

**THE SECURITIES HOUSE K.S.C.P.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014



Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Rödl
Middle East
Burgen – International Accountants

Ali Al Hassawi & Partners

P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel 22464574-6 /22426862-3 Fax: 22414956
Email: info-kuwait@rodhme.com
www.rodhme.com

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE SECURITIES HOUSE K.S.C.P.**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Securities House K.S.C.P. (the “parent company”) and its subsidiaries (collectively, the “group”), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE SECURITIES HOUSE 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.

Emphasis of Matter

Without qualifying our opinion above, we draw attention to Notes 2.1 and 12 to the consolidated financial statements which state that the group entered into a debt settlement agreement with a major creditor. This settlement will have a significant impact on the group's consolidated financial statements upon completion.

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the CBK 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 group or on its consolidated financial position.

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

ALI A. AL-HASAWI
LICENCE NO. 30 A
RÖDL MIDDLE EAST
BURGAN - INTERNATIONAL ACCOUNTANTS

1 April 2015
Kuwait

The Securities House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Continuing operations			
INCOME			
From investment activities			
Realised (loss) gain on sale of financial assets at fair value through income statement		(30,821)	125,303
Realised gain on sale of financial assets available for sale		6,273	142,289
Dividend income		16,943	119,358
Realised gain on sale of investment in an associate	9 (b)	-	150,305
Management fee income	18	12,789	82,545
Total income from investment activities		5,184	619,800
Other income		70,076	486,090
TOTAL INCOME FROM CONTINUING OPERATIONS		75,260	1,105,890
EXPENSES			
Staff costs		365,670	304,991
General and administrative expenses		673,163	640,597
TOTAL EXPENSES FROM CONTINUING OPERATIONS		1,038,833	945,588
(LOSS) PROFIT BEFORE FAIR VALUE ADJUSTMENTS, IMPAIRMENT LOSSES, SHARE IN RESULTS AND MURABAHA PAYABLE COSTS AND TAXATION		(963,573)	160,302
Unrealised loss on financial assets at fair value through income statement	7	(150,812)	(897,182)
Impairment loss on financial assets available for sale	8	-	(734,137)
Share of results of associates	9	2,508,163	883,044
Impairment loss on investment in associates	9 (e)	(750,000)	(5,797,450)
Murabaha payable costs		(309,847)	(267,613)
National Labour Support Tax (NLST)		(34,393)	-
Kuwait Foundation for the Advancement of Sciences (KFAS)		(13,691)	-
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		285,847	(6,653,036)
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	4	3,656,128	2,618,062
PROFIT (LOSS) FOR THE YEAR		3,941,975	(4,034,974)
Attributable to:			
Equity holders of the parent company		3,031,619	(4,598,726)
Non-controlling interests		910,356	563,752
PROFIT (LOSS) FOR THE YEAR		3,941,975	(4,034,974)
Basic and diluted earnings (loss) per share attributable to equity holders of the parent company	5	4.8 fils	(7.2) fils
Basic and diluted earnings (loss) per share from continuing operations attributable to equity holders of the parent company	5	0.5 fils	(10.4) fils

The attached notes 1 to 20 form part of these consolidated financial statements.

The Securities House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

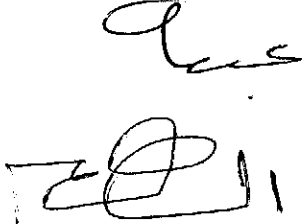
	Note	2014 KD	2013 KD
Profit (loss) for the year		3,941,975	(4,034,974)
Other comprehensive (loss) income:			
<i>Other comprehensive (loss) income classified / to be reclassified to consolidated statement of income in subsequent periods:</i>			
Foreign currency translation adjustment		(11,479)	(108,908)
Share of other comprehensive (loss) income of associates	9	(1,200,722)	672,042
Other comprehensive (loss) income for the year		(1,212,201)	563,134
Total comprehensive income (loss) for the year		2,729,774	(3,471,840)
Attributable to:			
Equity holders of the parent company		1,786,385	(3,890,616)
Non-controlling interests		943,389	418,776
		2,729,774	(3,471,840)

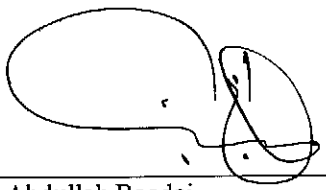
The Securities House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 KD	2013 KD
ASSETS			
Bank balances and cash	6	1,262,439	4,521,612
Short-term murabaha investments	6	203,906	799,571
Accounts receivable and prepayments		855,304	3,890,878
Inventories		-	2,450,019
Financial assets at fair value through income statement	7	4,094,840	4,945,836
Financial assets available for sale	8	1,820,906	4,803,891
Investment in associates	9	78,699,041	85,708,799
Investment properties		-	698,974
Property, plant and equipment		-	5,175,846
Assets held for sale / associated with discontinued operations	4	23,435,726	-
TOTAL ASSETS		110,372,162	112,995,426
EQUITY			
Share capital	10	68,000,000	68,000,000
Foreign currency translation reserve		-	44,512
Employees' share option reserve	10	545,456	545,456
Other reserve	4	-	(255,897)
Treasury shares reserve	10	11,267,842	11,376,864
Treasury shares	11	(19,735,539)	(19,867,108)
Cumulative changes in equity of associates		3,689,453	4,890,175
Accumulated losses		(9,836,281)	(12,867,900)
Equity attributable to equity holders of the parent company		53,930,931	51,866,102
Non-controlling interests		181,367	6,078,804
Non-controlling interests associated with assets held for sale / discontinued operations	4	4,970,544	-
TOTAL EQUITY		59,082,842	57,944,906
LIABILITIES			
Murabaha payables	12	44,582,579	49,215,181
Accounts payable and accruals		2,651,718	4,868,815
Employees' end of service benefits		14,914	966,524
Liabilities associated with assets held for sale / discontinued operations	4	4,040,109	-
TOTAL LIABILITIES		51,289,320	55,050,520
TOTAL EQUITY AND LIABILITIES		110,372,162	112,995,426


Ibrahim Youssef Al Ghanim
Chairman


Ayman Abdullah Boodai
Vice Chairman and Chief Executive officer

The attached notes 1 to 20 form part of these consolidated financial statements.

