

**BAYAN INVESTMENT COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES  
STATE OF KUWAIT**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH  
INDEPENDENT AUDITORS' REPORT**

BAYAN INVESTMENT COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES  
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH  
INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITORS' REPORT

The Shareholders  
Bayan Investment Company - K.S.C. (Public)  
State of Kuwait

### Report on the consolidated financial statements

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

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of 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 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.

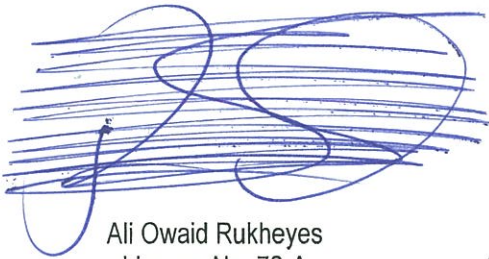
**Opinion**

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

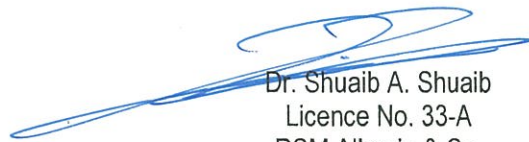
**Report on other Legal and Regulatory Requirements**

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

We further report that, during the course of our audit, we have not become aware of any material violations of Law No. 7 of 2010 concerning the Capital Markets Authority and Organization of Security Activity, its subsequent amendments and Executive Regulations during the financial year ended December 31, 2014 which might have materially affected the Group's financial position or results of its operations.



Ali Owaid Rukheyes  
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Dr. Shuaib A. Shuaib  
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State of Kuwait  
February 18, 2015



**BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2014**  
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2014	2013
Cash on hand and at banks		1,784,259	1,102,794
Investments at fair value through profit or loss	3	1,107,970	1,506,040
Accounts receivable and other debit balances	4	2,321,906	1,644,621
Inventories		818,110	623,420
Investments available for sale	5	13,057,570	26,023,625
Investment in unconsolidated subsidiaries		7,780	7,780
Investment properties	6	-	13,930,000
Properties under development	7	71,333,044	71,333,044
Property, plant and equipment	8	1,629,658	1,727,378
<b>Total assets</b>		<u>92,060,297</u>	<u>117,898,702</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Liabilities:</b>			
Due to banks	10	8,321,720	35,704,701
Accounts payable and other credit balances	11	32,766,411	30,932,116
Murabaha payable	12	53,317	75,637
Provision for end of service indemnity	13	295,590	260,434
<b>Total liabilities</b>		<u>41,437,038</u>	<u>66,972,888</u>
<b>Equity:</b>			
Share capital	14	39,266,391	39,266,391
Treasury shares	15	(5,948,170)	(6,258,179)
Statutory reserve	16	12,166,782	12,166,782
Voluntary reserve	17	10,820,279	10,976,535
Cumulative changes in fair value		4,642,524	6,790,566
Foreign currency translation adjustments		(1,297,936)	(1,078,072)
Accumulated losses		(23,303,743)	(25,812,432)
Equity attributable to shareholders of the Parent Company		<u>36,346,127</u>	<u>36,051,591</u>
Non-controlling interests	9	14,277,132	14,874,223
<b>Total equity</b>		<u>50,623,259</u>	<u>50,925,814</u>
<b>Total liabilities and equity</b>		<u>92,060,297</u>	<u>117,898,702</u>

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.


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Faisal Ali Al - Mutawa  
Chairman

**BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
<b>Revenues:</b>			
Net investment income	19	3,976,553	1,399,244
Management and consultancy fees		106,343	231,892
Net sales revenue		720,837	712,793
Impairment reversal on investment properties		-	1,742,000
Other income	10	3,940,823	21,029
		<u>8,744,556</u>	<u>4,106,958</u>
<b>Expenses and other charges:</b>			
Impairment loss on investments available for sale		4,033,674	267,734
General and administrative expenses	20	1,228,296	1,231,049
Finance charges		548,096	1,651,073
Foreign exchange loss		856,299	78,878
		<u>6,666,365</u>	<u>3,228,734</u>
Profit for the year before National Labor Support Tax (NLST) and Zakat		2,078,191	878,224
NLST	22	(55,319)	(9,466)
Zakat	23	(21,878)	(3,786)
<b>Net profit for the year</b>		<u>2,000,994</u>	<u>864,972</u>
<b>Attributable to:</b>			
Shareholders of the Parent Company		2,508,689	983,626
Non-controlling interests		(507,695)	(118,654)
<b>Net profit for the year</b>		<u>2,000,994</u>	<u>864,972</u>
		<u>Fils</u>	<u>Fils</u>
Earnings per share attributable to shareholders of the Parent Company	24	<u>6.93</u>	<u>2.74</u>

