new shares or sell assets to reduce debt. See note 23.

The Parent Company is required to maintain a minimum share capital of KD15 million as it is registered as an investment company regulated by the Central Bank of Kuwait.

The capital structure of the Group consists of the following:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Borrowings from banks and financial institutions (refer note 22)	124,927,082	134,564,750
Less: Cash and cash equivalents (refer note 13)	(6,245,901)	(7,820,066)
Net debt	118,681,181	126,744,684
Total equity	63,679,201	64,576,514

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Net debt	118,681,181	126,744,684
Total equity	63,679,201	64,576,514
Net debt to total equity ratio	186%	196%

33 Fiduciary assets

The Group manages mutual funds and portfolios on behalf of its Ultimate Parent Company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2014 amounted to KD53,931,582 (2013: KD50,292,139) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD52,110,885 (2013: KD47,721,999).

34 Contingent liabilities and Capital commitments

Guarantees and capital commitments

At the reporting date the Group had commitments of KD1,945,441 towards purchase of investments (2013: KD3,281,626) and guarantees amounting to KD7,311,950 (2013: KD7,301,153).

35 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net increase in cash and cash equivalents.