The Securities House K.S.C.P. and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit (loss) for the year from continuing operations		285,847	(6,653,036)
Profit for the year from discontinued operations		3,656,128	2,618,062
Adjustments for:			
Realised (loss) gain on sale of financial assets at fair value through income statement		30,821	(125,303)
Realised gain on sale of financial assets available for sale		(6,273)	(142,289)
Dividend income		(16,943)	(119,358)
Share of results of associates	9	(2,508,163)	(883,044)
Realised gain on sale of investment in an associate	9 (b)	-	(150,305)
Realised gain on sale of investment in a subsidiary	4	(324,611)	-
Unrealised loss on financial assets at fair value through income statement	7	150,812	897,185
Impairment loss on financial assets available for sale	8	-	734,137
Impairment loss on of investment in associates	9 (e)	750,000	5,797,450
Realised gain on sale of property, plant and equipment		-	(152,710)
Depreciation		-	665
Provision for employees' end of service benefits		4,953	5,078
Murabaha payables costs		309,847	267,613
		<u>2,332,418</u>	<u>2,094,142</u>
<i>Working capital adjustments:</i>			
Accounts receivable and prepayments		(365,082)	(313,446)
Financial assets at fair value through income statement		609,182	304,410
Accounts payable and accruals		377,778	177,929
Cash from operations		<u>2,954,296</u>	<u>2,263,035</u>
Employees' end of service benefits paid		(2,588)	(1,967)
Net operating cash flows associated with discontinuing operations		(484,020)	(775,167)
Net cash flows from operating activities		<u>2,467,688</u>	<u>1,485,892</u>
INVESTING ACTIVITIES			
Proceeds from sale of financial assets available for sale		470,381	214,834
Purchase of an investment in an associate	9 (a)	(1,340,105)	-
Proceeds from sale of investments in associates	9 (b)	1,083,049	716,440
Proceeds from sale of subsidiaries	4	1,933,913	-
Dividend income received		16,943	119,358
Purchase of property, plant and equipment		-	(170,870)
Proceeds from sale of property, plant and equipment		595,415	1,188,800
Net investing cash flows associated with discontinuing operations		1,003,441	(1,045,618)
Net cash flows from investing activities		<u>3,758,037</u>	<u>1,022,944</u>
FINANCING ACTIVITIES			
Sale of treasury shares		22,547	-
Repayment of murabaha payables		(4,134,915)	(3,864,624)
Murabaha payables costs paid		(311,754)	(460,203)
Net financing cash flows associated with discontinuing operations		(1,269,320)	(778,342)
Net cash flows used in financing activities		<u>(5,693,442)</u>	<u>(5,103,169)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash associated with reclassified discontinuing operations		(4,415,303)	-
Foreign currency translation adjustment		28,182	18,630
Cash and cash equivalents at 1 January		5,321,183	7,896,886
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	<u>1,466,345</u>	<u>5,321,183</u>

The attached notes 1 to 20 form part of these consolidated financial statements.

The Securities House K.S.C.P. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	<i>Atributable to equity holders of the parent company's shareholders</i>											
	Share capital KD	Foreign currency translation reserve KD	Employees' share option reserve KD	Other reserve KD	Treasury shares reserve KD	Treasury shares KD	Cumulative changes in equity of associates KD	Accumulated losses KD	Sub-total KD	Non- controlling interests KD	Non- controlling interests associated with discontinued operations KD	Total equity KD
As at 1 January 2014	68,000,000	44,512	545,456	(255,897)	11,376,864	(19,867,108)	4,890,175	(12,867,900)	51,866,102	6,078,804	-	57,944,906
Profit for the year	-	-	-	-	-	-	-	3,031,619	3,031,619	910,356	-	3,941,975
Other comprehensive (loss) income	-	(44,512)	-	-	-	-	(1,200,722)	-	(1,245,234)	33,033	-	(1,212,201)
Total comprehensive (loss) income for the year	-	(44,512)	-	-	-	-	(1,200,722)	3,031,619	1,786,385	943,389	-	2,729,774
Sale of treasury shares	-	-	-	-	(109,022)	131,569	-	-	22,547	-	-	22,547
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	(509,103)	-	(509,103)
Non-controlling interest on sale of subsidiary (Note 4)	-	-	-	-	-	-	-	-	-	(1,361,179)	-	(1,361,179)
Non-controlling interest on reclassification of subsidiaries (Note 4)	-	-	-	-	-	-	-	-	-	(4,970,544)	4,970,544	-
Reversal of reserve on derecognition of subsidiary	-	-	-	255,897	-	-	-	-	255,897	-	-	255,897
As at 31 December 2014	68,000,000	-	545,456	-	11,267,842	(19,735,539)	3,689,453	(9,836,281)	53,930,931	181,367	4,970,544	59,082,842

The attached notes 1 to 20 form part of these consolidated financial statements.

The Securities House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2014

Attributable to equity holders of the parent company's shareholders

	Share capital KD	Foreign currency translation reserve KD	Employees' share option reserve KD	Other reserve KD	Treasury shares reserve KD	Treasury shares KD	Cumulative changes in equity of associates KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2013	68,000,000	8,444	545,456	(255,897)	11,376,864	(19,867,108)	4,218,133	(8,269,174)	55,756,718	5,957,513	61,714,231
(Loss) profit for the year	-	-	-	-	-	-	-	(4,598,726)	(4,598,726)	563,752	(4,034,974)
Other comprehensive income (loss)	-	36,068	-	-	-	-	672,042	-	708,110	(144,976)	563,134
Total comprehensive income (loss) for the year	-	36,068	-	-	-	-	672,042	(4,598,726)	(3,890,616)	418,776	(3,471,840)
Non-controlling interests share in capital increase of a subsidiary	-	-	-	-	-	-	-	-	-	180,000	180,000
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(477,485)	(477,485)
As at 31 December 2013	68,000,000	44,512	545,456	(255,897)	11,376,864	(19,867,108)	4,890,175	(12,867,900)	51,866,102	6,078,804	57,944,906

The attached notes 1 to 20 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of The Securities House K.S.C.P. (the "parent company") and subsidiaries (collectively the "group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the board of directors on 1 April 2015. The shareholders of the parent company have the power to amend these consolidated financial statements at the annual general assembly.

The parent company is a Kuwaiti public shareholding company incorporated and registered in Kuwait on 28 March 1982 and is engaged in investment and trading in securities, investment in real estate, finance activities and in portfolio and fund management on behalf of third parties. The parent company is regulated by the Central Bank of Kuwait and the Capital Markets Authority as an investment company.

The parent company's Extraordinary General Assembly of the shareholders held on 30 April 2003 approved the transfer of the parent company's activities to conform with Islamic Shariah effective from 1 January 2003.

The details of subsidiaries are included in Note 3.

The parent company's principal place of business and registered address is 18th floor, Al-Dhow Tower, Khalid Ibn Al-Waleed Street, Sharq, P.O. Box 26972 Safat, 13130, Kuwait.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2013, the group's current liabilities exceed its current assets by KD 36,294,973 and at that time, the ability of the group to continue as a going concern was dependent on availability of the continued support from its creditors (i.e. settlement or rescheduling of the profit bearing murabaha payables from short term to medium / long term) and shareholders, and the ability of the group to improve profitability and cash flows.

In November 2014, the parent company entered into two legally binding agreements with its major creditor, the first is a debt settlement agreement to settle murabaha payables amounting to KD 42,917,494 in exchange for cash payment and the sale of specific financial assets at fair value through income statement, interests in associates and subsidiaries to the creditor (Note 4), and the second is a reconciliation agreement to cease the legal cases filed by the major creditor against the parent company in previous years. Murabaha payable balances of KD 584,915 have been settled in exchange for cash and specific assets amounting to KD 584,915 while the sale of remaining assets to settle murabaha payable balances of KD 42,332,579 will be completed during 2015. A gain approximating KD 13 million is expected to result on completion of the sale of the remaining assets during 2015 (Note 12). In view of the above developments during 2014 and planned actions for 2015, the group is able to continue as a going concern.