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

**BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

(All amounts are in Kuwaiti Dinars)

	<u>2014</u>	<u>2013</u>
Net profit for the year	<u>2,000,994</u>	<u>864,972</u>
<b>Other comprehensive (loss) income:</b>		
<u>Items that may be reclassified subsequently to profit or loss</u>		
Related to investments available for sale:		
Changes in fair value of investments available for sale	654,801	2,743,639
Reversal due to sale of investments available for sale	(2,782,884)	(309,700)
Reversal due to impairment of investments available for sale	<u>(19,959)</u>	<u>(87,973)</u>
	<u>(2,148,042)</u>	2,345,966
Exchange differences on translating foreign operations	<u>(309,260)</u>	<u>(508,642)</u>
<b>Other comprehensive (loss) income for the year</b>	<u>(2,457,302)</u>	<u>1,837,324</u>
<b>Total comprehensive (loss) income for the year</b>	<u>(456,308)</u>	<u>2,702,296</u>
<b>Attributable to:</b>		
Shareholders of the Parent Company	140,783	2,827,960
Non-controlling interests	<u>(597,091)</u>	<u>(125,664)</u>
<b>Total comprehensive (loss) income for the year</b>	<u>(456,308)</u>	<u>2,702,296</u>

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

**BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
 (All amounts are in Kuwaiti Dinars)

	Equity attributable to the shareholders of the Parent Company										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation adjustments	Treasury shares reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
Balance as at December 31, 2012	39,266,391	(6,768,265)	12,166,782	11,029,254	4,444,600	(576,440)	207,405	(26,796,058)	32,973,669	14,999,887	47,973,556
Sale of treasury shares	-	510,086	-	(52,719)	-	-	(207,405)	-	249,962	-	249,962
Total comprehensive income (loss) for the year	-	-	-	-	2,345,966	(501,632)	-	983,626	2,827,960	(125,664)	2,702,296
Balance as at December 31, 2013	39,266,391	(6,258,179)	12,166,782	10,976,535	6,790,566	(1,078,072)	-	(25,812,432)	36,051,591	14,874,223	50,925,814
Sale of treasury shares	-	310,009	-	(156,256)	-	-	-	-	153,753	-	153,753
Total comprehensive (loss) income for the year	-	-	-	-	(2,148,042)	(219,864)	-	2,508,689	140,783	(597,091)	(456,308)
<b>Balance as at December 31, 2014</b>	<b>39,266,391</b>	<b>(5,948,170)</b>	<b>12,166,782</b>	<b>10,820,279</b>	<b>4,642,524</b>	<b>(1,297,936)</b>	<b>-</b>	<b>(23,303,743)</b>	<b>36,346,127</b>	<b>14,277,132</b>	<b>50,623,259</b>

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.



**BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(All amounts are in Kuwaiti Dinars)

	2014	2013
<b>Cash flows from operating activities:</b>		
Profit for the year before NLST and Zakat	2,078,191	878,224
Adjustments for:		
Net investment income	(3,976,553)	(1,399,244)
Impairment reversal on investment properties	-	(1,742,000)
Interest income	(2,273)	(1,981)
Provision for end of service indemnity no longer required	(1,539)	(808)
Gain on settlement of term loan	(3,891,451)	-
Impairment loss on investments available for sale	4,033,674	267,734
Depreciation	266,403	249,726
Provision for end of service indemnity	43,857	49,603
Loss on sale of property, plant and equipment	-	2,176
Finance charges	548,096	1,651,073
Foreign exchange loss	856,299	78,878
	<u>(45,296)</u>	<u>33,381</u>
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	145,469	616,956
Accounts receivable and other debit balances	(677,285)	(31,834)
Inventories	(194,690)	246,214
Accounts payable and other credit balances	160,774	(493,386)
Cash (used in) generated from operations	<u>(611,028)</u>	<u>371,331</u>
Paid for end of service indemnity	(7,162)	(89,141)
Net cash (used in) generated from operating activities	<u>(618,190)</u>	<u>282,190</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments available for sale	(158,236)	(463,272)
Proceeds from sale of investments available for sale	469,989	988,353
Purchase of property, plant and equipment	(367,896)	(266,194)
Proceeds from sale of property, plant and equipment	-	12,000
Dividends received	1,448,191	788,186
Interest received	2,273	1,981
Net cash generated from investing activities	<u>1,394,321</u>	<u>1,061,054</u>
<b>Cash flows from financing activities:</b>		
Due to banks	267,019	(100,620)
Murabaha payable	(22,320)	(34,867)
Proceeds from sale of treasury shares	153,753	249,962
Dividends paid	(6,962)	(18,521)
Finance charges paid	(493,849)	(1,651,073)
Net cash used in financing activities	<u>(102,359)</u>	<u>(1,555,119)</u>
Net increase (decrease) in cash on hand and at banks	673,772	(211,875)
Effect of foreign currency translation on cash on hand and at banks	7,693	(2,936)
Cash on hand and at banks at beginning of the year	<u>1,102,794</u>	<u>1,317,605</u>
Cash on hand and at banks at end of the year	<u>1,784,259</u>	<u>1,102,794</u>

