Annual Review **2014**

KAMCO
كامكو

Dar Al-Athar Al-Islamiyyah, one of Kuwait's leading cultural organizations, was created to manage activities related to The Al-Sabah Collection. The collection includes one of the world's finest assemblages of arts from the Islamic world. The collection consists of over 30,000 priceless objects, including manuscripts, scientific instruments, carpets, fabrics, jewelry, ceramics, ivory, metalwork and glass from countries such as Spain, India, China and Iran.

This year, the annual reports of KIPCO Group companies each feature a different key ivory artifact from The Al-Sabah Collection. The images used within the reports reflect KIPCO's commitment to protecting and promoting Kuwait's heritage, while helping to build the nation's future.

The item pictured here (LNS 21 I) is a small lidded lathe-turned and carved elephant ivory bottle with Kufic inscription. It was made in India circa late 9-10th century AH /circa late 15-16th century CE. The image is reproduced with the kind permission of The Al-Sabah Collection, Dar Al-Athar Al-Islamiyyah.

Contents

H.H. Sheikh Sabah
Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State
of Kuwait

Vision

To be the preferred local and regional asset management and investment banking provider.

Mission

To offer innovative and customized solutions that fulfill all the asset management and investment needs while delivering tangible results for our clients.

Our Story

KAMCO Investment Company is a premier investment company based in Kuwait that is regulated by the Capital Markets Authority with one of the largest private sector AUMs in the region.

Established in 1998 and listed on the Kuwait Stock Exchange (KSE) in 2003, KAMCO is a subsidiary of United Gulf Bank (UGB) and the asset management and investment banking arm of Kuwait Projects Holding Company (KIPCO).

It has become a leading regional company within its sector offering innovative products and services for its clients, holding over USD 12 billion of client AUM and over 82 of successfully completed investment banking transactions worth over USD 12 billion as of 31 December 2014.

After many years of conducting business in Kuwait’s dynamic investment industry, KAMCO has successfully established a robust reputation for solidity, characterized by its prudent, conservative investment philosophy and spirit of transparency which has consistently commanded the goodwill of a wide patron-base.

The company will further aggressively build upon its core competencies to offer MENA-wide investment management consultancy and services, backed by its proven track-record in stringent risk mitigation, investment product innovation, and a cautious investment approach towards local, regional and international capital markets.

Our Board of Directors

Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah
Chairman

Entisar Abdul Raheem Al-Suwaidi
Vice Chairman

Masaud Mahmoud Jawhar Hayat
Board Director

Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah
Board Director

Tariq Mohammad Abdulsalam
Board Director

“Our achievements in 2014”

- Maintaining operational growth and profitability
- Launch of KAMCO Real Estate Yield Fund
- Initial offering of KAMCO MENA Plus Fixed Income Fund
- Successful completion of several transactions in the stock markets
- Outperformance of most managed investment funds versus respective benchmarks
- Won ‘Best GCC Asset Management Company 2014’ Award from World Finance

Overview

“Innovation and improvement” was the theme that underlined KAMCO’s overall vision in 2014, highlighting all the sectors in which it operated. Driven by it, it was able to provide not only better services and products to its clients, but also maximize returns on their investments.

By focusing on its core business and following an exit strategy in non-core asset areas, KAMCO succeeded in extending its strong track record in investment banking operations. Further, it was able to enhance the performance of the investment funds alongside the launch of unique investment tools.

The financial crises and the subsequent economic repercussions that occurred around the world and the region since 2008 have helped KAMCO in becoming stronger and more resilient. As a result, the company now exercises greater precision, helped by experience, in picking the right investment opportunities with the least risk.

The challenges that emerged in the recent years made us take a more cautious approach to better exploit the new market trends. The key investment decisions made on the basis of comprehensive, scientific studies and critical data analysis paved the way for a change in KAMCO’s asset management style which in turn positively influenced the company’s investment mechanism. The commendable financial performance in 2014 is a reflection of those key changes.

Since the establishment of the company in 1998, KAMCO’s AUM has been witnessing a steady increase in spite of the post economic recession in the markets. The company was able to increase its market share by 70% in the last seven years from 17.7% in 2006 to 30% in 2013, reflecting the growth of KAMCO’s client base.

By the end of 2014, the total volume of the managed assets climbed to KD 3.5 billion (USD 12.2 billion) compared to KD 2.9 billion (USD 10.1 billion) at the end of 2013, recording a growth of 23% which resulted from an increase of 12% in new assets and 11% in AUM. Compared to the pre-crisis period, especially 2007, when the volumes tended to fall on the higher side, KAMCO has registered an increase of 4%. This has made it the largest investment company in the region in terms of AUM.

Despite the decrease in net profit compared to the company’s performance in 2013, KAMCO was able to soften the blow with profits generated from core activities in asset management and investment banking. On these fronts, it clocked a growth rate of 9% in 2014, compared to the previous year.

Meanwhile, the generated fee income exceeded KD 5 million, which falls slightly short of earnings in 2013. However, KAMCO was able to reduce debt by 17% which will continue to improve the financial structure.

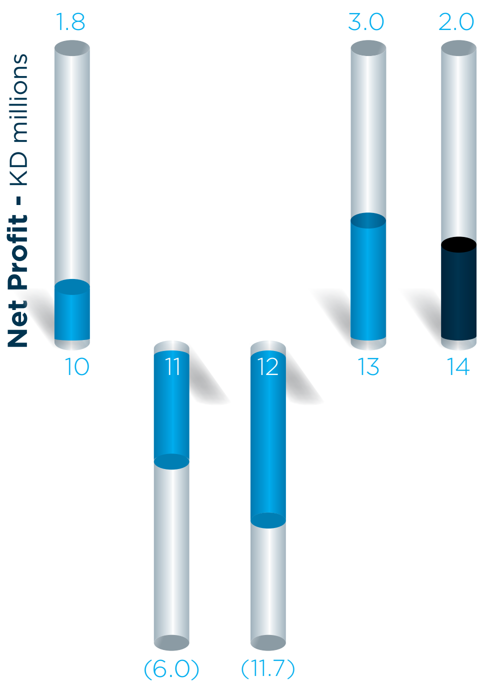
The results reflect the company’s balanced and consistent performance at the operating income levels in the main activities in 2014. KAMCO launched a number of new and unique investment products driven by efforts to enhance services to its valued clients. These positive factors underlined the leadership role KAMCO plays in the investment banking and asset management sector in Kuwait and the region at large.

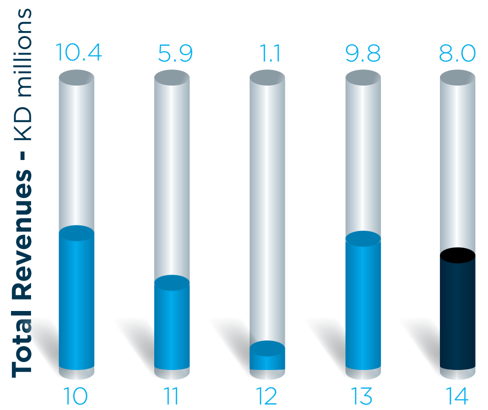
KAMCO will continue its strategy of innovating and improving, creating new products and specialized services for the benefit of its clients. It will provide attractive investment opportunities in line with the market conditions, fulfilling the clients’ requirements and business objectives.

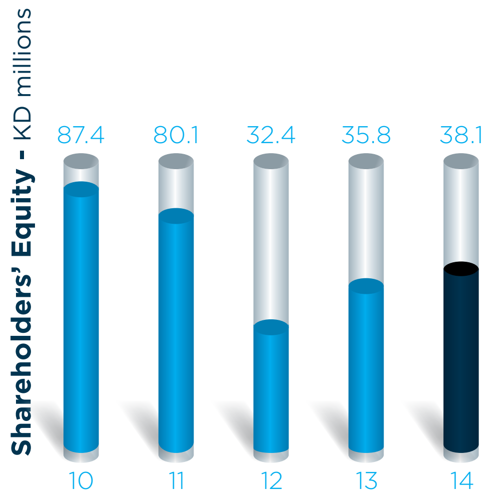
KAMCO’s investment strategy is based on optimism which drives it forward, while holding to a conservative approach in avoiding high risks in the equity markets. The company will always keep a close watch on the economic and geopolitical developments both regionally and internationally to take the right course of action as and when the need arises.

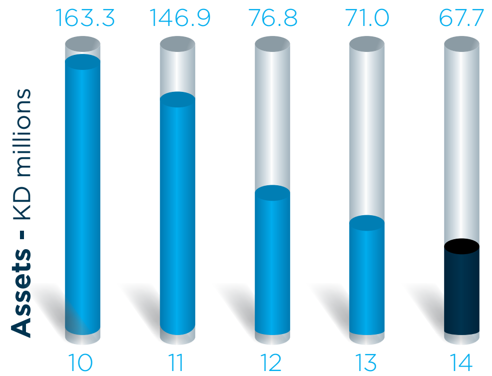
In the light of the positive expectations for the second half of 2015, KAMCO will continue to strive to improve its performance based on the right strategies and the valuable inputs from its experienced staff in asset management and investment banking.

Financial Highlights 2014









- Total Revenues reached KD 8.0 million in 2014
- Net Profits reach KD 1.9 million in 2014
- AUM grew by 23% to reach KD 3.5 billion
- Debt was reduced from KD 29 million to KD 24 million

	2010	2011	2012	2013	2014
Income Statements Highlights KD Million					
Total revenue	10.4	5.9	1.1	9.8	8.0
Operating expenses	8.6	11.9	12.8	6.7	5.9
Net profit	1.8	(6.0)	(11.7)	3.0	2.0
Financial Statements Highlights KD Million					
Total assets	163.3	146.9	76.8	71.0	67.7
Investments	140.9	131.5	66.4	62.6	59.0
Loans & advances and other assets	11.4	8.4	5.3	2.8	3.1
Loans & bonds	71.3	61.8	40	29.1	24.2
Shareholders' equity	87.4	80.1	32.4	35.8	38.1
Profitability					
Earnings per share (fils)	7.6	(25.3)	(48.9)	12.6	8.2
Expenses/Revenue	83%	202%	1164%	68%	74%
Return on assets	1.1%	(4%)	(15%)	4.3%	2.9%
Return on equity	2.1%	(8%)	(36%)	8.4%	5.1%
Capital					
Equity/Total assets	53.5%	54.5%	42.2%	50.5%	56.3%
Debt to equity (X)	0.82	0.8	1.3	0.81	0.63
Liquidity & Business Indicators					
Loans & advances and other assets/Total assets	7.0%	5.7%	6.9%	3.9%	4.6%
Investments /Total assets	86.3%	89.5%	86.5%	88.2%	87.1%
Asset under management KD Billion	2.4	2.1	2.4	2.9	3.5
Number of portfolio clients	809	713	740	716	740
Number of employees	118	114	80	109	115

Total Revenues

Management Fees	54%
Advisory Fees	10%
Share of Result of Associates	13%
Dividend Income	8%
Gain on Sale of Financial Assets Available for Sale	2%
Realized Gain on Sale of Financial Assets at Fair Value through Profit and Loss	9%
Others	4%

Total Assets

Bank Balances & Cash	8%
Investments at Fair Value through Income Statement	11%
Investments Available for Sale	42%
Investments in Associates	34%
Other Assets	5%

“Enriching success through innovative solutions”

Chairman’s Message

On behalf of the board of KAMCO Investment Company KSC (Public), I am pleased to announce to our respected shareholders that the company has maintained the positive momentum on which it started 2014, despite some rough weather towards the fourth quarter, which caused a decline in the Net Profit.