2.2 BASIS OF PREPARATION

Basis of measurement

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets at fair value through income statement and financial assets available for sale.

Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the parent company.

2.3 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 Central Bank of Kuwait ("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 loss on financial assets.

2.4 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statement are consistent with those used in the preparation of consolidated financial statements ended 31 December 2013 except for the adoption of the following new and amended IFRS during the year. The adoption of new IFRS also resulted in amendments to policies on 'basis of consolidation' during the year.

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

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through income statement. This amendment is not relevant to the group, as none of the entities in the group qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in material impact on the financial position or performance of the group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the year. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. Though these amendments have not resulted in any additional disclosures currently, the same would continue to be considered for future disclosures.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have not resulted in material impact on the financial position or performance of the group.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9: Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the group's financial assets. The group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15 – Revenue from Contracts with customers

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, IFRS 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 parent company 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

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent 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 income statement 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 parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent company 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.

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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the income statement
- Reclassifies the parent company's share of components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Name of the company	Country of incorporation	Legal holding %	
		2014	2013
Gatehouse Capital - Economic & Financial Consultancy K.S.C. (Closed) (Note 4)	Kuwait	-	58%
New Technology Bottling Company K.S.C. (Closed) ("NTBC") (Note 4)	Kuwait	-	92%
Kuwait Boxes Carton Manufacturing Company K.S.C. (Closed) (Note 4)	Kuwait	-	99%
Saji Real Estate Company K.S.C. (Closed)	Kuwait	90%	90%
Securities House for Real Estate Services Company K.S.C. (Closed) ("SHRES")	Kuwait	92%	92%
Securities House for Industrial Consultancy W.L.L.	Kuwait	99%	99%
Held through Gatehouse Capital			
Dhow Holding Corporation	Cayman Islands	-	100%
Global Securities House USA L.L.C.	U.S.A.	-	100%
Global Securities House France S.A.S.	France	-	100%
Held through NTBC			
Al Bourouj National Company for Trading and Marketing W.L.L.	Kuwait	-	99%
National Water Technology Company K.S.C. (Closed)	Kuwait	-	90%
Held through SHRES			
Emirates and Kuwait Real Estate Company L.L.C.	United Arab Emirates	80%	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 group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and 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.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *IAS 39 Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the 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 has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of income.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured regardless of when 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:

- i) Gain or losses on sale of investments and investment properties are recognised when the risks and rewards are transferred to the buyer.
- ii) Dividend income is recognised when the right to receive payment is established.
- iii) Management fee income is recognised when services are rendered.
- iv) Investment services income is recognised when services are rendered.
- v) Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, and are accounted as follows:

Raw material and packing material	purchase cost on weighted average basis
Finished goods	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities

The group classifies its financial assets and liabilities as “short term murabaha investments”, “accounts receivables and prepayments”, “loans and receivables”, “financial assets at fair value through income statement”, “financial assets available for sale” or “financial liabilities”.

The group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A regular way purchase of financial assets is recognised using the trade date accounting. Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract.

Financial assets and liabilities are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through income statement, directly attributable transaction costs. Transaction costs on financial assets and financial liabilities at fair value through income statement are expensed immediately, while on other debt instruments they are amortised.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through income statement, loans and receivables or financial assets available for sale. The group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, transaction costs, except in the case of financial assets recorded at fair value through income statement..

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

The group’s financial assets include bank balances, short-term murabaha investments, financial assets carried at fair value through income statement, financial assets available for sale and certain receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Short-term murabaha investments

Short-term murabaha investments represent amounts receivable from financial institutions on a deferred settlement basis for assets sold under murabaha arrangements. Short-term murabaha investments are stated at the gross amount of the receivable, net of deferred profit receivable. Profit receivable is recognised as income on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Accounts receivable

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

Loans and receivables

Loans and receivables are referred to as murabaha receivables and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortised cost using effective profit method, less any provision for impairment.

Financial assets at fair value through income statement

Financial assets at fair value through income statement includes financial assets that are designated at fair value through income statement if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

After initial recognition financial assets at fair value through income statement are remeasured at fair value with all changes in fair value recognised in the consolidated statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through income statement, financial assets held to maturity or loans and receivables.

After initial recognition, available for sale financial assets are measured at fair value with gains and losses being recognised as a separate component of other comprehensive income until the financial assets are derecognised or the financial assets are determined to be impaired at which time the cumulative gain and loss previously reported in other comprehensive income is recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes bank balances and cash and short-term murabaha investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

Fair values

The group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the consolidated financial statements.

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 group must be able to access the principal or the most advantageous market at the measurement date.

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.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs 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 recognized in the consolidated financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments with no reliable measure of their fair value and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

Fair values (continued)

Investment properties

For investment properties, fair value is determined based on Capital Markets Authority's instructions No. (C.M.A./S.T./A.M. / 5/2012) concerning real estate properties valuation.

Derecognition

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.

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 and uncollectibility of financial assets

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Reversal of impairment losses is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. For equity instruments classified as financial assets available for sale, impairment losses are not reversed through the consolidated statement of income; any increase in the fair value subsequent to the recognition of impairment loss, is recognised directly in other comprehensive income.

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

In March 2007, the CBK issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities was retained as a general provision until the CBK issued a new circular in November 2008 approving the transfer of the excess reserve in general provision to the consolidated statement of income for the year ended 31 December 2008 with the transfer of a similar amount from the distributable profits for the same year to the general reserve.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

Impairment and uncollectibility of financial assets (continued)

Impairment of financial assets available for sale

The group treats financial available for sale as impaired when there is 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 making this judgment, the group evaluates, among other factors the duration or the extent to which the fair value of the investment is less than its cost.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using effective interest rate method.

Murabaha payables

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportioned basis taking account of the profit rate attributable and the balance outstanding. Murabaha payables are classified as "financial liabilities."

Accounts payable

Accounts payable are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Certain accounts payable are classified as "financial liabilities."

Derecognition

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

Offsetting

Financial assets and liabilities are offset when the group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Investment in associates

The group's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor individually tested for impairment.

The consolidated statement of income reflects the group's share of the results of operations of the associate. Where there has been a change recognised directly in consolidated statement of comprehensive income of the associate, the group recognises its share of any changes and discloses this, when applicable, in the other comprehensive income. Unrealised gain or losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the recoverable value of the associate and its carrying cost and recognises the amount under 'impairment loss of investment in associate' in the consolidated statement of income.

Investment properties

Investment properties are measured initially at cost, including transaction cost, being the fair value of the consideration given and including acquisition charges associated with the property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses from change in the fair values of investment properties are recognised in the consolidated statement of income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation method consistent with the nature and usage of the investment properties.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Property, plant and equipment

Property, plant and equipment, except construction in process, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. construction in process is not depreciated.