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

**BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

(All amounts are in Kuwaiti Dinars)

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1. Incorporation and activities

Bayan Investment Company (the Parent Company) is a Kuwaiti public shareholding company incorporated through an agreement No. 1491/Vol 1 dated July 21, 1997, the latest amendment is on June 11, 2014 and is listed in Kuwait Stock Exchange. The Parent Company's commercial registration number is 70718 dated August 30, 1997.

The principal activities of the Group are to conduct investment and portfolio management activities for its own account and for clients and investment in real estate.

The Parent Company is located in Souad Commercial Building, Fahad Al-Salem St., Area 12, Building No. 21 and its registered office is P.O. Box No. 104, Al Dasma 35151, State of Kuwait.

The Parent Company is under the supervision of the Capital Market Authority according to Law No.7/2010 for investment companies.

The Shareholders' Extraordinary General Assembly meeting held on June 3, 2014 approved the amendments to the Parent Company's Articles of Association to be in compliance with the requirements of the Companies' Law No. 25 of 2012 and its subsequent amendments and Executive Regulations.

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on February 18, 2015. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

a) Basis of preparation

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

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

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

**Standards issued and effective**

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

Amendments to IAS 32 - Offsetting financial assets and financial liabilities

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

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

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

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

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. These new disclosures include fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures required by IFRS 13 Fair Value Measurements.

The above mentioned amendments are not expected to have any material impact on the consolidated financial statements.

Standards issued but not effective

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

IFRS 9 - Financial Instruments

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

IFRS 15 - Revenue from contracts with customers

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

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

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

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

**BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**  
(All amounts are in Kuwaiti Dinars)

Amendments to IAS 27 – Equity method in separate financial statements

The amendment, effective for annual periods beginning on or after January 1, 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

The application of the above standards and amendments are not expected to have a material impact on the consolidated financial statements.

b) Principles of consolidation

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

Name of subsidiary	Country of incorporation	Principal activities	Percentage of Holding %	
			2014	2013
Arkan Holding Company-K.S.C. (Holding) and its subsidiary:	Kuwait	Holding	99.9%	99.9%
Arkan Industrial and Mining Co. (E.S.C.)	Egypt	Manufacturing	100%	100%
Dar Al Dhabi Holding Co. K.S.C. (Holding) and its wholly owned subsidiary: Dar Al Dhabi Real Estate Company K.S.C.C.	Kuwait	Holding	57.329%	57.329%
Bunyan Real Estate Company (K.S.C.C.)	Kuwait	Real Estate	99.9%	99.9
Babel Holding Co.- K.S.C. (Holding)	Kuwait	Holding	99.9%	99.9
Sout Al-Ghad trading Co. (W.L.L.)	Kuwait	General Trading	99.9%	99.9
Al Safwa International Consulting Co. (W.L.L.)	Kuwait	Consulting	99.9%	99.9
Al Derah Al-Oula Co. for General Trading and Contracting (W.L.L.)	Kuwait	General Trading	99.9%	99.9%
Al Ohadayah Project Management Co. (W.L.L.)		Project management	99.9%	99.9%
Al Sanabil Real Estate Co. (W.L.L.)	Kuwait	Real Estate	99.9%	99.9%
Al Sodasiyah Project Management Co. (W.L.L.)	Kuwait	Project management	99.9%	99.9%

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

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

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

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

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

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

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

c) Financial instruments

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

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, receivables, investments, due to banks, payables and Murabaha payable.

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

i) Accounts receivable

Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

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

ii) Investments

Initial recognition and measurement

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

(a) Investments at fair value through profit or loss

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

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

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

(b) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

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

Subsequent measurement

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

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



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

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

#### Derecognition

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

#### Impairment

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

#### iii) Accounts payable

Accounts payables include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

#### iv) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

v) Murabaha payable

Murabaha payable represents the amounts due to pay for purchased assets as per Murabaha facility agreements. Murabaha balances are reported with full credit balances after deducting finance charges amounts pertaining to future periods. Those finance charges balances are amortized on a time apportionment basis using effective interest method.

d) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

e) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

f) Properties under development

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at cost. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

g) Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

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

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

<u>Assets category</u>	<u>Years</u>
Buildings	20
Machines and equipment	10
Vehicles	5
Furniture	3 – 20
Computers	5

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

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

h) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Provision for end of service indemnity

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

j) Provisions

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

k) Share capital

Ordinary shares are classified as equity.

l) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

m) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

n) Revenue recognition

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

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale and services rendered have been resolved.