Our financial results for the year ended December 2014 have recorded a Net Profit of KD 1.96 million (Earnings per Share of 8.2 fils); compared to a Net Profit of KD 3 million (Earnings per Share of 12.6 fils) in 2013.

KAMCO achieved KD 5.1 million in Fee Income in 2014 compared to KD 5.3 million in 2013. The company reduced its Debts by 17% to KD 24 million in 2014 compared to KD 29 million in 2013. Our AUM registered a significant growth of 23% in 2014 to reach KD 3.5 billion (USD 12.2 billion) in 2014, compared to KD 2.9 billion (USD 10.1 billion) in 2013. We rode over the unexpected economic turbulence in the latter half of 2014 by adjusting our strategies to be more client-focused and to avoid, and limit in some cases, the adverse impact of a series of crises.

Proactive Actions

KAMCO Investment Company has always been quick to take constructive actions to conform to the regulations issued by Kuwait’s Capital Market Authority (CMA) and other concerned authorities in Kuwait, and are compliant with the market conditions. An important development in 2014 in terms of new regulations was the FATCA related requirements. We worked proactively with subject matter experts and market participants to ensure that we were proactive and well prepared for the FATCA driven regulatory changes.

Our diligence to conform to CMA regulations helped us in becoming one of the first four companies to gain official license for various new investment products. We also launched the KAMCO Real Estate Yield Fund (KREYF) in the first half of 2014, and obtained regulatory intial approval for the KAMCO MENA Plus Fixed Income Fund (KMPFIF) in the second half.

Cautious Optimism

As for our strategies for the coming year, we will be striking a cautiously optimistic note, drawing from the confidence of a resurgent global, regional and local economy. The oil price weakness acts as a large growth stimulant for oil importing nations, even though it has some negative effects on oil exporting countries. If the oversupply situation stabilizes by the second half as predicted, the oil price is expected to see a slight uptick. Further, we look forward to more improved geopolitical developments in the region, which will yield to higher growth trajectories of GCC financial markets and regional economic indices. These will be some of the important factors that will guide our investments in the coming days as we continue our efforts in restructuring, enhancing corporate governance and exploring new product and service offerings, that would be of benefit to our clients in 2015.

Gratitude and Appreciation

All our achievements in 2014 were a result of the collective efforts of the management and team members, who were duly encouraged by the trust our shareholders placed in them. I would like to thank the KAMCO board of directors, executive management and employees for their active support, contributions and professionalism, which enabled us to attain the best possible results. Last but not least, I want to thank our valuable clients, who have been the driving force behind our commitment to success, and our respected shareholders for their continued trust in us.

Abdullah Nasser Al-Sabah
Chairman

Chief Executive Officer's Message

2014 – Looking back

The year 2014 was beneficial to us in helping us understand our own strengths better. Our resilience and our ability to adapt to unexpected situations were put to the test, and we proved once again that with teamwork and vision to face challenges, we can move ahead successfully enriching ourselves with knowledge, experience and the drive to achieve.

The year 2014 was marked by a positive and resurgent first half, which was followed by a volatile second half with severe market setbacks. The decrease in oil price was among the most important concerns regionally, while a generally weak global economy and geopolitical tensions in various parts of the world added to the gloom. The overall decline in Q4 was severe enough to more than offset the gain seen during the first three quarters.

On the equity front, 2014 carried a shock in the GCC equity markets as investors were expecting the 2013 bull-run to continue. The oil price led to a drop in regional indices, triggering a major sell-off affecting performance across GCC markets.

However, our portfolios carried little direct exposure to many of the market segments that were affected by the geopolitical ramifications. Moreover, the oil sector's weighting in our portfolios has been very small for the price drops to have caused any serious direct damage.

Continuous restructuring and debt reduction

In 2014, we restructured our balance sheets by exiting from non-core investments and reducing debt significantly by 17% as compared to FY 2013, and by 14% (CAGR) since 2007. In parallel, we maintained operational growth, keeping our leadership position as an asset manager and an investment bank. AMIB profit increased by 9%.

For our investment portfolios and international AUM, the timing of exits were the main strategy. We did well to shield our portfolios from the severe Q4 related corrections in the regional and global equity markets. Moreover, we were able to book profits earlier in the year and raise cash to protect capital for the company and our valued clients.

Internationally, we were most active in the IT, e-commerce and diversified business sectors based on our studies and research. Our focus was in the growing innovation and cutting edge developments taking place in those fields. This proved to be a successful strategy. Our portfolios gradually heightened the quality and capitalization scale as the large and dominant blue-chip stocks started to outperform their small and midcap peers.

Innovative investment funds

Our managed funds operations have been extremely active as we initiated the offering of KAMCO Real Estate Yield Fund (KREYF), the first local fund in Kuwait to receive CMA approval for fund raising, which focused on building the initial investment portfolio to create adequate yield. The fund operates with a monthly subscription plan and has Burgan Bank and Gulf Bank as its distribution agents. The fund executed a number of initial investments and closed the first 10 months with profit.

Another new fund at KAMCO that obtained initial approval from CMA, was the KAMCO MENA Plus Fixed Income Fund (KMPFIF). This fund offers relatively high returns as compared to returns of the bank short term, and has Burgan Bank as its distribution agent. We continued our offering of Kuwait Education Fund (KEF) and the strategy was to maintain the positive performance of the fund, enhance the educational sector, and to invest in educational projects within the private sector.

Meanwhile, KAMCO GCC Opportunistic Fund, which invests in shares of companies listed in the stock exchanges of GCC countries, outperformed its benchmark and was up over 22% in 2014. The fund has returned 51.6% since its inception in April 2013. KAMCO Investment Fund (KIF), which was our Kuwait equity flagship, closed the year down -5.32%, but continued to outperform the KSE weighted index over the trailing 4 year period.

Some of KAMCO's investment funds

Successful track records

Our investment banking services were affected by the negative business environment resulting from the economic recession in the private sector, mainly the sudden fall in oil prices, which greatly influenced the investors' trust level (individuals and corporates). This affected regional bourses which in turn impacted the sourcing and execution of transactions, especially in Kuwait. However, our investment banking services continued to engage the advisory space in the financial, educational, healthcare, industrial and Oil & Gas sectors.

Throughout the years, KAMCO's IB team continued to enrich their track record by achieving 82 successful transactions with an underlying of USD 12 billion as of December 2014 executed during the last ten years. It is worth mentioning about our role as financial advisor to Burgan Bank's capital increase of KD 21.6 million, increasing its shares by 216 million shares (priced at 475 fils per share), reflecting a 12.44% capital increase.

We also advised one of the leading educational entities in Kuwait in successfully completing its corporate and debt restructuring of USD 120 million. With more government spending expected on infrastructural development and subsequent increase in transactions across different sectors and corporate debt issuances in Kuwait, there is potential for growth in demand for investment banking in the coming days, particularly with the involvement of private sector projects.

Integrated systems

In 2014, the IT team implemented both Customer Relationship Management software and Business Intelligence reporting for management, which are integrated with Portfolio Management System (PMS). Automation of Business Process through Portal Technologies was achieved. Our objective in KAMCO is to continue developing business technologies to enhance our internal performance and client servicing methods.

Wealth in workforce

As for our human resources team, they have continued to deliver an integrated approach to resourcing, performance management, talent management and leadership. As KAMCO believes that our people and teams are the most important assets of our company, we have developed a Performance Management System and Incentive schemes which are relevant to our needs and are in line with the international best practices.

One of the training courses conducted for executives

Quality research yields to wise decisions

Our investment research services played a major role in guiding us to the appropriate investment decisions. The research team conducted numerous studies tracking the latest directions and trends across the regional and local markets. Our equity reports covering banking and real estate sectors in Kuwait and GCC, at large, are eagerly awaited by industry players.

In addition to local newspapers, and in cooperation with the marketing team, KAMCO research continues to be published on KAMCO's website and other highly reputable financial intelligence networks such as Bloomberg, Thomson Reuters, Zawya, Capital IQ and Factset with an increase in readership during the year.

Dealing with different means of media locally and globally

Furthermore, in 2014, Oxford Business Group (OBG) published its 9th edition of "The Report Kuwait 2014" in collaboration with KAMCO Research which provided the editorial and research team at OBG with financial analysis reports, contributed in conducting sector analysis/ outlook by providing analysis of economic and financial data, along with comprehensive assessment and outlook on each sector.

KAMCO and Oxford Business Group MOU Signing

Compliance- main contributor to success

Our compliance & risk management team worked diligently to ensure compliance to the new regulations by following up with the authorities to expedite the process and meet the necessary standards. An important development in 2014 was the introduction of FATCA related regulations. Owing to our commitment to regulatory compliance, many of our funds were among the first to obtain approval from CMA in Kuwait.

Client relations and wealth management

In-line with our recent restructuring strategy which resulted in our rebranding initiative, the wealth management team has successfully developed and enhanced their platform to target and expand AUMs from the world's largest growing segment of ultra high net worth individuals (UHNWIs).

Our approach builds on offering customized solutions based on KAMCO's research-driven studies and sound risk management framework, including the extensive and diversified platform of proprietary managed investment funds and portfolios. This enhanced business model was key in the retention and growth of existing assets. During 2014, we continued executing our target growth strategy of expanding presence and coverage within the GCC markets, ultimately with the aim of further growing and diversifying KAMCO's client-base. Focus remains on client segments that include regional Sovereign Wealth Funds, Pensions, Corporates and UHNWIs.