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives as follows:

- Buildings 10 to 30 years
- Machinery, plant and equipment 3 to 15 years
- Furniture, fixture and office equipment 3 to 10 years
- Motor vehicles 3 to 10 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Intangible assets

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets are as follows:

Asset management agreements	1 to 4 years
Brand	Indefinite life
License	Indefinite life

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Share based payment transactions

The group operates an equity-settled, share-based Employee Stock Option Plan ("ESOP"). Under the terms of the plan, share options are granted to eligible employees. The options are exercisable in future period. The fair value of the options at the date on which they are granted is recognised as an expense over the vesting period with corresponding effect to equity.

Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. 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, (the "treasury share reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. 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 shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' length of service. The expected costs of these benefits are accrued over the period of employment.

Foreign currencies 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 statement of income.

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 in 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 statement of income are recognised in the consolidated statement of income.

Exchange differences arising from translation of the financial statements of the foreign operations are taken to other comprehensive income under foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Fiduciary accounts

Assets and related liabilities held in a trust or fiduciary capacity on behalf of managed portfolios and funds' owners are not treated as assets or liabilities of the group and, accordingly, are not included in the consolidated statement of financial position.

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 in the amounts recognised in the consolidated financial statements:

Classification of investments

Classification of financial assets and liabilities is based on management's intention at acquisition and requires considerable judgement.

Classification of real estate

Management decides on acquisition of real estate whether it should be classified as trading property or investment properties or property under development.

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The group classifies property as investment properties if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

For development projects where there will ultimately be a trading and an investment component, the group classifies all related costs as property under development, until such time that the project is complete.

Structured entities

The group uses judgement in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the group identifies such entities as structured entities. After determining whether an entity is a structured entity, the parent company determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The group has determined that it does not have any consolidated structured entities as at the reporting date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty

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:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- earnings multiple technique; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Impairment of investments

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

Impairment of investment in associates

After application of the equity method, the group determines whether it is necessary to recognise any impairment loss on the group's investment in its associates at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Impairment provision of receivables and murabaha receivables

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

Useful lives of property, plant and equipment

The parent company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

The carrying amounts of the parent company's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the statement of income whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of intangibles

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

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

4 DISCONTINUED OPERATIONS

During the current year, the parent company entered into a legally binding settlement agreement with its major creditor to settle murabaha payables amounting to KD 42,917,494 in exchange for cash payment and the sale of specific assets including interests in subsidiaries to the creditor (Note 12). The sale is expected to be completed during 2015 and according to the agreement, the parent company will de-recognise its entire equity interest in the following subsidiaries:

- New Technology Bottling Company K.S.C. (Closed), and
- Kuwait Boxes Carton Manufacturing Company K.S.C. (Closed).

With effect from the date of signing the agreement, these subsidiaries have been classified as held for sale.

During the current year, the parent company signed an agreement with Gatehouse Bank plc ("Gatehouse Bank") (an associate), to sell its entire interest in its subsidiary, Gatehouse Capital - Economic and Financial Consultancy K.S.C. (Closed) ("Gatehouse Capital") amounting to 57,960,000 shares (equivalent to 58.0% of the total issued share capital) of Gatehouse Capital to Gatehouse Bank over two phases, the first is 13,400,000 shares (equivalent to 13.4% of the total issued share capital) of Gatehouse Capital for an amount of KD 2,479,000 which has been completed during the current year (Note 13), and the second is 44,560,000 shares (equivalent to 44.6% of the total issued share capital) of Gatehouse Capital which is expected to be completed during 2015. As a result, the group's ownership percentage in Gatehouse Capital has decreased from to 58.0% to 44.6% as at 31 December 2014 and ceased to have control over the its operations in accordance with IFRS 10: "Consolidated Financial Statements". With effect from the date of loss of control, the retained investment in Gatehouse Capital has been classified as held for sale.

The results of the disposed and classified as assets held for sale subsidiaries are as presented below:

	2014 KD	2013 KD
Revenues	11,104,004	13,361,779
Operating costs	(7,476,012)	(9,239,475)
Gross profit	3,663,992	4,122,304
Realised gain on sale of financial assets available for sale	110,986	305,595
Dividend income	91,419	129,728
Investment services income	2,557,746	1,540,618
Other income	140,594	207,888
Unrealised gain on financial assets at fair value through income statement	6,505	6,716
Impairment loss on financial assets available for sale	-	(58,415)
Share of results of an associate (Note 9)	635,929	598,990
Amortisation of intangibles	(63,633)	(131,742)
Unrealised gain on investment properties	-	162,752
Staff costs	(1,675,646)	(1,654,606)
Selling and distribution expenses	(1,119,423)	(1,229,953)
General and administrative expenses	(996,360)	(1,325,538)
Finance cost	(20,592)	(54,275)
Profit from discontinued operations	3,331,517	2,618,062
Gain on disposal of discontinued operations (Note 13)	324,611	-
Profit for the year from discontinued operations	3,656,128	2,618,062
Attributable to:		
Equity holders of the parent company (Note 5)	2,733,901	2,047,748
Non-controlling interests	922,227	570,314
Profit for the year from discontinued operations	3,656,128	2,618,062
Basic and diluted earnings per share from discontinued operations attributable to the equity holders of the parent company	4.3 fils	3.2 fils

The net cash flows attributable to discontinued operations as of the date of sale are shown in the statement of cash flows.

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

4 DISCONTINUED OPERATIONS (continued)

The net assets of the subsidiary companies on the date of disposal and classification as assets held for sale were as follows:

	<i>2014 KD Disposed off</i>	<i>2014 KD Classified as held for sale</i>	<i>2013 KD Disposed off and classified as held for sale</i>
Assets			
Bank balances and cash	940,454	4,415,303	3,852,235
Accounts receivable and prepayments	74,248	3,720,026	3,400,615
Inventories	-	3,054,061	2,450,019
Financial assets at fair value through income statement	13,721	45,624	60,181
Financial assets available for sale	786,790	2,616,283	2,548,589
Investment in associates	1,458,508	4,849,919	6,706,868
Investments properties	161,603	537,371	698,974
Property, plant and equipment	11,082	4,197,139	4,580,431
Total assets	3,446,406	23,435,726	24,297,912
Liabilities			
Murabaha payable	-	153,429	497,687
Accounts payable and accruals	110,942	2,882,462	2,592,924
Employees' end of service benefits	108,385	1,004,218	953,975
Total liabilities	219,327	4,040,109	4,044,586
Non-controlling interests	1,361,179	4,970,544	5,876,735
Net assets disposed of or classified	1,865,900	14,425,073	14,376,591
Total consideration *	2,479,000		
Realised gain before recycling of reserves and elimination of gain on downstream transaction	613,100		
Reserves recycled to the consolidated statement of income and eliminated gain	(288,489)		
Realised gain on sale attributable to the equity holders of the parent company **	324,611		
Cash and cash equivalents:			
Total consideration	2,479,000		
Less: Bank balances and cash	(940,454)		
Add: Non-controlling interests share in bank balances and cash	395,367		
Net cash inflow attributable to the equity holders of the parent company	1,933,913		

* Total consideration amounting to KD 2,479,000 is related to the on sale of Gatehouse Capital - Economic and Financial Consultancy K.S.C. (Closed) (Note 13).