(i) Gain on sale of investments

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

(ii) Dividend income

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

(iii) Interest income

Interest income is recognized using the effective interest method.

(iv) Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

(v) Management fees

Management fees are recognized on accrual basis.

(vi) Other income

Fees, commission and consultancy revenue is recognized at the time the related services are provided.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

p) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in other comprehensive income.

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

q) Fiduciary assets

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

r) Contingencies

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

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

s) Critical accounting estimates and judgments

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

**Judgments**

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

(i) Revenue recognition

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

(ii) Provision for doubtful debts and inventories

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.



(iii) Classification of investments

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

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

(iv) Impairment of investments

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

(v) Classification of land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for trading

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of unquoted equity investments

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

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(ii) Provision for doubtful debts and inventories

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(iii) Impairment of non-financial assets

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

3. Investments at fair value through profit or loss

Investments at fair value through profit or loss represent quoted securities held for trading.

4. Accounts receivable and other debit balances

	<u>2014</u>	<u>2013</u>
Trade receivables	2,173,467	1,554,944
Other debit balances	148,439	89,677
	<u>2,321,906</u>	<u>1,644,621</u>

The ageing analysis of the trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired		Total
		From 90 to 180 days	Over 180 days	
2014	1,270,063	727,866	175,538	2,173,467
2013	861,255	674,870	18,819	1,554,944

5. Investments available for sale

	<u>2014</u>	<u>2013</u>
Quoted securities	8,132,027	16,613,600
Unquoted securities	3,090,032	6,398,024
Portfolios	617,609	1,642,417
Funds	1,217,902	1,369,584
	<u>13,057,570</u>	<u>26,023,625</u>

Unquoted securities and portfolios amounting to KD 3,707,641 are carried at cost less impairment losses, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value for these investments (December 31, 2013: KD 8,040,441). There is no active market for these investments and the Group intends to hold them for the long term. Impairment loss recognized on such investments for the year ended December 31, 2014 amounted to KD 4,011,925 (December 31, 2013: KD 207,529).

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During the year, the Parent Company has transferred quoted securities with a carrying value of KD 9,253,549 to a local bank as part of a debt settlement agreement (Note 10).

Investments available for sale are denominated in the following currencies:

<u>Currency</u>	<u>2014</u>	<u>2013</u>
Kuwaiti Dinar	10,905,101	21,307,217
US Dollar	429,386	2,203,744
Euro	188,223	977,804
UAE Dirham	1,534,860	1,534,860
	<u>13,057,570</u>	<u>26,023,625</u>

On October 13, 2008 the IASB permitted reclassification of some financial instruments from one category to another in rare circumstances (Amendments to IAS 39 and IFRS 7).

The Parent Company elected to apply the amendment effective July 1, 2008 and reclassified certain investments held for trading with a carrying amount of KD 49,747,536 to available for sale investments. Net unrealized gain on these remaining investments that would have been recognized in the consolidated statement of profit or loss if these financial assets had not been reclassified amounted to KD 454,843 (December 31, 2013: Net unrealized gain of KD 1,801,537).

6. Investment properties

On February 16, 2014, the Parent Company signed a debt settlement agreement with a local bank to settle its outstanding debt of KD 28,000,000. Accordingly, an in-kind settlement was agreed whereby Bunyan Real Estate Company - K.S.C.C. (wholly owned subsidiary) has transferred the title of its investment property to the bank in favor of the Parent Company (Note 10).

7. Properties under development

Properties under development represent plots of land located in Reem Island - Abu Dhabi (UAE) and held with a view to be developed for sale in the future as residential apartments, offices and retail outlets. The estimated cost of the project is AED 5,017,353,779 (KD 400,626,059).

The transfer of ownership as per paragraph No. 7.2 of the contract will be done upon full payment and completion of the development work.