Given the changing demographics, evolving technology and increasing competition, focusing on third-party distribution is a top priority, allowing us to effectively capture a captive retail-client segment. A successful milestone for this initiative during the year includes placement agency agreements signed with both Burgan Bank and Gulf Bank for the distribution of KAMCO's investment funds. These partnerships with local and regional private banks and investment institutions will continue to be a core focus moving forward.

This success is directly attributed to a number of factors, some of which are; growing talent within the wealth management team, introducing innovative structures that help meet client needs while offering stability, liquidity and consistency, transition to an open architecture structure, streamlining technology-based process, optimizing reporting capabilities and rationalizing products for more effective relationships.

Market performance in 2014

We adopted a pragmatic and dynamic approach to tide over the unexpected turbulence by adjusting our investment strategy in the market to earn the maximum relative returns for our clients and shareholders. In terms of full year performance, the Kuwait price index recorded the steepest decline of 13.4%, whereas the KSE Weighted Index declined by 3.1%, second only to the MSM30 Index that declined by 7.2%. Saudi Arabia also recorded a decline of 2.4% during 2014. Among the positive performers, Qatar +18.4%, Bahrain +14.2%, Dubai +12.0% and Abu Dhabi +5.6% bourses witnessed positive index returns in 2014. The total trading activity in the region, despite falling indices, showed a significant increase of 60.3% to USD 796.6 billion, with Saudi Arabia accounting for 71.8% of the total value traded during the year.

Optimistic but cautious outlook for 2015

Looking ahead, we expect that oil prices weakness to continue during the first half of 2015 and would see a slight uptick during the second half as the oil over supply situation stabilizes. Meanwhile, interest rates are expected to remain low as the respective world economies draft monetary policies to manage growth, inflation and soft commodity prices. The oil exporting countries would face significant difficulties with respect to financing their budgets. According to World Bank, the overall global growth is expected to increase moderately, to 3.0% in 2015. Growth in high-income countries is expected to be around 2.2% in 2015-17, up from 1.8% in 2014, on the back of gradually recovering labor markets, slowdown in fiscal consolidation, and low financing costs. On the other hand, growth in developing countries is projected to gradually accelerate, rising from 4.4% in 2014 to 4.8% in 2015. In the MENA region, growth is expected to be around 3% in 2015.

International recognition

KAMCO has won the prestigious 'Best GCC Asset Management Company 2014' award from World Finance for its outperformance in its asset management field during the year. This was announced in the annual ceremony held in the United Kingdom.

KAMCO wins 'Best GCC Asset Management Company' award from World Finance

Corporate social responsibility

In line with our commitment to the society, our CSR activities in 2014 were focused on providing solutions for the betterment of youth in Kuwait in addition to our usual endeavors in other humanitarian services such as the health sector. KAMCO played an active role in organizing its annual blood donation drive at its headquarters in coordination with the Central Blood Bank, and hosting in-house disease awareness and prevention lectures conducted by subject matter expert doctors. We continued our support for education by sponsoring the Chartered Financial Analyst (CFA) Kuwait Society Award Ceremony in Kuwait, in addition to organizing panel discussions, attending local and regional conferences, and conducting lectures by KAMCO professionals to enhance audience understanding on financial markets and best practices.

Gratitude and appreciation

I would like to thank all our staff for their commitment and hard work in contributing to growth in the positive situation in the first half of 2014, and adapting quickly to the volatility in the second half to recoup and stabilize the gains. I also thank our board of directors, clients and partners for their trust and support, which strengthens our determination to perform, serve them better and achieve greater results.

Faisal Mansour Sarkhou
Chief Executive Officer

Executive Management

1. Faisal Mansour Sarkhou
Chief Executive Officer

Mr Sarkhou joined KAMCO's team in 2000 and was promoted to lead KAMCO in the position of Acting Chief Executive Officer in 2012 and confirmed by the Board as Chief Executive Officer in early 2014 after heading the Financial Services and Investment Division at KAMCO since 2010 and the Corporate Finance Department from 2006 - 2010.

He has extensive experience of up to 15 years in investment banking, asset management, financial products and financial services. Mr Sarkhou commenced his career in the late 90s with KPMG's Corporate Finance team in Kuwait.

He also serves on a number of reputable company and investment management boards and committees as well as being a Treasurer & board member on the Union of Investment Companies in Kuwait and a member of the advisory board of the College of Business & Economics at American University of Kuwait. Mr Sarkhou is an Economics graduate with honors from the University of Birmingham, UK and holds an EMBA with distinction from HEC Paris, France.

2. Ziad Hassan El-Kaissi
Chief Investments Officer

Mr El-Kaissi joined KAMCO in 2000 and currently is the Chief Investments Officer. Over a career span of almost 25 years, he has worked with some of the largest banks and investment companies in Kuwait and Lebanon where he acquired an extensive experience in the Asset Management and Investment Banking fields. He is a Member of the Economic Policy Committee, Union of Investment Companies – Kuwait, Board Member of Tamdeen Real Estate Company in Kuwait and a Board Member of PULSAR Knowledge Centre PVT. LTD in India, Director in several equity and fixed income, real estate mutual funds, and Member of the Investment Committee of KAMCO. Prior to joining KAMCO, he worked with the Arab Financial Consultants Company, the National Bank of Kuwait (NBK) and the Banque du Liban et d'Outre Mer (Blom Bank). Mr. El-Kaissi acquired Bachelor of Science degree, Finance Major from the Lebanese American University (LAU) in Beirut in 1991.

3. Mohammed Abdullah Al Hubail

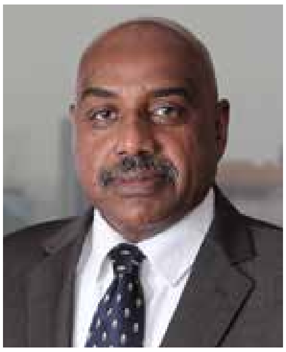
Chief Resources Officer

Mr Mohammed Al-Hubail joined KAMCO's team as Senior Vice President–Administration Department in 2009, and he was promoted to Chief Resources Officer in 2013. He has extensive practical experience up to 24 years in the field of Human Resources and Administration and in the accountancy sector in general. He worked with Kuwait Foreign Petroleum Exploration, Kuwait Investment Project Co. and Enhanced Engineering & Multi-Technologies Co.. Mr Al-Hubail is also a member of several boards of companies in Kuwait.

4. Sriram Chandran Subramanian

Chief Financial Officer

Mr Sriram Chandran joined KAMCO in 2012 and was last appointed as Chief Financial Officer. In a career spanning over 20 years, he has worked with some of the largest companies in Kuwait and In India. Prior to joining KAMCO, he served as CFO with Wataniya Telecom Kuwait and as CFO of JTC Kuwait. Prior to that, he had worked as Finance Head with global multinationals like 3M, GEC Alsthom & Union Carbide in India. Mr Chandran is a CPA & CISA from USA and CA, CWA and CS from India & an AMP (Advanced Management Program) alumni from Wharton University of Pennsylvania, USA.



5. Mahmoud Hamid Idris

Chief Support Officer

Mr Idris joined KIPCO (Kuwait Projects Holding Company) in 1996, and then joined KAMCO since its inception in 1998. He was last promoted to the position of Chief Support Officer in 2013, after heading the Operations Department at KAMCO. Mr Idris has an extensive experience of up to 25 years in investment companies, specifically in the fields of investment auditing, accounting, and back office operation activities. He is a Kuwait University graduate majoring in Accounting and Auditing. Furthermore, Mr Idris has obtained his MBA degree from the University of Maastricht, School of Business-the Netherlands.

Corporate Social Responsibility activities 2014

KAMCO sponsors Chartered Financial Analyst (CFA) Kuwait Society Award Ceremony

Prostate Cancer Awareness Lecture

Blood Donation Campaign

Breast Cancer Awareness Lecture

Successful Negotiation Lecture

Hospital visits during National and Liberation Days

KAMCO hosts Ralph Acampora, capital market expert

KAMCO's participation at the job fair

KAMCO's Ramadan Ghabga

Conducting lectures and participating in panel discussions

KAMCO كامكو

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This year, the annual reports of KIPCO Group companies each feature a key ivory artifact from Dar Al-Athar Al-Islamiyyah – one of the world's finest collections of Islamic art. These images are reproduced with the kind permission of the Al-Sabah Collection, Dar Al-Athar Al-Islamiyyah.

How to obtain our 2014 Financial Statements:

Shareholders attending our General Assembly meeting will be provided with a draft printed copy of the Financial Statements for their approval. Shareholders can request a printed copy of the Financial Statements to be sent to them by courier seven days before the advertised date of the General Assembly; please call 185 26 26 to arrange this.

Shareholders can request a copy of the Financial Statements to be sent to them by email seven days before the advertised date of the General Assembly; please contact info@kamconline.com to arrange this.

Shareholders can download a PDF copy of the Financial Statements seven days before the advertised date of the General Assembly from our company website: www.kamconline.com

The KIPCO Group is one of the biggest holding companies in the Middle East and North Africa, with consolidated assets of US$ 32 billion as at 31 December 2014. The Group has significant ownership interests in over 60 companies operating across 24 countries. The group's main business sectors are financial services, media, real estate and manufacturing. Through its core companies, subsidiaries and affiliates, KIPCO also has interests in the education and medical sectors.

For further information on our 2014 Financial Statements or for extra copies of this Review, please call + 965 185 26 26

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KAMCO Investment Company K.S.C.P. and Subsidiaries (Formerly known as KIPCO Asset Management Company K.S.C.P.)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

Building a better
working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (FORMERLY KNOWN AS KIPCO ASSET MANAGEMENT COMPANY K.S.C.P.)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of KAMCO Investment Company K.S.C.P. (formerly known as Kipco Asset Management Company K.S.C.P.) (the "Company") and subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's 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.

EY
Building a better working world

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (FORMERLY KNOWN AS KIPCO ASSET MANAGEMENT COMPANY K.S.C.P.) (continued)

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014, and its 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
Furthermore, in our opinion proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the 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 the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended and by the 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 2102, as amended nor of the 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 of the Company or on its financial position.