** Realised gain on sale attributable to the equity holders of the parent company amounting to KD 324,611 is related to sale of Gatehouse Capital - Economic and Financial Consultancy K.S.C. (Closed) (Note 13).

An asset held for sale amounting to KD 6,390,374 (2013: a subsidiary company of KD 8,066,900) is pledged as security against murabaha payables amounting to KD 2,250,000 (2013: KD 5,800,000) (Note 12).

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

5 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share is computed by dividing profit (loss) attributable to the equity holders of the parent company by the weighted average number of shares (net of treasury shares) outstanding during the year as follows:

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Profit (loss) for the year attributable to equity holders of the parent company	<u>3,031,619</u>	<u>(4,598,726)</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares (net of treasury shares) outstanding for the year	<u>637,998,466</u>	<u>637,720,000</u>
Basic and diluted earnings (loss) per share attributable to the equity holders of the parent company	<u>4.8 fils</u>	<u>(7.2) fils</u>

Basic and diluted earnings (loss) per share from continuing operations

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Profit (loss) for the year attributable to the equity holders of the parent company	<u>3,031,619</u>	<u>(4,598,726)</u>
<u>Less:</u> Profit for the year from discontinued operations attributable to the equity holders of the parent company (Note 4)	<u>2,733,901</u>	<u>2,047,748</u>
Profit (loss) for the year attributable to the equity holders of the parent company from continuing operations	<u>297,718</u>	<u>(6,646,474)</u>
Weighted average number of ordinary shares outstanding during the year (shares)	<u>637,998,466</u>	<u>637,720,000</u>
Basic and diluted earnings (loss) from continuing operations per share attributable to the equity holders of the parent company	<u>0.5 fils</u>	<u>(10.4) fils</u>

There are no dilutive potential ordinary shares.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Bank balances and cash	<u>1,262,439</u>	<u>4,521,612</u>
Short-term murabaha investments with original maturities up to three months	<u>203,906</u>	<u>799,571</u>
	<u>1,466,345</u>	<u>5,321,183</u>

Short-term murabaha investments carry effective average profit rate of 0.3% (2013: 0.3%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Held for trading		
Quoted equity securities	136,800	564,453
Designated upon initial recognition		
Unquoted local equity securities	1,780,535	1,966,902
Unquoted foreign equity securities	2,177,505	2,414,481
	<u>4,094,840</u>	<u>4,945,836</u>

The valuation of investments in unquoted equity securities involves the exercise of judgment and is based on information available on recent arm's length market transactions, current fair value of another instrument that is substantially the same or other valuation methods.

During the year, the group had unrealised loss on quoted equity investments amounting to KD 12,000 (2013: gain of KD 165,139) and unrealised loss on unquoted equity investments amounting to KD 138,812 (2013: loss of KD 1,055,605).

Financial assets at fair value through income statement amounting to KD 1,598,541 (2013: KD 1,685,726) are pledged as security against murabaha payables amounting to KD 42,332,579 (2013: KD 42,917,494) (Note 12).

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Unquoted local equity securities	85,714	85,714
Unquoted foreign equity securities	1,735,192	4,718,177
	<u>1,820,902</u>	<u>4,803,891</u>

Unquoted equity securities are carried at cost less impairment since their fair value cannot be reliably measured due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these assets.

During the year, the group performed impairment testing for financial assets available for sale which resulted in no recognition of an impairment loss (2013: KD 792,552) in the consolidated statement of income to account for the adverse circumstances affecting certain assets, thus reducing the value of these assets to their recoverable amount. The management believes that there is no objective evidence or circumstances that indicate any further impairment in the value of these assets and that there is no need to recognise any additional impairment in their value.

Financial assets available for sale amounting to KD 325,714 (2013: KD 740,379) are pledged as security against murabaha payables amounting to KD 42,332,579 (2013: KD 42,917,494) (Note 12).

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

9 INVESTMENT IN ASSOCIATES

The group has interest in the following associates:

Name of company	Country of incorporation	equity interest %	
		2014	2013
<i>Quoted</i>			
Al-Aman Investment Company K.S.C.P. ("Al-Aman Investment")	Kuwait	46%	46%
<i>Unquoted</i>			
Gatehouse Bank plc ("Gatehouse Bank")	United Kingdom	42%	42%
Green Valley Investment Limited ("Green Valley")	Cayman Islands	-	44%
Nafaes Group for General Trading and Contracting W.L.L. ("Nafaes Group")	Kuwait	-	50%
Weaver Point Company L.L.C. ("Weaver Point")	U.S.A.	-	65%

The movement in the carrying value of associates are as follows:

	2014 KD	2013 KD
As at 1 January	85,708,799	90,504,323
Acquisitions (a)	1,345,105	-
Disposals and deconsolidation (b)	(8,736,581)	(545,004)
Share of results	2,508,163	883,044
Share of results related to discontinued operations (Note 4)	635,929	598,990
Share of other comprehensive (loss) income	(1,200,722)	672,042
Dividend received	(509,522)	(475,404)
Elimination of gain on downstream transaction (c)	(238,497)	-
Amortisation of intangible assets (d)	(63,633)	(131,742)
Impairment (e)	(750,000)	(5,797,450)
As at 31 December	78,699,041	85,708,799

(a) During the current year, the parent company purchased 278,500,000 shares (equivalent to 1.8% of the total issued share capital) of Gatehouse Bank's shares from its disposed off subsidiary, Gatehouse Capital - Economic and Financial Consultancy K.S.C. (Closed) ("Gatehouse Capital"), for an amount of KD 1,345,105 (Note 13).

(b) During the current year, the parent company sold 2,295,807 units (equivalent to 32.7% of the total issued capital) of Green Valley's units to Gatehouse Capital for an amount of KD 958,049. The group did not recognise any gain or loss on sale in the consolidated statement of income (Note 13).

During the current year, the parent company sold 50 units (equivalent to 50.0% of the total issued capital) of Nafaes Group's units for an amount of KD 125,000. The group did not recognise any gain or loss on sale in the consolidated statement of income.

As a result of the cessation of consolidating Gatehouse Capital, the group ceased to present its associates, Weaver Point and Green Valley, as associates of the group at carrying values of KD 7,653,532 at time of deconsolidation.

During the previous year, the parent company sold 55,000,000 (equivalent to 0.5% of the total issued share capital) of Gatehouse Bank's shares to one of its creditors against settlement of certain outstanding murabaha payables amounting to KD 655,097 and accrued murabaha profit amounting to KD 65,106 for an amount of KD 716,440, net of transactional expenses of KD 24,894. As a result, the group recognised a net realised gain on sale amounting to KD 150,305 in the consolidated statement of income.

(c) As a result of the sale of Gatehouse Capital to Gatehouse Bank (an associate) (Note 4), the group has eliminated gain amounting to KD 238,497 to the extent of its ownership percentage in Gatehouse Bank..