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8. <u>Property, plant and equipment</u>	Land	Buildings	Machines and equipment	Vehicles	Furniture and computers	Capital work in progress	Total
<b>Cost:</b>							
Balance as at December 31, 2013	89,209	837,866	1,564,685	58,718	65,827	288,186	2,904,491
Additions	-	3,938	308,341	45,907	4,103	5,607	367,896
Transfers	-	-	115,919	-	-	(115,919)	-
Foreign currency translation adjustments	(1,625)	(15,253)	(27,969)	(1,013)	(1,193)	(173,266)	(220,319)
<b>Balance as at December 31, 2014</b>	<b>87,584</b>	<b>826,551</b>	<b>1,960,976</b>	<b>103,612</b>	<b>68,737</b>	<b>4,608</b>	<b>3,052,068</b>
<b>Accumulated depreciation:</b>							
Balance as at December 31, 2013	-	237,439	835,653	42,880	61,141	-	1,177,113
Charge for the year	-	41,193	211,080	10,925	3,205	-	266,403
Foreign currency translation adjustments	-	(4,273)	(14,955)	(768)	(1,110)	-	(21,106)
<b>Balance as at December 31, 2014</b>	<b>-</b>	<b>274,359</b>	<b>1,031,778</b>	<b>53,037</b>	<b>63,236</b>	<b>-</b>	<b>1,422,410</b>
<b>Net book value:</b>							
Balance as at December 31, 2014	87,584	552,192	929,198	50,575	5,501	4,608	1,629,658
Balance as at December 31, 2013	89,209	600,427	729,032	15,838	4,686	288,186	1,727,378
Depreciation charge has been allocated as follows:							
	2014	2013					
Net sales revenue	211,080	195,177					
General and administrative expenses	55,323	54,549					
	266,403	249,726					

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9. Principal subsidiary with major non-controlling interest ("NCI") which is material to the Group

Name of subsidiary	Country of incorporation	Ownership interest held by the Group		Ownership interest held by the NCI		Principal activities
		2014	2013	2014	2013	
Dar Al Dhabi Holding Co. K.S.C. (Holding)	Kuwait	57.329%	57.329%	42.671%	42.671%	Owning shares of Kuwaiti or foreign shareholding companies

Total non-controlling interest as of December 31, 2014 amount to KD 14,277,132 (December 31, 2013: KD 14,874,223).

Summarized consolidated financial statements for the above subsidiary that has non-controlling interest that are material to the Group.

Summarized consolidated statement of financial position

	2014	2013
Current assets	51,041	48,424
Current liabilities	25,032,375	24,190,721
Net current liabilities	(24,981,334)	(24,142,297)
Non-current assets	71,333,044	71,333,044
Non-current liabilities	12,893,080	12,332,827
Net non-current assets	58,439,964	59,000,217
Net assets	33,458,630	34,857,920

Summarized consolidated statement of profit or loss and other comprehensive income

	2014	2013
Net loss	(1,189,790)	(278,069)
Other comprehensive loss	(209,500)	(16,427)
Total comprehensive loss	(1,399,290)	(294,496)
Loss attributable to non-controlling interest	(597,091)	(125,664)

10. Due to banks

	2014	2013
Loans	7,500,000	35,500,000
Overdraft	821,720	204,701
	8,321,720	35,704,701
Average effective interest rate	4.36%	4.50%

- a) Loan from a local bank amounting to KD 7,500,000 was overdue on September 30, 2013 and subsequent to the reporting date, the loan was restructured to be settled in five unequal yearly installments with the first installment due on September 30, 2016 and final installment due on September 30, 2020.
- b) On February 16, 2014, the Parent Company signed a debt settlement agreement with a local bank to settle its loan of KD 28,000,000 where the terms of the settlement agreement are as follows:
- (i) Write off of KD 3,500,000 of the loan value.

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- (ii) In-kind settlement of KD 23,183,549 through the transfer of title of investment properties and quoted equity securities in favour of the bank.
- (iii) Cash payment amounting to KD 925,000 of which KD 350,000 had been paid on signing the agreement and the remaining amount of KD 575,000 will be payable in three quarterly installments starting from June 30, 2014 and ending on December 31, 2014. The Group had transferred the third installment amounting to KD 243,247 to the local bank's account for payment and as of December 31, 2014, the bank had not debited their account to settle the installment. Subsequent to the reporting date, the local bank had debited the Parent Company's account for the installment value.

This settlement resulted in a gain of KD 3,891,451 which is included under "Other income"

11. Accounts payable and other credit balances

	<u>2014</u>	<u>2013</u>
Trade payables (a)	25,719,670	24,435,416
Advance received from customers (b)	5,711,992	5,502,487
Other credit balances	1,334,749	994,213
	<u>32,766,411</u>	<u>30,932,116</u>

(a) Trade payables include KD 22,772,580 (AED 285,198,846) (December 31, 2013: KD 21,937,326 (AED 285,198,846)) that represent the remaining amount payable on the acquisition of properties under development. The amount payable is overdue as at December 31, 2014.