We further report that, during the course of our audit, 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 of the Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

ALI OWAID RUKHAEYES
LICENCE NO. 72-A
MEMBER OF THE INTERNATIONAL
GROUP OF ACCOUNTING FIRMS

5 March 2015
Kuwait

KAMCO Investment Company K.S.C.P. and Subsidiaries (Formerly known as KIPCO Asset Management Company K.S.C.P.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	*2014* *KD*	*2013* *KD*
ASSETS			
Cash and cash equivalents	5	**5,617,046**	5,617,207
Loans and advances	6	**133,646**	167,587
Financial assets at fair value through profit or loss	7	**7,449,688**	8,925,851
Financial assets available for sale	8	**28,541,695**	35,316,067
Investment in associates	9	**23,009,784**	18,348,090
Other assets	10	**2,994,654**	2,607,869
TOTAL ASSETS		**67,746,513**	70,982,671
LIABILITIES AND EQUITY			
Liabilities			
Loans	11	**24,178,500**	29,138,000
Other liabilities	12	**3,801,972**	4,158,044
Total liabilities		**27,980,472**	33,296,044
Equity			
Share capital	13	**26,330,175**	26,330,175
Share premium	13	**9,089,045**	9,089,045
Treasury shares	13	**(12,707,795)**	(12,680,289)
Statutory reserve	13	**11,878,505**	11,668,860
Voluntary reserve	13	**437,187**	227,542
Treasury shares reserve	13	**1,383,134**	1,383,134
Cumulative changes in fair values		**(956,714)**	(2,117,635)
Foreign currency translation reserve		**234,680**	(126,527)
Employees' share option reserve	14	**-**	859,555
Retained earnings		**2,448,738**	1,200,253
Equity attributable to equity holders of the Company		**38,136,955**	35,834,113
Non-controlling interests		**1,629,086**	1,852,514
Total equity		**39,766,041**	37,686,627
TOTAL LIABILITIES AND EQUITY		**67,746,513**	70,982,671

Abdullah Naser Sabah Al-Ahmad Al-Sabah
Chairman

Faisal Mansour Sarkhou
Chief Executive Officer

KAMCO Investment Company K.S.C.P. and Subsidiaries (Formerly known as KIPCO Asset Management Company K.S.C.P.)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
INCOME			
Fee income	15	**5,101,464**	5,274,928
Net gain on financial assets at fair value through profit or loss	16	**718,281**	1,973,432
Gain on sale/redemption of financial assets available for sale	8	**174,946**	379,742
Gain arising on step acquisition of an associate	9	-	998,743
Gain on fair valuation of investment retained in a former associate	9	-	9,053
Gain on sale of investment in subsidiaries	19	**68,223**	-
Share of results of associates	9	**1,041,868**	360,796
Dividend income		**641,457**	571,520
Interest income		**42,082**	54,873
Foreign exchange gain		**(95,438)**	48,890
Other income		**287,805**	123,210
		7,980,688	9,795,187
EXPENSES			
Administrative expenses	17	**4,153,993**	4,336,437
Finance costs		**1,262,837**	1,581,225
Impairment of financial assets available for sale	8	**220,447**	929,655
Impairment of investment in associates	9	**250,000**	500,000
Release of provision for credit losses		-	(369,817)
Reversal of previous written off other assets		-	(322,282)
		5,887,277	6,655,218
PROFIT BEFORE DIRECTORS' REMUNERATION AND CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCEINCE ("KFAS"), ZAKAT AND NATIONAL LABOUR SUPPORT TAX ("NLST")		**2,093,411**	3,139,969
Directors' remuneration		**(70,000)**	(50,000)
Contribution to KFAS		-	(32,107)
Zakat		**(18,168)**	(32,107)
NLST		**(45,132)**	(80,268)
PROFIT FOR THE YEAR		**1,960,111**	2,945,487
Attributable to:			
Equity holders of the Company		**1,963,146**	3,016,772
Non-controlling interests		**(3,035)**	(71,285)
		1,960,111	2,945,487
BASIC AND DILUTED EARNINGS PER SHARE – Attributable to equity holders of the Company	18	**8.2 fils**	12.6 fils

KAMCO Investment Company K.S.C.P. and Subsidiaries (Formerly known as KIPCO Asset Management Company K.S.C.P.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	***2014*** ***KD***	*2013* *KD*
Profit for the year		**1,960,111**	2,945,487
Other comprehensive income:			
Other comprehensive income for the year to be reclassified to consolidated statement of income in subsequent periods:			
Financial assets available for sale:			
- Fair value gain		**1,012,964**	41,891
- Transfer to consolidated income statement on disposal / impairment		**45,501**	549,913
Share of other comprehensive income (loss) of associates	9	**52,722**	(189,619)
Foreign currency translation adjustments		**361,207**	30,895
Net other comprehensive income for the year to be reclassified to consolidated statement of income in subsequent periods		**1,472,394**	433,080
Total comprehensive income for the year		**3,432,505**	3,378,567
Attributable to:			
Equity holders of the Company		**3,485,274**	3,476,437
Non-controlling interests		**(52,769)**	(97,870)
		3,432,505	3,378,567

KAMCO Investment Company K.S.C.P. and Subsidiaries
(Formerly known as KIPCO Asset Management Company K.S.C.P.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity holders of the Company												
	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation reserve KD*	*Employees' share option reserve KD*	*Retained earnings (accumulated losses) KD*	*Total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2014	26,330,175	9,089,045	(12,680,289)	11,668,860	227,542	1,383,134	(2,117,635)	(126,527)	859,555	1,200,253	35,834,113	1,852,514	37,686,627
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	1,963,146	1,963,146	(3,035)	1,960,111
Other comprehensive income (loss)	-	-	-	-	-	-	1,160,921	361,207	-	-	1,522,128	(49,734)	1,472,394
Total comprehensive income (loss) for the year	-	-	-	-	-	-	1,160,921	361,207	-	1,963,146	3,485,274	(52,769)	3,432,505
Transfer to reserves	-	-	-	209,645	209,645	-	-	-	-	(419,290)	-	-	-
Purchase of treasury shares	-	-	(27,506)	-	-	-	-	-	-	-	(27,506)	-	(27,506)
Cancellation of share options scheme (Note 14)	-	-	-	-	-	-	-	-	(859,555)	859,555	-	-	-
Ownership changes in subsidiaries without loss of control (Note 19)	-	-	-	-	-	-	-	-	-	38,124	38,124	(170,659)	(132,535)
Dividends (Note 13g)	-	-	-	-	-	-	-	-	-	(1,193,050)	(1,193,050)	-	(1,193,050)
As at 31 December 2014	**26,330,175**	**9,089,045**	**(12,707,795)**	**11,878,505**	**437,187**	**1,383,134**	**(956,714)**	**234,680**	**-**	**2,448,738**	**38,136,955**	**1,629,086**	**39,766,041**
As at 1 January 2013	26,330,175	9,089,045	(12,654,936)	11,503,429	62,111	1,383,134	(2,546,405)	(157,422)	859,555	(1,485,657)	32,383,029	1,950,384	34,333,413
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	3,016,772	3,016,772	(71,285)	2,945,487
Other comprehensive income (loss)	-	-	-	-	-	-	428,770	30,895	-	-	459,665	(26,585)	433,080
Total comprehensive income (loss) for the year	-	-	-	-	-	-	428,770	30,895	-	3,016,772	3,476,437	(97,870)	3,378,567
Transfer to reserves	-	-	-	165,431	165,431	-	-	-	-	(330,862)	-	-	-
Purchase of treasury shares	-	-	(25,353)	-	-	-	-	-	-	-	(25,353)	-	(25,353)
As at 31 December 2013	26,330,175	9,089,045	(12,680,289)	11,668,860	227,542	1,383,134	(2,117,635)	(126,527)	859,555	1,200,253	35,834,113	1,852,514	37,686,627

KAMCO Investment Company K.S.C.P. and Subsidiaries (Formerly known as KIPCO Asset Management Company K.S.C.P.)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Notes	*2014* *KD*	*2013* *KD*
OPERATING ACTIVITIES			
Profit for the year		**1,960,111**	2,945,487
Adjustments for:			
Unrealised loss (gain) on financial assets at fair value through profit or loss	16	**416,521**	(233,623)
Gain on sale/redemption of financial assets available for sale	8	**(174,946)**	(379,742)
Gain arising on step acquisition of associates	9	**-**	(998,743)
Gain on fair valuation of investment retained in a former associate	9	**-**	(9,053)
Gain on sale of investment in subsidiaries	19	**(68,223)**	-
Share of results of associates	9	**(1,041,868)**	(360,796)
Dividend income		**(641,457)**	(571,520)
Interest income		**(42,082)**	(54,873)
Foreign exchange loss (gain)		**95,438**	(48,890)
Finance costs		**1,262,837**	1,581,225
Impairment of financial assets available for sale	8	**220,447**	929,655
Impairment of investment in associates	9	**250,000**	500,000
Release of provision of credit losses		**-**	(369,817)
Provision for employees' end of service benefits		**444,163**	792,664
		2,680,941	3,721,974
Change in operating assets and liabilities:			
Loans and advances		**33,941**	19,746
Financial assets at fair value through profit or loss		**1,059,641**	(468,242)
Other assets		**(386,785)**	2,395,398
Other liabilities		**(506,696)**	1,064,241
Cash from operations		**2,881,042**	6,733,117
Dividend received		**578,757**	571,520
Employees' end of service benefits paid		**(182,872)**	(131,732)
Net cash flows from operating activities		**3,276,927**	7,172,905
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(4,298,441)**	(1,574,539)
Proceeds from sale of financial assets available for sale		**10,317,664**	5,357,555
Additions of investment in associates		**(2,503,349)**	-
Proceeds from capital redemption of investment in associates	9	**-**	1,997,303
Dividend received from associates	9	**669,181**	72,180
Interest income received		**42,082**	54,873
Net cash flows from investing activities		**4,227,137**	5,907,372
FINANCING ACTIVITIES			
Purchase of treasury shares		**(27,506)**	(25,353)
Loans availed		**80,500,000**	25,494,300
Loans repaid		**(85,630,500)**	(36,356,300)
Dividend paid		**(1,244,168)**	-
Finance costs paid		**(1,305,276)**	(1,599,637)
Net cash flows used in financing activities		**(7,707,450)**	(12,486,990)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(203,386)**	593,287
Foreign currency translation adjustments		**203,225**	(6,371)
Cash and cash equivalents at 1 January		**5,617,207**	5,030,291
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**5,617,046**	5,617,207

1 CORPORATE INFORMATION

The consolidated financial statements of KAMCO Investment Company K.S.C.P. (the "Company") and subsidiaries (collectively the "Group") (formerly known as KIPCO Asset Management Company K.S.C.P. and Subsidiaries) were authorised for issue by the Board of Directors on 5 March 2015. The shareholders' of the Company have the power to amend these consolidated financial statements at the annual general assembly.