9 INVESTMENT IN ASSOCIATES (continued)

- (d) During the previous year, the group finalised the Purchase Price Allocation (“PPA”) exercise of Weaver Point and as a result, goodwill and intangible assets amounting to KD 2,312,798 and KD 391,234 respectively, were determined. The estimated useful lives of intangible assets are three years as per the asset management agreements. As a result, amortisation charge of KD 63,633 for the current year (till the date of derecognition of Gatehouse Capital and non-presentation of Weaver Point) and of KD 131,742 for the previous year is recorded and disclosed in the consolidated statement of income.
- (e) As at 31 December 2014, the group performed an impairment test on its investment in associates which resulted in the recognition of an impairment loss amounting to KD 750,000 (2013: KD 5,797,450). The management believes that there is no objective evidence on circumstances that indicates any further impairment in the value of its investment in associates. Details of the test of impairment are shown below.

Al-Aman Investment

The recoverable amount of the investment in Al-Aman Investment has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by the board of directors of Al-Aman Investment covering a 4 year period (2015 to 2018). The following table illustrates the rates used by the group together with a quantitative sensitivity analysis as at 31 December 2014:

	<i>Applied rate</i>	<i>Sensitivity %</i>	<i>Impact on profit for the year (KD)</i>
Discount rate	11.6%	±1%	196,111
Projected compounded annual growth for income	31.0%	±5%	170,167
Terminal growth rate	2.0%	±1%	153,010

The calculation of value-in-use for Al-Aman Investment is most sensitive to projected compounded annual growth rate of Al-Aman Investment’s income and discount rate.

Discount rate

Discount rate reflects the current market assessment of the risk specific to Al-Aman Investment, which is an listed investment company in Kuwait specialised in portfolio and fund management in accordance with the Shariaa principles. The discount rate was estimated based on the average percentage of a weighted cost of capital for the investment industry in Kuwait and was further adjusted to reflect the market assessment of any risks specific to Al-Aman Investment.

Projected compounded annual growth rate of revenues

Al-Aman Investment strategic business plan is for the company to be active in portfolio and fund management services.

The carrying value and market value of Al-Aman Investment as at 31 December 2014 are KD 11,892,172 (2013: KD 11,560,592) and KD 6,810,695 (2013: KD 7,084,824) respectively.

Gatehouse Bank

The recoverable amount of the investment in Gatehouse Bank has been determined based on fair value less cost to sell approach, relying on a recent arm’s length cash sale transaction of Gatehouse Bank’s shares, which took place at price that is higher than the carrying value of the investment in Gatehouse Bank in the records of the parent company.

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

9 INVESTMENT IN ASSOCIATES (continued)

The following table illustrates summarised financial information of investment in associates:

31 December 2014

	<i>Al Aman Investment KD</i>	<i>Gatehouse Bank KD</i>	<i>Weaver Point KD</i>	<i>Other immaterial associates KD</i>	<i>Total KD</i>
Share of associates' assets and liabilities:					
Current assets	2,710,875	19,007,228	-	-	21,718,103
Non-current assets	7,650,504	33,477,418	-	-	41,127,922
Current liabilities	(271,801)	(25,595,477)	-	-	(25,867,278)
Non-current liabilities	(197,406)	(1,088,757)	-	-	(1,286,163)
Net assets	9,892,172	25,800,412	-	-	35,692,584
Goodwill and intangible assets	2,250,000	41,539,680	-	-	43,789,680
Eliminated gain on downstream transaction	-	(783,223)	-	-	(783,223)
	<u>12,142,172</u>	<u>66,556,869</u>	<u>-</u>	<u>-</u>	<u>78,699,041</u>
Share of associates' revenues results and impairment:					
Revenues	728,830	2,973,777	-	-	3,702,607
Profit for the year	1,693,686	814,477	-	-	2,508,163
Impairment	(750,000)	-	-	-	(750,000)

31 December 2013

	<i>Al Aman Investment KD</i>	<i>Gatehouse Bank KD</i>	<i>Weaver Point KD</i>	<i>Other immaterial associates KD</i>	<i>Total KD</i>
Share of associates' assets and liabilities:					
Current assets	11,146,319	38,634,703	671,071	1,439,583	51,891,676
Non-current assets	6,469,887	7,323,507	6,120	36,298	13,835,812
Current liabilities	(8,856,275)	(19,579,077)	(39,162)	(13,173)	(28,487,687)
Non-current liabilities	(196,144)	(1,118,880)	-	(30,004)	(1,345,028)
Net assets	8,563,787	25,260,253	638,029	1,432,704	35,894,773
Goodwill and intangible assets	3,000,000	43,625,783	3,732,969	-	50,358,752
Eliminated gain on downstream transaction	-	(544,726)	-	-	(544,726)
	<u>11,563,787</u>	<u>68,341,310</u>	<u>4,370,998</u>	<u>1,432,704</u>	<u>85,708,799</u>
Share of associates' revenues results and impairment:					
Revenues	882,213	2,449,903	1,328,117	65,774	4,726,007
Profit (loss) for the year	184,941	754,719	598,990	(56,616)	1,482,034
Impairment	(1,000,000)	(4,797,450)	-	-	(5,797,450)

Investment in an associate amounting to KD 6,798,257 (2013: KD 6,507,235) are pledged as security against murabaha payables amounting to KD 42,332,579 (2013: KD 42,917,494) (Note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

10 SHARE CAPITAL AND RESERVES

a) Share capital

The parent company's authorised, issued and paid up share capital comprises 680,000,000 (2013: 680,000,000) shares of 100 fils (2013: 100 fils) per share which was paid in cash.

b) Employees' share option reserve

According to the employee share option scheme, the vesting of shares is dependent on eligible employees' remaining in service for a period of 12 months from date of grant.

There were no shares or options outstanding as at 31 December 2014 and 31 December 2013.

c) Statutory reserve

In accordance with the parent company's articles of association, 10% of the profit for the year before directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat is required to be transferred to the statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital. During the current year, no transfer has been made to statutory reserve since losses have been incurred during the year.

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

d) Treasury share reserve

Reserves equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the parent company. An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of treasury shares

11 TREASURY SHARES

	<i>2014</i>	<i>2013</i>
Number of treasury shares	<u>42,000,000</u>	<u>42,280,000</u>
Percentage of share capital	<u>6.2%</u>	<u>6.2%</u>
Market value (KD)	<u>3,192,000</u>	<u>4,058,880</u>

12 MURABAHA PAYABLES

	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Current	<u>44,582,579</u>	<u>44,865,181</u>
Non-current	<u>-</u>	<u>4,350,000</u>
	<u>44,582,579</u>	<u>49,215,181</u>

Murabaha payable represents the value of assets purchased on a deferred settlement basis.

Short-term facilities carry profit rates varying from 5% to 6% (2013: 5% to 6%). Long-term facilities carried profit rates varying from 5% to 6% per annum for the year ended 31 December 2013.