(b) This represents advances from customers for booking their residential apartments or offices that would be constructed as part of the properties under development Note (7). Five customers have raised legal cases claiming refund for the advances paid amounting to KD 491,157 (AED 6,151,147) and final verdicts have been favorably issued for four customers amounting to KD 261,806 (AED 3,278,797).

12. Murabaha payable

This represents facilities obtained by Arkan Industrial and Mining (E.S.C.) (wholly owned subsidiary of Arkan Holding Co. K.S.C. (Holding) – subsidiary) carrying an effective cost rate of 13.5% per annum and are secured by first class commercial mortgage on all tangible and intangible components of the commercial shop of the subsidiary (December 31, 2013: 13.5% per annum).

13. Provision for end of service indemnity

	<u>2014</u>	<u>2013</u>
Balance at the beginning of the year	260,434	300,780
Charge for the year	43,857	49,603
Provision no longer required	(1,539)	(808)
Paid during the year	(7,162)	(89,141)
Balance at the end of the year	<u>295,590</u>	<u>260,434</u>

14. Share capital

Authorized, issued and paid up capital consists of 392,663,910 shares of 100 fils each and all shares are paid in cash (December 31, 2013: 392,663,910 shares).



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15. Treasury shares

	2014	2013
Number of shares	30,319,197	31,899,385
Percentage to issued shares	7.72%	8.12%
Market value (KD)	1,728,194	3,062,341
Cost (KD)	5,948,170	6,258,179

16. Statutory reserve

As required by Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association. No transfer was made to the statutory reserve during the year, due to accumulated losses.

17. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. No transfer was made to the voluntary reserve during the year, due to accumulated losses.

18. General assembly and proposed dividends

The Board of Directors proposed not to distribute dividends for the year ended December 31, 2014. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on May 15, 2014 approved the Board of Directors' proposal not to distribute dividends for the year ended December 31, 2013.

19. Net investment income

	2014	2013
Dividend income	1,448,191	788,186
Unrealized loss from investments at fair value through profit or loss	(197,489)	(4,704)
Realized (loss) gain on sale of investments at fair value through profit or loss	(55,112)	226,823
Realized gain on sale of investments available for sale	2,780,963	388,939
	<u>3,976,553</u>	<u>1,399,244</u>

20. General and administrative expenses

General and administrative expenses include staff costs amounting to KD 708,288 (December 31, 2013: KD 728,311) and depreciation charge amounting to KD 55,323 (December 31, 2013: KD 54,549).

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

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting accumulated losses, its share of income from Kuwaiti shareholding subsidiaries and associates and transfer to statutory reserve. There is no contribution to KFAS until the accumulated losses are fully set off.

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22. National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of profit from associates and unconsolidated subsidiaries listed in Kuwait Stock Exchange, its share of NLST paid by subsidiaries listed in Kuwait Stock Exchange and cash dividends received from companies listed in Kuwait Stock Exchange in accordance with Law No. 19 for year 2000 and Ministerial Resolution No. 24 for year 2006 and their executive regulations.

23. Zakat

Zakat is calculated at 1% on the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of profit from Kuwaiti shareholding associates and unconsolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 for year 2006 and Ministerial Resolution No. 58 for year 2007 and their executive regulations.

24. Earnings per share

There are no potential dilutive ordinary shares. Earnings per share is computed by dividing the net profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	<u>2014</u>	<u>2013</u>
Net profit for the year attributable to shareholders of the Parent Company	<u>2,508,689</u>	<u>983,626</u>
	<u>Shares</u>	<u>Shares</u>
Number of issued and fully paid-up shares	392,663,910	392,663,910
Less: Weighted average number of treasury shares	(30,536,570)	(33,121,029)
Weighted average number of shares outstanding	<u>362,127,340</u>	<u>359,542,881</u>
	<u>Fils</u>	<u>Fils</u>
Earnings per share attributable to shareholders of the Parent Company	<u>6.93</u>	<u>2.74</u>

25. Related party balances and transactions

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

	<u>Other related parties</u>	<u>2014</u>	<u>2013</u>
<b>(i) Balances included in the consolidated statement of financial position:</b>			
Investments available for sale	1,217,902	1,217,902	1,369,584
Accounts payable and other credit balances	50,000	50,000	100,000
<b>(ii) Transactions included in the consolidated statement of profit or loss:</b>			
Management and consultancy fees	73,663	73,663	96,186
General and administrative expenses	-	-	(44,000)
<b>(iii) Key management compensation:</b>			
Salaries and other short term benefits		151,038	151,038
Terminal benefits		15,621	15,457
		<u>166,659</u>	<u>166,495</u>

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26. Fiduciary assets

	<u>2014</u>	<u>2013</u>
Portfolios	33,547,567	37,762,516
Funds	2,972,281	3,746,847
	<u>36,519,848</u>	<u>41,509,363</u>