The Company is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 28 September 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto and is listed on the Kuwait Stock Exchange. The Company is registered with the Central Bank of Kuwait ("CBK") as an investment company and is subject to the supervision of Capital Markets Authority ("CMA").

The Company's registered head office is at Sharq, Al Shaheed Tower, Khalid Bin Al-Waleed Street, Kuwait City, P.O. Box 28873, Safat 13149, Kuwait.

The Extraordinary General Assembly Meeting of the Company's shareholders was held on 8 December 2014 and had resolved to change the commercial name of the Company from "Kipco Asset Management Company K.S.C.P." to "KAMCO Investment Company K.S.C.P.". The commercial register of the Company was amended as per circular number 74545 to reflect this change on 15 December 2014.

The purpose for which the company has been established is to undertake the following activities:

1. Investing in real estate, industrial and agricultural sectors as well as other economic sectors by contributing to the establishment of specialized companies or purchases the shares or bonds of these companies in the various sectors.
2. Contribution to the establishment or the partial ownership of companies in the different sectors.
3. Managing the funds of public and private institutions and investing these funds in the different economic sectors including the management of financial & real estate portfolios.
4. Provision and preparation of the technical, economic and assessment studies and consultancies and studying investment related projects and conducting the necessary studies thereof for the institutions and companies provided that the necessary conditions should be met by those who will practice such activity.
5. Brokerage in Lending and Borrowing Operations.
6. Carrying out the works related to issue managers for such bonds issued by the company and institutions as well as the works of investment custodians.
7. Financing and brokerage in international trade operations.
8. Providing loans for third parties with duly observing the ethics of financial solvency in granting such loans and at the same time preserving the continuity of the company's financial position soundness according to the conditions, rules, and limitations set forth by the Central Bank of Kuwait.
9. Dealing and trading in foreign currency market and precious metals market inside Kuwait and abroad.
10. Undertaking the operations related to securities trading such as the purchase and sale of the shares & bonds of local and international companies and governmental authorities.
11. Carrying out all services that help with development and enhancement of the market financial & cash ability to in Kuwait and meeting its needs, all within the limits permitted by the law as well as any procedures & instructions issued by the Central Bank of Kuwait
12. Establishment and management of all kinds of investment funds according to the law.

Also, the company may have interest or otherwise participate in any manner with such institutions who are practicing similar business or which may assist the company in realizing its goals in Kuwait or abroad. Furthermore, the company may establish, participate or purchase these institutions or affiliate them.

The Company is a subsidiary of United Gulf Bank B.S.C. (the "Parent Company") which is listed on the Bahrain Stock Exchange. The Parent Company is a subsidiary of Kuwait Projects Company Holding K.S.C.P. (the "Ultimate Parent Company") which is listed on the Kuwait Stock Exchange.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared under the historical cost convention as modified to include the measurement at fair value of investment properties, at fair value of financial assets at fair value through profit or loss and financial assets available for sale. The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Company.

2.2 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the International Accounting Standard ("IAS") 39 requirement for a collective provision, which has been replaced by the CBK requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

2.3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the International Accounting Standards Board (IASB) effective as of 1 January 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments – effective for annual periods beginning on or after 1 January 2018
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with customers - effective for annual periods beginning on or after 1 January 2017
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from 1 July 2014 are not expected to have a material impact on the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Based on the detailed assessment prepared by the management, the Group does not have exposure in any structured entities and accordingly no disclosure has been made in the consolidated financial statements of the Group.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries [including Special Purpose Vehicles ("SPV's")] as at 31 December 2014. The subsidiaries of the Group are:

Name of company	*Country of incorporation*	*Equity interest as at 31 December*	
		2014	*2013*
Subsidiaries			
Al-Janah Holding Company K.S.C. (Closed)	Kuwait	99.2%	99.2%
Al Rawabi International Real Estate Company K.S.C. (Closed)	Kuwait	99.00%	99.00%
Orange Real Estate Company W.L.L.	Kuwait	99.80%	99.80%
Kuwait Private Equity Opportunities Fund ("KPEOF")	Kuwait	66.28%	66.28%
KAMCO GCC Opportunistic Fund	Bahrain	100%	100%
SPV's treated as subsidiaries			
Al Zad Real Estate Company W.L.L.	Kuwait	99.40%	99.40%
First North Africa Real Estate Company W.L.L.	Kuwait	99.70%	99.70%
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	99.80%	99.80%
Al Raya Real Estate Projects Company W.L.L.	Kuwait	99.80%	99.80%

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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 an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be premeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as "financial assets at fair value through profit or loss", "financial assets available for sale", "loans and receivables", or as "derivatives designated as hedging instruments" in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value and in the case of investments not at fair value through profit or loss, plus directly attributable transaction costs.

A "regular way" purchase of financial assets is recognised using the trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Group's financial assets include cash and cash equivalents, loans and advances, financial assets at fair value through profit or loss, financial assets available for sale and other assets.

The Group has not classified any financial asset as "derivatives designated as hedging instruments" at inception upon initial recognition.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Subsequent measurement (continued)

Financial assets at fair value through profit or loss
A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income.

Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

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 measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the interest rate method. The interest rate method amortisation is included in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income.

The Group classifies cash and cash equivalents, loans and advances and certain other assets as its "loans and receivables".

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

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

- The rights to receive cash flows from the asset have expired; or
- 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 the risks and rewards of the asset, but has transferred control of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Derecognition of financial assets (continued)
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale
For financial assets available for sale, 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. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available for sale previously recognised in the consolidated statement of income, is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement.

Loans and receivables
Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated income statement.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities is made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at "fair value through profit or loss", "loans and borrowings", or as "derivatives" designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group classifies its financial liabilities other than at fair value through profit or loss as loans and certain other liabilities.

The Group has not classified any financial liability at "fair value through profit or loss" or "derivatives" at inception upon initial recognition.

Subsequent measurement

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

Term loans

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method.

Other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition of financial liabilities

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

Offsetting

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

Fair value

The Group measures financial instruments, such as, investment properties and financial assets available for sale, at fair value at each balance sheet 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.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value (continued)
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

Increase in fair valuation is recorded as revaluation surplus within the consolidated statement of comprehensive income. If a revaluation increase reverses a revaluation decrease that was previously recognised as an expense, it is credited to the consolidated statement of income. Decreases in valuation should be charged to consolidated statement of income, except to the extent that they reverse an existing revaluation surplus.

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Group's share of the results of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and is disclosed under 'Share of results of associates'.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Impairment loss on associates' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary assets
Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable, and reliably measureable.

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

For its national employees, the Group provides end of service benefits under the Kuwait Labour Law after deducting Group's contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries.

Treasury shares
Treasury shares consist of the Company's own issued shares that have been reacquired 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 reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "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 and then to the statutory and voluntary reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Share based payment transactions
The Group operates an equity-settled, share-based Employee Stock Option Plan. Under the terms of the plan, share options are granted to permanent employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the options is determined using Black-Scholes option pricing model. The fair value of the options is recognised as an expense over the vesting period with corresponding effect to equity.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payment transactions (continued)
Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Foreign currency translation
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. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly through other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated income statement are recognised in the consolidated income statement.

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in other comprehensive income (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Income recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

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

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

Interest income
Interest income is recognised as interest accrues using the effective yield method.

Contribution to KFAS and taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

(i) 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.

(ii) National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the period. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year when determining taxable profit.

Contingencies

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.

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

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Classification of financial instruments

Management decides on acquisition of investments whether they should be classified as financial assets available for sale or financial assets carried at fair value through profit or loss.

The management classifies financial assets as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making and fair value of those investments can be reliably determined.

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

Estimation uncertainty and assumptions

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

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions (continued)

Impairment losses on loans and advances
The Group reviews its problematic loans and advances on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, considerable judgment by management is required in the estimation of the 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 judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Impairment of investments
The Group treats equity financial assets available for sale 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 equities and the future cash flows and the discount factors for unquoted equities.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on carrying amounts of loans and receivables and available for sale investments.

Impairment of non-financial assets
An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income.

5 CASH AND CASH EQUIVALENTS

	2014	*2013*
	KD	*KD*
Cash at banks and on hand	**3,566,614**	3,645,333
Short term deposits	**2,050,432**	1,971,874
	5,617,046	5,617,207

6 LOANS AND ADVANCES

	2014	*2013*
	KD	*KD*
Gross amount	**135,394**	169,335
Less: General provision for credit losses	**(1,748)**	(1,748)
	133,646	167,587

6 LOANS AND ADVANCES (continued)

The movement in provision for credit losses relating to loans and advances is as follows:

	2014 KD	*2013 KD*
At 1 January	**1,748**	2,318
Release of credit losses for the year	**-**	(570)
	1,748	1,748

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 KD	*2013 KD*
Held for trading		
Quoted equity securities	**7,420,293**	8,911,775
Designated upon initial recognition		
Unquoted equity securities	**29,395**	14,076
	7,449,688	8,925,851

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	2014 KD	*2013 KD*
Quoted securities:		
Equities	**97,626**	1,150,748
Unquoted securities:		
Equities	**13,600,101**	14,055,350
Debt securities	**400,000**	540,000
Managed equity funds	**12,957,230**	16,785,496
Managed portfolios	**1,486,738**	2,784,473
	28,444,069	34,165,319
	28,541,695	35,316,067

As at 31 December 2014, certain financial assets (unquoted equities and debt securities) amounting to KD 13,860,398 (2013: KD 14,452,360) were carried at cost less impairment due to the non-availability of quoted market prices or other reliable measures of their fair values. There is no active market for these financial assets and the Company intends to hold them for long term. The management believes that there is no further impairment in value of these investments.

Managed equity funds and managed portfolios amounting to KD 14,443,968 (2013: KD 19,569,969) are carried at the latest net assets value provided by the respective fund managers. Management has performed a detailed review of its unquoted managed equity funds and managed portfolio to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD 220,447 (2013: KD 29,103) in the consolidated income statement.

The Group realised gain on sale of quoted investments amounting to KD 176,887 (2013: KD 83,151), loss on sale of unquoted investments amounting to KD 517,575 (2013: gain of KD 296,591) and gain on redemption of managed portfolios amounting to KD 515,634 (2013: Nil).