Murabaha payables amounting to KD 42,332,579 (2013: KD 42,917,494) are secured against receivable balances, financial assets at fair value through income statement, financial assets available for sale and investment in an associate amounting to KD 693,298, KD 1,598,541, KD 325,714 and KD 6,798,257 respectively (2013: KD 155,616, KD 1,685,726, KD 740,379 and KD 6,507,235) (Notes 7, 8 and 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

10 SHARE CAPITAL AND RESERVES

a) Share capital

The parent company's authorised, issued and paid up share capital comprises 680,000,000 (2013: 680,000,000) shares of 100 fils (2013: 100 fils) per share which was paid in cash.

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

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12 MURABAHA PAYABLES

	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Current	<u>44,582,579</u>	<u>44,865,181</u>
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	<u>44,582,579</u>	<u>49,215,181</u>

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Short-term facilities carry profit rates varying from 5% to 6% (2013: 5% to 6%). Long-term facilities carried profit rates varying from 5% to 6% per annum for the year ended 31 December 2013.

Murabaha payables amounting to KD 42,332,579 (2013: KD 42,917,494) are secured against receivable balances, financial assets at fair value through income statement, financial assets available for sale and investment in an associate amounting to KD 693,298, KD 1,598,541, KD 325,714 and KD 6,798,257 respectively (2013: KD 155,616, KD 1,685,726, KD 740,379 and KD 6,507,235) (Notes 7, 8 and 9).

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

12 MURABAHA PAYABLES (continued)

A murabaha payable amounting to KD 2,250,000 (2013: KD 5,800,000) is secured against an asset held for sale amounting to KD 6,390,374 (2013: subsidiary company of KD 8,066,900) (Note 4).

In November 2014, the parent company entered into two legally binding agreements with its major creditor, the first is a debt settlement agreement to settle murabaha payables amounting to KD 42,917,494 in exchange for cash payment and the sale of specific financial assets at fair value through income statement, interests in associates and subsidiaries to the creditor (Note 4), and the second is a reconciliation agreement to cease the legal cases filed by the major creditor against the parent company in previous years. Murabaha payable balances of KD 584,915 have been settled in exchange for cash and specific assets amounting to KD 584,915 while the sale of remaining assets to settle murabaha payable balances of KD 42,332,579 will be completed during 2015 and accordingly, these balances have not been derecognised and are shown as murabaha payables at 31 December 2014. A gain approximating KD 13 million is expected to result on completion of the sale of the remaining assets during 2015 (Note 2.1).

13 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and executive officers of the group, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the parent company's management.

Related party balances and transactions consist of the following:

	<i>Associates</i>	<i>Total</i>	<i>Other related</i>
	<i>KD</i>	<i>2014</i>	<i>parties</i>
		<i>KD</i>	<i>2013</i>
			<i>KD</i>
Consolidated statement of income:			
Gain on sale of equity interest in a former subsidiary (Note 4)	324,611	324,611	-
Murabaha payable costs	207,764	207,764	368,753
Consolidated statement of financial position:			
Murabaha payable	2,250,000	2,250,000	5,800,000
Transactions:			
Sale of equity interest in a former subsidiary (Note 4)	2,479,000	2,479,000	-
Purchase of equity interest in an associate (Note 9(a))	1,345,105	1,345,105	-
Sale of equity interest in an associate (Note 9(b))	958,049	958,049	-
		<i>2014</i>	<i>2013</i>
		<i>KD</i>	<i>KD</i>
Key management compensation:			
Salaries and other short term benefits		154,720	130,543

Assets amounting to KD 2,385,889 (2013: KD 2,375,890) are being managed by the parent company on behalf of related parties.

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14 SEGMENTAL INFORMATION

For management purposes the group is organised into three major business segments:

Proprietary investment management : Investing of group funds in securities and real estate, financing corporate and individual customers, and managing the group's liquidity requirements.

Asset management and advisory services : Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related investment services.

Commercial trading activities : Selling and distribution of manufactured and imported goods and services.

	Continuing operations						Total			
	Proprietary investment management		Asset management and advisory services		Commercial trading activities			Total		
	2014 KD	2013 KD	2014 KD	2013 KD	2014 KD	2013 KD				
Segment revenue	59,891	1,023,345	15,369	82,545	75,260	1,105,890	14,040,749	15,543,608	1,990,039	16,649,498
Segment results	(870,046)	(1,317,165)	(244,339)	(153,852)	(1,114,385)	(1,471,017)	3,104,424	2,205,089	1,990,039	734,072
Share in result of associates					2,508,163	883,044	635,929	598,990	3,144,092	1,482,034
Impairment and amortisation					(750,000)	(5,797,450)	(63,633)	(131,742)	(813,633)	(5,929,192)
Murabaha payable costs					(309,847)	(267,613)	(20,592)	(54,275)	(330,439)	(321,888)
Taxation					(48,048)	-	-	-	(48,084)	-
Profit (loss) for the year					285,847	(6,653,036)	3,656,128	2,618,062	3,941,975	(4,034,974)
Assets:										
Segment assets	6,771,050	11,138,168	-	-	6,771,050	16,789,598	9,435,994	-	16,207,044	16,789,598
Investment in associates	-	1,432,704	78,699,041	84,276,095	78,699,041	85,708,799	4,849,919	-	83,548,960	85,708,799
Others	1,466,345	6,020,157	-	-	1,466,345	10,497,029	9,149,813	-	10,616,158	10,497,029
	8,237,395	18,591,029	78,699,041	84,276,095	86,936,436	112,995,426	23,435,726	-	110,372,162	112,995,426

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15 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities as defined in Note 3.

The fair values of financial instruments except financial assets available for sale stated in Note 8, are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or 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.

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

Fair value of financial assets at fair value through income statement is based on the following:

	Date of valuation	Fair value measurement using			
		Total KD	(Level 1) KD	(Level 2) KD	(Level 3) KD
Financial assets at fair value through income statement					
<i>Held for trading:</i>					
Local quoted securities	31 December 2014	136,800	136,800	-	-
<i>Designated upon initial recognition:</i>					
Local unquoted securities	31 December 2014	1,780,535	-	-	1,780,535
Foreign unquoted equity securities	31 December 2014	2,177,505	-	-	2,177,505
		<u>4,094,840</u>	<u>136,800</u>	<u>-</u>	<u>3,958,040</u>
Financial assets at fair value through income statement					
<i>Held for trading:</i>					
Local quoted securities	31 December 2013	564,453	564,453	-	-
<i>Designated upon initial recognition:</i>					
Local unquoted securities	31 December 2013	1,966,902	-	-	1,966,902
Foreign unquoted equity securities	31 December 2013	2,414,481	-	-	2,414,481
Investment properties	31 December 2013	698,974	-	-	698,974
		<u>5,644,810</u>	<u>564,453</u>	<u>-</u>	<u>5,080,357</u>

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15 FAIR VALUE MEASUREMENT (continued)

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

	<i>As at 1 January 2014 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>Classified as held for sale KD</i>	<i>As at 31 December 2014 KD</i>
Financial assets at fair value through income statement					
<i>Unquoted equity securities</i>	4,381,383	(132,539)	(290,804)	-	3,958,040
Investment properties	698,974	-	-	(698,974)	-
	<u>5,080,357</u>	<u>(132,539)</u>	<u>(290,804)</u>	<u>(698,974)</u>	<u>3,958,040</u>
		<i>(Loss) gain recorded in the consolidated statement of income KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>Classified as held for sale KD</i>	<i>As at 31 December 2013 KD</i>
Financial assets at fair value through income statement					
<i>Unquoted equity securities</i>	5,386,791	(1,055,605)	50,197	-	4,381,383
Investment properties	536,222	162,752	-	-	698,974
	<u>5,923,013</u>	<u>(892,853)</u>	<u>50,197</u>	<u>-</u>	<u>5,080,357</u>

During the year, there have been no transfers between the hierarchies.