27. Capital commitments and contingent liabilities

	<u>2014</u>	<u>2013</u>
Capital commitments	34,507	37,303
Letters of credit	151,475	113,999
	<u>185,982</u>	<u>151,302</u>

28. Segment information

For management purposes, the Group is organized into four main business segments based on internal reporting provided to the chief operating decision maker:

- Investment Operations: Investing for the Group's benefit in securities, portfolios and funds.
- Asset Management and Advisory Services: Investing and managing client portfolios and funds, corporate finance, investment advisory and research.
- Real Estate: Holding investment properties for capital appreciation and selling other properties.
- Retail: Selling goods and rendering services in the ordinary course of business.

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The segment information for the reportable operating segments is as follows:

	December 31, 2014					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	Total
Total revenue	3,976,553	106,343	-	720,837	-	4,803,733
Segment results	(772,902)	(870)	-	315,535	-	(458,237)
Unallocated operating expenses					(548,096)	(548,096)
Loss from operations						(1,006,333)
Other income					3,940,823	3,940,823
Foreign exchange loss					(856,299)	(856,299)
NLST					(55,319)	(55,319)
Zakat					(21,878)	(21,878)
Net profit for the year						2,000,994
<b>Other information:</b>						
Segment assets	15,978,152	-	71,333,044	4,741,321	-	92,052,517
Investment in unconsolidated subsidiaries	-	-	-	-	7,780	7,780
Total assets						92,060,297
Segment liabilities	40,204,595	-	-	1,232,443	-	41,437,038
Total liabilities						41,437,038
Depreciation	-	-	-	(266,403)	-	(266,403)

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	December 31, 2013					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	Total
Total revenue	1,399,244	231,892	-	712,793	-	2,343,929
Segment results	299,578	122,851	1,742,000	422,717	-	2,587,146
Unallocated operating expenses					(1,651,073)	(1,651,073)
Profit from operations						936,073
Other income					21,029	21,029
Foreign exchange loss					(78,878)	(78,878)
NLST					(9,466)	(9,466)
Zakat					(3,786)	(3,786)
Net profit for the year						864,972
Other information:						
Segment assets	27,957,704	-	85,263,044	4,670,174	-	117,890,922
Investment in unconsolidated subsidiaries	-	-	-	-	7,780	7,780
Total assets						117,898,702
Segment liabilities	66,393,352	-	-	579,536	-	66,972,888
Total liabilities						66,972,888
Depreciation	-	-	-	(249,726)	-	(249,726)

29. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, receivables, investments, due to banks, accounts payable and Murabaha payable and as a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Interest rate risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings).

Year	Increase / (Decrease) in interest rate	Balance on December 31 KD	Effect on consolidated statement of profit or loss
<b>2014</b>			
KD Loans	± 0.5%	7,500,000	± (37,500)
KD Overdraft	± 0.5%	821,720	± (4,109)
<b>2013</b>			
KD Loans	± 0.5%	35,500,000	± (177,500)
KD Overdrafts	± 0.5%	204,701	± (1,024)

b) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks and receivables. The Group's cash at banks are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks and receivables.

c) **Foreign currency risk**

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



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The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currencies and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated other comprehensive income
<b>2014</b>			
US Dollar	±5%	±25,550	±21,469
Euro	±5%	±54	±9,411
UAE Dirham	±5%	±1,161,337	±76,750
Egyptian Pound	±5%	-	±178,966
<b>2013</b>			
US Dollar	±5%	±18,834	±115,276
Euro	±5%	±1,150	±48,890
UAE Dirham	±5%	±1,096,866	±76,743
Sterling Pound	±5%	±210	-
Egyptian Pound	±5%	-	±66,831

**d) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in investments that are readily realizable.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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The maturity profile of assets and liabilities as at December 31, 2014 was as follows:

Assets:	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Cash on hand and at banks	1,784,259	-	-	-	-	1,784,259
Investments at fair value through profit or loss	1,107,970	-	-	-	-	1,107,970
Accounts receivable and other debit balances	-	-	2,321,906	-	-	2,321,906
Inventories	-	-	818,110	-	-	818,110
Investments available for sale	-	-	8,132,027	4,925,543	-	13,057,570
Investment in unconsolidated subsidiaries	-	-	-	7,780	-	7,780
Properties under development	-	-	-	-	71,333,044	71,333,044
Property, plant and equipment	-	-	-	-	1,629,658	1,629,658
	<u>2,892,229</u>	<u>-</u>	<u>11,272,043</u>	<u>4,933,323</u>	<u>72,962,702</u>	<u>92,060,297</u>
<b>Liabilities:</b>						
Due to banks	8,321,720	-	-	-	-	8,321,720
Accounts payable and other credit balances	22,772,580	510,020	824,728	8,659,083	-	32,766,411
Murabaha payable	-	-	20,200	33,117	-	53,317
Provision for end of service indemnity	-	-	-	-	295,590	295,590
	<u>31,094,300</u>	<u>510,020</u>	<u>844,928</u>	<u>8,692,200</u>	<u>295,590</u>	<u>41,437,038</u>