The Group realised a gain on sale/redemption of financial assets available for sale amounting to KD 174,946 (2013: KD 379,742).

The Group has recognised impairment loss of KD 220,447 (2013: KD 929,655) in respect of certain financial assets available for sale for which there has been a significant or prolonged decline in fair value below cost. The management is not aware of any circumstances that would indicate any further impairment in the value of the above financial assets as of the reporting date.

9 INVESTMENT IN ASSOCIATES

Details of associates are as follows:

Name of company	*Country of incorporation*	*Effective interest as at 31 December* **2014**	*2013*	***2014 KD***	*2013 KD*
Quoted:					
Manafae Investment Company K.S.C.P.	Kuwait	**32.66%**	32.66%	**5,840,931**	5,617,374
Unquoted:					
United Capital Transport Company K.S.C. (Closed)	Kuwait	**39.80%**	39.80%	**4,381,471**	4,379,662
Al Sharq Financial Brokerage Company K.S.C. (Closed)**	Kuwait	**19.25%**	19.25%	**3,451,950**	3,694,929
Royal Capital Company P.J.S.C.	United Arab Emirates	**26.00%**	26.00%	**794,079**	807,735
MENA Homes Real Estate Company K.S.C. (Closed)	Kuwait	**20.00%**	20.00%	**232,787**	225,941
Kuwait Education Fund	Kuwait	**20.95%**	20.95%	**3,750,356**	3,622,449
Leadership Academy **	Kuwait	**15.00%**	15.00%	**125,000**	-
KAMCO Real Estate Yield Fund	Kuwait	**33.01%**	-	**2,619,841**	-
North Star 88 SPE	Bahrain	**20.00%**	-	**1,813,369**	-
				23,009,784	18,348,090

** The Group exercises significant influence through board representation.

	2014 KD	*2013 KD*
At 1 January	**18,348,090**	16,890,608
Additions	**4,316,718**	3,820,506
Share of results	**1,041,868**	360,796
Share of reserves	**52,723**	(189,619)
Foreign currency translation adjustment	**169,566**	53,894
Dividend received	**(669,181)**	(72,180)
Capital redemption (see note below)	**-**	(1,997,303)
Impairment*	**(250,000)**	(500,000)
Disposals (including transfer to financial assets available for sale)	**-**	(18,612)
	23,009,784	18,348,090

Investment in associates include a quoted associate with carrying value of KD 5,840,931 (2013: KD 5,617,374) having a market value of KD 3,676,500 (2013: KD 3,999,000).

* In accordance with the requirements of IAS 36: *Impairment of assets*, the Company assessed the recoverable amount of its investment in associates and determined that investment in Al Sharq Financial Brokerage Company K.S.C. (Closed) was impaired by KD 250,000 (2013: KD 500,000).

9 INVESTMENT IN ASSOCIATES (continued)

During the current year, following are the major transactions:

- On 31 December 2014, the Group received 20% equity interest in North Star 88 SPE ("NS") with a fair value of KD 1,813,369 as a distribution from its certain financial assets available for sale (Note 8). The Group determined that it exercises significant influence over NS at the date of acquisition and consequently accounted for this transaction under IAS 28: Investment in Associate and Joint ventures ("IAS28").

- During the current year, the Group established a new managed fund namely KAMCO Real Estate Yield Fund ("KREYF"). At 31 December 2014, the Group has 33.01% equity interest in KREYF.

During the previous year, following are the major transactions:

- On 16 December 2013, the Group acquired an additional 6.4% equity interest in Kuwait Education Fund ("KEF") (previously classified as a financial assets available for sale), for a cash consideration of KD 1,018,029. Accordingly the Group's equity interest in KEF increased from 14.54% to 20.95%. Following the acquisition of additional equity interest, KEF became an associate of the Group. As a result, the Group has recognised a gain on previously held equity interest of KD 848,773 and bargain purchase gain of KD 149,970 in the consolidated statement of income.

- Royal Capital Company P.S.C. ("Royal Capital"), an associate of the Group, redeemed capital to the investors in proportion of their holding and accordingly the Group received KD 1,997,303 upon such capital redemption.

- One of the associates, United Gulf Financial Services ("UGFS"), increased its share capital and the Group's investment in UGFS reduced from 20% to 6.67%. Accordingly, the Group has lost its significant influence over UGFS and derecognised its investment in UGFS as an associate. The Group reclassified its remaining equity interest in UGFS as a 'financial asset available for sale' and recognised a fair valuation gain of KD 9,053 in the consolidated income statement classified under 'gain on fair valuation of investment retained in a former associate'.

Summarised financial information of associates is as follows:

	2014	*2013*
	KD	*KD*
Share of associates' statement of financial position:		
Total assets	**22,233,806**	19,724,726
Total liabilities	**3,548,222**	3,938,357
Net assets	**18,685,584**	15,786,369
Share of associates' revenue and profit for the year:		
Revenue	**2,058,905**	1,063,616
Profit	**1,041,868**	360,796

9 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates is as follows:

	Manafae Investment Company K.S.C.P.		United Capital Transport Company K.S.C. (Closed)		Kuwait Education Fund		KAMCO Real Estate Yield Fund	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Total assets	**17,973,027**	17,293,633	**18,176,469**	19,406,387	**17,281,341**	17,688,046	**8,309,928**	
Total liabilities	**641,646**	628,626	**7,487,879**	8,127,082	**356,063**	397,119	**365,603**	-
Net assets	**17,331,381**	16,665,007	**10,688,590**	11,279,305	**16,925,278**	17,290,927	**7,944,325**	-
Equity								
Proportion of the Group's ownership	**32.66%**	32.66%	**39.80%**	39.80%	**20.95%**	20.95%	**33.01%**	-
Group's share in the equity	**5,660,429**	5,442,791	**4,254,059**	4,489,163	**3,545,846**	3,622,449	**2,622,422**	-
Share of associates' revenue and profit (loss) for the year:								
Revenues	**476,915**	96,797	**957,846**	624,460	**773,798**	-	**115,802**	-
Profit (loss)	**207,130**	(306,509)	**523,445**	584,748	**89,216**	-	**22,290**	-

10 OTHER ASSETS

	2014 *KD*	*2013* *KD*
Due from related parties (note 21)	**1,581,059**	1,143,547
Due from portfolio clients	**656,806**	543,670
Office equipment (net)	**115,185**	79,060
Other receivables	**641,604**	841,592
	2,994,654	2,607,869

Movement in the provision for credit losses relating to other assets is as follows:

	2014 *KD*	*2013* *KD*
At 1 January	**32,591**	1,906,543
Write off	-	(1,504,705)
Release for the year	-	(369,247)
	32,591	32,591

11 LOANS

	2014 *KD*	*2013* *KD*
Kuwaiti Dinars	**21,250,000**	23,500,000
US Dollars	**2,928,500**	5,638,000
	24,178,500	29,138,000

As at 31 December 2014, loans are denominated in Kuwaiti Dinars and US Dollars and are due within 1 to 3 years of the reporting date and carry interest rate ranging from 3.75% to 4.50% (2013: 5% to 6.5%).

12 OTHER LIABILITIES

	2014 *KD*	*2013* *KD*
Employees' end of service benefits	**2,633,756**	2,488,598
Due to related parties (Note 21)	**355,625**	86,326
Accrued expenses	**573,144**	787,879
Taxation	**172,991**	144,528
Dividend payable	**17,205**	68,436
Other payable	**49,251**	582,277
	3,801,972	4,158,044

13 EQUITY

a) Share capital
The authorised, issued and fully paid share capital comprises 263,301,750 shares (2013: 263,301,750 shares) of 100 fils per share (2013: 100 fils per share). This consist of 208,540,000 shares (2013: 208,540,000 shares) which are fully paid in cash and 54,761,750 shares (2013: 54,761,750 shares) issued as bonus shares.

b) Share premium
The share premium is not available for distribution.

c) Treasury shares

	2014	*2013*
Number of treasury shares	**24,950,907**	24,691,812
Percentage of capital	**9.48%**	9.38%
Market value – KD	**2,295,483**	2,864,250
Weighted average market value	**2,281,547**	2,844,662

d) Statutory reserve
In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Company before contribution to KFAS, Zakat, NLST and Directors' remuneration is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital. The statutory reserve is not available for distribution except in certain circumstances stipulated by law.

e) Voluntary reserve
In accordance with the Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Company before contribution to KFAS, Zakat, NLST and Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Company's shareholders' general assembly upon a recommendation by the Board of Directors. Voluntary reserve is available for distribution.

As per the instruction of Central Bank of Kuwait dated 20 November 2008, the minimum general provision in excess of 1% on cash facilities and 0.5% on non-cash facilities amounting to KD 62,111 was recognised in the 2008 consolidated income statement and transferred to voluntary reserve and is not available for distribution.

f) Treasury shares reserve
Reserves equivalent to the cost of the treasury shares held are not available for distribution.

g) Dividend
The board of directors of the Company proposed cash dividends of 5 fils per share for the year ended 31 December 2014 (2013: 5 fils), on outstanding shares excluding treasury shares to the Company's shareholders on records as of the date of the annual general assembly. This proposal is subject to the approval of the ordinary General Assembly of the shareholders of the Company.

The Annual General Assembly of equity holders held on 4 May 2014 approved the consolidated financial statements of the Group for the year ended 31 December 2013 and approved a cash dividend of 5 fils per share.

14 SHARE BASED PAYMENTS

The Company had a stock option plan for certain of its employees. Options were exercisable at a price approved by Board of Directors at the date of grant and expire if they are not exercised within the period specified in the grant. If an employee leaves the Group before the options vest, they are forfeited.

The Annual General Assembly of equity holders held on 4 May 2014 approved the cancellation of all tiers of the employees' stock option scheme initially approved in the Annual General Assembly held on 19 April 2010. The employee stock option rights were cancelled as the employees of the Company did not seek to exercise the option due to the financial crisis, which resulted in the termination of the subsequent tiers of the scheme. Accordingly, employees' stock option reserve of KD 859,555 has been transferred to the retained earnings.

15 FEE INCOME

	2014 *KD*	*2013* *KD*
Fees from fiduciary activities	**4,270,584**	3,826,559
Advisory fees	**830,880**	1,448,369
	5,101,464	5,274,928

16 NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 *KD*	*2013* *KD*
Unrealised gain	**(416,521)**	233,623
Realised gain	**1,134,802**	1,739,809
	718,281	1,973,432

17 ADMINISTRATIVE EXPENSES

The profit for the year is stated after charging:

	2014 *KD*	*2013* *KD*
Staff costs	**2,976,602**	3,239,750
Depreciation	**44,784**	38,926
Rent - operating leases*	**231,149**	240,902
Administrative & other expenses	**901,458**	816,859
	4,153,993	4,336,437

* All the operating leases mature within 1 year from the reporting date.

18 EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares, less treasury shares outstanding during the year, as follows:

	2014	*2013*
Basic and diluted earnings per share:		
Earnings for the year attributable to the equity holders of the Company (KD)	**1,963,146**	3,016,772
	Shares	Shares
Number of shares outstanding:		
Weighted average number of paid up shares	**263,301,750**	263,301,750
Weighted average number of treasury shares	**(24,799,423)**	(24,522,950)
Weighted average number of outstanding shares	**238,502,327**	238,778,800
Basic and diluted earnings per share (fils)	**8.2**	12.6

There are no potential diluted shares outstanding as at the reporting date.

19 INVESTMENT IN SUBSIDIARIES

a) In June 2014, the Group sold its entire equity interest in Al-Nuzoul Holding Company K.S.C. (Closed), KAMCO Real Estate Company S.P.C. and First Homes Real Estate Company W.L.L. for a total consideration of KD 1,420,675 and realised a net gain of KD 68,223 recorded in the interim condensed consolidated income statement.

b) In June 2014, the effective ownership of the Group in KAMCO GCC Opportunity Fund ("KGOF") was diluted from 100% to 96.76% as a result of issue of units to new unit holders by the KGOF. Upon deemed disposal, the Group has recorded a loss of KD 83,462 under 'Other reserve' classified under equity. As at 31 December 2014 the new unit holder redeemed its entire holding and KGOF becomes 100% owned subsidiary.

c) In June 2014, the Group had increased its equity interest in Kuwait Private Equity Opportunistic Fund from 66.31% to 70.91% for a total consideration of KD 131,337 and recorded a gain of KD 121,586 under 'Other reserve' classified under equity.

Material partly owned subsidiaries
The Group has concluded that Kuwait Private Equity Opportunity Fund ("KPEOF is the only subsidiaries with non-controlling interest that is material to the Group. Financial information of the subsidiaries that have material non-controlling interest is provided below to the Group:

Summarised statement of profit or loss	***2014*** ***KD***	*2013* *KD*
Income	**70,057**	90,643
Expenses	**145,071**	300,154
Total loss	**(75,014)**	(209,511)
Attributable to non-controlling interests		(70,654)

Summarised statement of financial position	***2014*** ***KD***	*2013* *KD*
Total assets	**5,607,334**	5,692,156
Total liabilities	**218,068**	177,757
Total equity	**5,389,266**	5,514,399
Attributable to:		
Equity holders of Parent Company	**3,865,737**	3,664,348
Non-controlling interests	**1,523,529**	1,850,051

Summarised cash flow information:	***2014*** ***KD***	*2013* *KD*
Cash flow (used in) from operating activities	**(145,107)**	15,466
Cash flow from (used in) investing activities	**302,094**	(305,640)
Net increase (decrease) in cash and cash equivalents	**156,987**	(290,174)

20 CONTINGENT LIABILITIES

As at 31 December 2014, the Group had contingent liabilities amounting to KD 200,000 (31 December 2013: KD 200,000) in respect of bank guarantees and letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

21 RELATED PARTY TRANSACTIONS

Related parties represent the Parent Company / Ultimate Parent Company, associates, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Balances and transactions with related parties are as follows:

	Parent Company / Ultimate Parent Company KD	*Associates KD*	*Other related parties KD*	***Total 2014 KD***	*Total 2013 KD*
Consolidated statement of financial position					
Cash and cash equivalents	2,074,413	-	69,259	**2,143,672**	3,013,830
Financial assets at fair value through profit or loss	184,342	-	847,172	**1,031,514**	533,802
Financial assets available for sale	-	-	16,444,583	**16,444,583**	21,223,486
Other assets (Note 10)	98,326	348,207	1,134,526	**1,581,059**	1,143,547
Loans	-	-	9,178,500	**9,178,500**	16,638,000
Other liabilities	-	-	355,625	**355,625**	86,326
Consolidated income statement					
Fee income	1,000,531	347,414	1,244,221	**2,592,166**	3,314,433
Dividend income	1,660	-	2,808	**4,468**	19,225
Interest income	2,051	-	-	**2,051**	1,977
Administration expenses	-	-	231,149	**231,149**	240,902
Finance cost	190,171	-	439,955	**630,126**	1,004,373
Transactions:					
Purchase of financial assets available for sale	-	-	-	-	498,951

21 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2014	*2013*
	KD	*KD*
Short-term employee benefits	**128,956**	448,690
Termination benefits	**540,555**	407,709
	669,511	856,399

Board of Directors' remuneration of KD 70,000 (2013: KD 50,000) is in excess of article 229 of Kuwait Commercial Companies Law and is subject to approval of the shareholders' general assembly.

22 SEGMENTAL INFORMATION

For management purposes, the Group is organised into four major business segments based on the internal reporting provided to the chief operating decision maker. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

Financial services : Financial services provides a full range of corporate finance services, including mergers and acquisitions, underwriting, private placements, project and investment evaluation and consulting. It also includes private equity and proprietary investment.

Asset management : Asset management services cover both local and international markets and include securities trading, derivatives trading, portfolio structuring and asset allocation advice, mutual funds and alternative instruments.

Investment advisory and research : Investment advisory and research provides investors with extensive data on all companies listed on the Kuwait and GCC exchanges, providing weekly and monthly reports, company profiles and equity research reports and offers advisory services to potential clients.

Strategic investments : Strategic investments include investments which are long term in nature and are aligned with the Group's long term strategy.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments.

The following table presents total revenue, profit (loss) for the year and total assets information regarding the Group's operating segments.

22 SEGMENTAL INFORMATION (continued)

	31 December 2014				
	Financial services KD	***Asset management KD***	***Investment advisory and research KD***	***Strategic investments KD***	***Total KD***
Total revenue	301,250	5,402,250	104,533	2,172,655	**7,980,688**
Profit (loss)	49,857	3,812,689	(229,604)	(1,672,831)	**1,960,111**
Total assets	-	25,906,578	1,858,043	39,981,892	**67,746,513**
Total liabilities	-	10,763,576	771,973	16,444,922	**27,980,472**
Other disclosures:					
Investment in associates	-	-	-	**23,009,784**	**23,009,784**
Share of results of associates	-	-	-	**1,041,868**	**1,041,868**
Impairment in associate	-	-	-	**250,000**	**250,000**
Impairment on financial assets available for sale	-	-	-	**220,447**	**220,447**

	31 December 2013				
	Financial services KD	*Asset management KD*	*Investment advisory and research KD*	*Strategic investments KD*	*Total KD*
Total revenue	879,898	5,899,362	244,391	2,771,536	9,795,187
Profit (loss)	606,974	4,710,767	242,712	(2,614,966)	2,945,487
Total assets	-	25,320,486	3,339,577	42,322,608	70,982,671
Total liabilities	-	10,206,448	1,368,116	21,721,480	33,296,044
Other disclosures:					
Investment in associates	-	-	-	18,348,090	18,348,090
Share of results of associates	-	-	-	360,796	360,796
Impairment on financial assets available for sale	-	-	-	929,655	929,655

The Group's total assets include KD 6,003,145 (2013: KD 5,937,012) as non-current assets located outside Kuwait, which mainly include investment in associates and financial assets available for sale The Group's income from transactions with no single external customer exceeds 10% of the total income of the Group.

23 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (note 8), are not materially different from their carrying values.

The methodologies and assumptions used to determine fair values of financial instruments is described in fair value section of note 3: Summary of significant Accounting Policies.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

31 December 2014	***Level 1 KD***	***Level 2 KD***	***Level 3 KD***	***Total KD***
Financial assets at fair value				
Financial assets at fair value through profit or loss:				
Quoted equities	**7,420,293**	-	-	**7,420,293**
Unquoted equities	-	-	**29,395**	**29,395**
Financial assets available for sale:				
Equities	**97,626**	-	**139,703**	**237,329**
Managed equity funds	-	**11,905,930**	**1,051,300**	**12,957,230**
Managed portfolios	-	-	**1,486,738**	**1,486,738**
	7,517,919	**11,905,930**	**2,707,136**	**22,130,985**

31 December 2013	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Financial assets at fair value				
Financial assets at fair value through profit or loss:				
Quoted equities	8,911,775	-	-	8,911,775
Unquoted equities	-	-	14,076	14,076
Financial assets available for sale:				
Equities	1,150,748	-	142,995	1,293,743
Managed equity funds	-	15,518,900	1,266,591	16,785,491
Managed portfolios	-	-	2,784,473	2,784,473
	10,062,523	15,518,900	4,208,135	29,789,558

23 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial instruments which are recorded at fair value.

	As at 1 January 2014 KD	***Loss recorded in the consolidated income statement KD***	***Net purchases, sales, transfers and settlements KD***	***Recognised in other comprehensive income KD***	***As at 31 December 2013 KD***
Financial assets at fair value through profit or loss:					
Unquoted	**14,076**	-	**15,319**	-	**29,395**
Financial assets available for sale					
Equities	**142,995**	-	-	**(3,292)**	**139,703**
Managed equity funds	**1,266,591**	**(361,168)**	**156,263**	**(10,386)**	**1,051,300**
Managed portfolios	**2,784,473**	-	**(1,297,735)**	-	**1,486,738**
	4,208,135	**(361,168)**	**(1,126,153)**	**(13,678)**	**2,707,136**

	As at 1 January 2013 KD	*(Loss) gain recorded in the consolidated income statement KD*	*Net purchases, sales, transfers and settlements KD*	*Recognised in other comprehensive income KD*	*As at 31 December 2013 KD*
Financial assets at fair value through profit or loss:					
Unquoted	-	-	14,076	-	14,076
Financial assets available for sale					
Equities	10,502	(1,599)	120,462	13,630	142,995
Managed equity funds	4,000,204	41,208	(2,774,617)	(204)	1,266,591
Managed debt funds	156,900	481	(157,381)	-	-
Managed portfolios	2,784,473	-	-	-	2,784,473
	6,952,079	40,090	(2,797,460)	13,426	4,208,135

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss, financial assets available for sale and investment in associates is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