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The maturity profile of assets and liabilities as at December 31, 2013 was as follows:

<u>Assets:</u>	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Cash on hand and at banks	1,102,794	-	-	-	-	1,102,794
Investments at fair value through profit or loss	1,506,040	-	-	-	-	1,506,040
Accounts receivable and other debit balances	-	-	1,644,621	-	-	1,644,621
Inventories	-	-	623,420	-	-	623,420
Investments available for sale	-	-	16,613,600	9,410,025	-	26,023,625
Investment in unconsolidated subsidiaries	-	-	-	7,780	-	7,780
Investment properties	-	-	-	-	13,930,000	13,930,000
Properties under development	-	-	-	-	71,333,044	71,333,044
Property, plant and equipment	-	-	-	-	1,727,378	1,727,378
	<u>2,608,834</u>	<u>1,506,040</u>	<u>18,881,641</u>	<u>9,417,805</u>	<u>86,990,422</u>	<u>117,898,702</u>
<u>Liabilities:</u>						
Due to banks	35,704,701	-	-	-	-	35,704,701
Accounts payable and other credit balances	21,937,326	388,018	606,195	8,000,577	-	30,932,116
Murabaha payable	-	-	20,575	55,062	-	75,637
Provision for end of service indemnity	-	-	-	-	260,434	260,434
	<u>57,642,027</u>	<u>388,018</u>	<u>626,770</u>	<u>8,055,639</u>	<u>260,434</u>	<u>66,972,888</u>

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Analysis of Group's capital commitments and contingent liabilities by remaining contractual maturities:

<u>2014</u>	<u>Less than a year</u>	<u>1 - 5 years</u>	<u>Total</u>
Capital commitments	34,507	-	34,507
Letters of credit	-	151,475	151,475
	<u>34,507</u>	<u>151,475</u>	<u>185,982</u>
<u>2013:</u>	<u>Less than a year</u>	<u>1 - 5 years</u>	<u>Total</u>
Capital commitments	37,303	-	37,303
Letters of credit	-	113,999	113,999
	<u>37,303</u>	<u>113,999</u>	<u>151,302</u>

**e) Equity price risk**

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

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure at December 31:

	<u>2014</u>			<u>2013</u>		
	<u>Change in equity price %</u>	<u>Effect on other comprehensive income</u>	<u>Effect on profit or loss</u>	<u>Change in equity price %</u>	<u>Effect on other comprehensive income</u>	<u>Effect on profit or loss</u>
Market indices						
Kuwait Stock Exchange	±5%	±406,601	±48,871	±5%	±830,680	±75,302
Dubai Financial Market	±5%	-	±6,528	-	-	-

**30. Fair value measurement**

The Group measures its financial assets such as investments at fair value through profit or loss and certain investments available for sale at their fair value at each reporting date.

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at December 31:

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<b>2014:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Investments at fair value through profit or loss	1,107,970	-	1,107,970
Investments available for sale	8,132,027	1,217,902	9,349,929
<b>Total</b>	<b>9,239,997</b>	<b>1,217,902</b>	<b>10,457,899</b>
<b>2013:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Investments at fair value through profit or loss	1,506,040	-	1,506,040
Investments available for sale	16,613,600	1,369,584	17,983,184
<b>Total</b>	<b>18,119,640</b>	<b>1,369,584</b>	<b>19,489,224</b>

At December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note 5. The management of the Group has assessed that fair value of cash on hand and at banks, accounts receivable, due to banks, murabaha payable and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

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

### 31. Capital Risk Management

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

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

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 capital. Net debt is calculated as total borrowings less cash on hand and at banks. Total capital is calculated as total 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	<b>2014</b>	<b>2013</b>
Due to banks	8,321,720	35,704,701
Murabaha payable	53,317	75,637
Less: cash on hand and at banks	(1,784,259)	(1,102,794)
<b>Net debt</b>	<b>6,590,778</b>	<b>34,677,544</b>
<b>Total equity</b>	<b>50,623,259</b>	<b>50,925,814</b>
<b>Total capital resources</b>	<b>57,214,037</b>	<b>85,603,358</b>
<b>Gearing ratio</b>	<b>11.52%</b>	<b>40.51%</b>