31 December 2014	***Within 3 months KD***	***3 to 12 months KD***	***Sub-total KD***	***1 to 5 years KD***	***Over five years KD***	***Total KD***
ASSETS						
Cash and cash equivalents	**5,617,046**	-	**5,617,046**	-	-	**5,617,046**
Loans and advances	-	-	-	**133,646**	-	**133,646**
Financial assets at fair value through profit or loss	**7,449,688**	-	**7,449,688**	-	-	**7,449,688**
Financial assets available for sale	-	**190,511**	**190,511**	**28,351,184**	-	**28,541,695**
Investment in associates	-	-	-	-	**23,009,784**	**23,009,784**
Other assets	**1,029,476**	**1,849,993**	**2,879,469**	**115,185**	-	**2,994,654**
TOTAL ASSETS	**14,096,210**	**2,040,504**	**16,136,714**	**28,600,015**	**23,009,784**	**67,746,513**
LIABILITIES						
Loans	**4,928,500**	**9,250,000**	**14,178,500**	**10,000,000**	-	**24,178,500**
Other liabilities	**30,678**	**935,414**	**966,092**	**2,835,880**	-	**3,801,972**
TOTAL LIABILITIES	**4,959,178**	**10,185,414**	**15,144,592**	**12,835,880**	-	**27,980,472**

31 December 2013	*Within 3 months KD*	*3 to 12 months KD*	*Sub-total KD*	*1 to 5 years KD*	*Over five years KD*	*Total KD*
ASSETS						
Cash and cash equivalents	5,617,207	-	5,617,207	-	-	5,617,207
Loans and advances	-	-	-	167,587	-	167,587
Financial assets at fair value through profit or loss	8,925,851	-	8,925,851	-	-	8,925,851
Financial assets available for sale	-	1,690,748	1,690,748	33,625,319	-	35,316,067
Investment in associates	-	-	-	-	18,348,090	18,348,090
Other assets	929,017	1,599,792	2,528,809	79,060	-	2,607,869
TOTAL ASSETS	15,472,075	3,290,540	18,762,615	33,871,966	18,348,090	70,982,671
LIABILITIES						
Loans	10,500,000	11,000,000	21,500,000	7,638,000	-	29,138,000
Other liabilities	108,805	1,470,537	1,579,342	2,578,702	-	4,158,044
TOTAL LIABILITIES	10,608,805	12,470,537	23,079,342	10,216,702	-	33,296,044

25 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

25.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation as it falls due and cause the other party to incur a financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any one counter party. These procedures include the non-concentration of credit risk.

Gross maximum exposure to credit risk
The Group's policy is to grant loans and advances to staff against collateral of their indemnity and to portfolio clients against collateral of their funds and securities which are managed by the Group. Receivables balances are monitored on an ongoing basis and the maximum exposure is the carrying amount as disclosed in note 6.

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances, debt securities included under financial assets available for sale and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of credit risk mitigation.

	2014 ***KD***	*2013* *KD*
Cash and cash equivalents	**5,617,046**	5,614,207
Loans and advances (Note 6)	**133,646**	167,587
Financial assets available for sale – debt securities and managed debt funds (Note 8)	**400,000**	540,000
Other assets (excluding property and equipment)	**2,878,679**	2,528,809
Gross maximum credit risk exposure before consideration of credit risk mitigation	**9,029,371**	8,850,603

The exposures set above are based on net carrying amounts as reported in the consolidated statement of financial position.

Balances with Kuwaiti banks are guaranteed by the Government of Kuwait. Loans and advances to the portfolio clients are secured against investments in quoted and unquoted securities and fiduciary portfolios managed by the Group on behalf of the borrowers. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

25 RISK MANAGEMENT (continued)

25.1 CREDIT RISK (continued)

The Group can sell the collateral in case of default by the borrower in accordance with the agreements entered with the borrowers. The Group has an obligation to return the collateral on the settlement of the loan or at the closure of the borrowers' portfolio with the Group.

The fair value of collateral that the Group holds relating to loans and advances as at 31 December 2014 amounts to KD 1,227,110 (2013: KD 1,298,996).

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the geographical regions as follows:

	Kuwait KD	***GCC and the rest of the Middle East KD***	***Total KD***
31 December 2014			
Cash and cash equivalents	**1,238,802**	**4,378,244**	**5,617,046**
Loans and advances	**133,646**	**-**	**133,646**
Financial assets available for sale – debt securities and managed debt funds	**400,000**	**-**	**400,000**
Other assets	**2,827,225**	**51,454**	**2,878,679**
Maximum exposure to credit risk assets	**4,599,673**	**4,429,698**	**9,029,371**

	Kuwait KD	*GCC and the rest of the Middle East KD*	*Total KD*
31 December 2013			
Cash and cash equivalents	2,143,223	3,470,984	5,614,207
Loans and advances	167,587	-	167,587
Financial assets available for sale – debt securities and managed debt funds	540,000	-	540,000
Other assets	2,528,809	-	2,528,809
Maximum exposure to credit risk assets	5,379,619	3,470,984	8,850,603

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the following industry sectors as:

	2014 KD	*2013 KD*
Banks and financial institutions	**2,633,703**	3,984,993
Others	**6,395,668**	4,865,610
	9,029,371	8,850,603

As at 31 December 2014, the maximum credit exposure to a single counterparty amounts to KD 2,050,432 (2013: KD 2,002,956).

25 RISK MANAGEMENT (continued)

25.1 CREDIT RISK (continued)

Credit quality of financial assets that are neither past due nor impaired
Loans are granted to the staff and portfolio clients and are not material to the Group. The Group manages credit quality by ensuring that all loans granted have a minumum collateral coverage of 100% of the individual loans granted, which management reviews on a regular basis.

Analysis of past due but not impaired
The Group does not have any past due but not impaired financial assets as at 31 December 2014 and 31 December 2013.

25.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the treasury department of the Company. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

As at 31 December 2014, 25% of the Group's debt will mature in less than one year (2013: 37%) based on the carrying value of borrowings reflected in the consolidated statement of financial position. The management of the Company is currently considering steps to re-finance the short-term borrowings of the Group. These steps include creating liquidity by realising cash from sale of assets, dividends from financial assets and re-structuring of short-term borrowings.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities is as follows:

	Within 1 month KD	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 Years KD***	***Total KD***
31 December 2014					
Loans	-	**4,959,509**	**9,462,834**	**10,767,706**	**25,190,049**
Other liabilities	**30,678**	-	**935,414**	**2,835,880**	**3,801,972**
TOTAL LIABILITIES	**30,678**	**4,959,509**	**10,398,248**	**13,603,586**	**28,992,021**

	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 Years KD*	*Total KD*
31 December 2013					
Loans	9,531,024	1,006,870	11,252,123	8,110,958	29,900,975
Other liabilities	103,503	5,301	1,470,537	2,578,703	4,158,044
TOTAL LIABILITIES	9,634,527	1,012,171	12,722,660	10,689,661	34,059,019

25 RISK MANAGEMENT (continued)

25.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, currency rates and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

25.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of all future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by the treasury department of the Company. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest cost using a mix of fixed and variable rate debts. The Group aims to keep a certain portion of its borrowings at variable rates of interest.

The Group is exposed to interest rate risk on its variable interest bearing assets and liabilities (bank deposits and loans).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's loss based on floating rate financial assets and financial liabilities held at 31 December 2014 and 2011. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

	Increase of 25 basis points Effect on profit	
	2014 KD	*2013 KD*
KD	**(49,167)**	(33,997)
US Dollar	**(7,532)**	(14,298)

25.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed by the treasury department of the Company on the basis of limits determined by the Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The effect on loss due to change in the fair value of monetary assets and liabilities), as a result of change in currency rate by 5%, with all other variables held constant is shown below:

25 RISK MANAGEMENT (continued)

25.3 MARKET RISK (continued)

25.3.2 Currency risk (continued)

	Effect on profit	
	2014	*2013*
	KD	*KD*
US Dollar	**(42,585)**	(113,611)
GCC and the rest of Middle East currencies	**18,515**	23,753

25.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Company mainly through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The Group's financial assets at fair value through profit or loss and financial assets available for sale in different geographical regions and industry sectors are as follows:

Geographical distribution

	Kuwait *KD*	*GCC and the rest of the Middle East* *KD*	*International* *KD*	*Total* *KD*
31 December 2014				
Financial assets at fair value through profit or loss	**2,979,336**	**2,154,286**	**2,316,066**	**7,449,688**
Financial assets available for sale	**25,145,998**	**3,320,358**	**75,339**	**28,541,695**
31 December 2013				
Financial assets at fair value through profit or loss	4,699,024	2,358,064	1,868,763	8,925,851
Financial assets available for sale	29,394,808	5,521,321	399,938	35,316,067

Industry concentration

	Trading and manufacturing *KD*	*Banks and financial institutions* *KD*	*Construction and real estate* *KD*	*Others* *KD*	*Total* *KD*
31 December 2014					
Financial assets at fair value through profit or loss	-	**1,890,244**	**607,535**	**4,951,909**	**7,449,688**
Financial assets available for sale	**1,305,931**	**13,523,973**	**5,493,376**	**8,218,415**	**28,541,695**

25 RISK MANAGEMENT (continued)

25.3 MARKET RISK (continued)

25.3.3 Equity price risk (continued)
Industry concentration (continued)

	Trading and manufacturing *KD*	*Banks and financial institutions* *KD*	*Construction and real estate* *KD*	*Others* *KD*	*Total* *KD*
31 December 2013					
Financial assets at fair value through profit or loss	-	3,073,565	651,778	5,200,508	8,925,851
Financial assets available for sale	1,305,953	17,233,884	6,791,111	9,985,119	35,316,067

Any percentage change in equity price index of the above financial instruments will have a direct impact on consolidated income or other comprehensive income.

25.4 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

25.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risk, the Group is able to manage these risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

26 CAPITAL MANAGEMENT

The primary objective of the Group's capital management policies is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payout to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a leverage ratio, which is net debt divided by total capital of the Company. The Group aims to limit its leverage ratio to a maximum of 125%. The Group includes within net debt, interest bearing loans and borrowings and other payables, less bank balances and cash. Total capital represents equity attributable to the shareholders of the Company.

	2014 ***KD***	*2013* *KD*
Interest bearing loans and borrowings	**24,178,500**	29,138,000
Other liabilities	**3,801,972**	4,158,044
Less: Bank balances and cash	**(5,617,046)**	(5,617,207)
Net debt	**22,363,426**	27,678,837
Equity attributable to the equity holders of the Company	**38,136,955**	35,834,113
Gearing ratio (%)	**59%**	77%