Description of significant unobservable inputs to valuation of financial assets:

Local unquoted securities represent unlisted securities on local stock exchange. Unquoted equity securities are valued based on net book value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued, or based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

16 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. Market risk is subdivided into profit rate risk, currency risk and equity price risk. The group is also subject to 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.

16.1 CREDIT RISK

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

The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of financing activities.

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16 RISK MANAGEMENT (continued)

16.1 CREDIT RISK (continued)

Maximum exposure to credit risk and risk concentration

With respect to credit risk arising from the financial assets of the group, which comprise bank balances and cash, short-term murabaha investments, murabaha receivables and certain accounts receivable, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of contractual financial 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 group's bank balances and short-term murabaha investments are held with high credit quality banks and financial institutions. In addition, murabaha receivables and receivable balances are monitored on an ongoing basis. As a result, the group's exposure to bad debts is not significant.

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 table below shows the maximum exposure to credit risk and risk concentration for the contractual financial instruments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements or credit enhancements:

	<i>Gross maximum exposure 2014 KD</i>	<i>Gross maximum exposure 2013 KD</i>
Bank balances and short-term murabaha investments:		
- Local banks and financial institutions	1,169,047	4,098,278
- Foreign banks and financial institutions	297,298	1,222,905
	<u>1,466,345</u>	<u>5,321,183</u>
Trade receivables from local public sector:		
- Industrial sector	-	936,024
Trade receivables from local private sector:		
- Industrial sector	-	2,003,402
- Real estate sector	-	262,510
	<u>-</u>	<u>2,265,912</u>
Total exposure to credit risk	<u><u>1,466,345</u></u>	<u><u>8,523,119</u></u>

Collateral and other credit enhancements

The group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2014 and 31 December 2013.

Analysis of impaired financial assets

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

At 31 December 2014, the provision for impaired and doubtful receivables is KD Nil (31 December 2013: KD 174,139). Any difference between the amounts actually collected in future period and the amounts expected will be recognised in the consolidated statement of income.

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16 RISK MANAGEMENT (continued)

16.2 LIQUIDITY RISK

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the group periodically assesses the financial viability of customers and invests in short-term murabaha or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

It is the group's policy that not more than 60% of borrowings should mature in the next 12 month period. The group is currently considers refinancing its short-term borrowings by medium to long-term financing arrangements. 100% of the group's borrowings will mature in less than one year at 31 December 2014 (2013: 91%) based on their carrying value reflected in the consolidated financial statements.

The table below summarises the maturity profile of the group financial liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future profit payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December is as follows:

31 December 2014	<i>Within 1 month KD</i>	<i>1 to 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Murabaha payables	-	37,095,504	7,487,075	-	44,582,579
Future profit payable	-	-	66,945	-	66,945
Accounts payable and accruals	-	96,546	2,555,172	-	2,651,718
Total financial liabilities	-	37,192,050	10,109,192	-	47,301,242
Commitments – Bank Guarantees	-	-	-	-	-
31 December 2013	<i>Within 1 month KD</i>	<i>1 to 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Murabaha payables	43,415,181	-	1,450,000	4,350,000	49,215,181
Future profit payable	-	-	189,415	-	189,415
Accounts payable and accruals	-	2,380,823	2,045,091	-	4,425,914
Total financial liabilities	43,415,181	2,380,823	3,684,506	4,350,000	53,830,510
Commitments – Bank Guarantees	-	-	14,650	-	14,650

16.3 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 profit rates, foreign exchange 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 as disclosed in Note 16.4, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 RISK MANAGEMENT (continued)

16.3 MARKET RISK (CONTINUED)

16.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The group is not exposed to profit rate risk on its profit bearing assets and liabilities (short-term murabaha investments and murabaha payable) as a result of reasonably possible changes in profit rates since the group is not exposed to any floating rate profit bearing assets and liabilities.

16.3.2 Foreign currency risk

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

Foreign currency risk is managed by the group on the basis of determined limits 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 profit for the year (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

Currency	Change in currency rate by 3%			
	31 December 2014		31 December 2013	
	Effect on profit for the year KD	Effect on other comprehensive income KD	Effect on loss for the year KD	Effect on other comprehensive income KD
USD	65,332	32,983	137,428	121,882
GBP	-	2,039,275	73	2,028,883
Euro	-	-	(1,122)	-
Other	-	-	(6,502)	-

16.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The equity price risk exposure arises from the group's investment portfolio. The group manages this 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 effect on profit for the year (as a result of a change in the fair value of financial assets at fair value through income statement) and on equity (as a result of a change in the fair value of financial assets available for sale) due to a reasonably possible changes in active market indices, with all other variables held constant is as follows:

Market index	Change in equity market index by 5%			
	Effect on profit for the year 2014 KD	Effect on other comprehensive income for the year 2014 KD	Effect on profit for the year 2013 KD	Effect on other comprehensive income for the year 2013 KD
	Kuwait	6,840	-	28,223

Any change in fair values of unquoted investments valued based on price earnings ratios will have a corresponding change in equity and profit before deductions.

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16 RISK MANAGEMENT (continued)

16.3 MARKET RISK (continued)

16.3.3 Equity price risk (continued)

Investments in the category of financial assets available for sale category are in unlisted companies and therefore the group is not significantly exposed to equity price risk due to reasonably possible changes in active market indices.

The group's unquoted equity securities carried at cost in available for sale category where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted.

16.3.4 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.

16.4 CONCENTRATIONS

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 distribution of assets by geographic region was as follows:

	<i>2013</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Geographic region		
- Kuwait	39,902,596	29,799,432
- United Kingdom	67,192,621	70,611,521
- Bahrain	3,002,085	3,282,625
- United States of America	274,860	8,080,792
- Other	-	1,221,056
	<u>110,372,162</u>	<u>112,995,426</u>

The distribution of financial investments and investment properties by industry sector was as follows:

	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Industry sector		
- Banks and financial and investment institutions	81,199,724	90,704,329
- Real estate	1,087,975	2,250,342
- Services	85,714	226,979
- Manufacturing	-	718,595
- Others	2,241,374	2,257,255
	<u>84,614,787</u>	<u>96,157,500</u>

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17 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 income statement, financial assets available for sale and investment properties is based on management's estimate of liquidation of those investments.

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

2013	Up to 1 year KD	Over 1 year KD	Total KD
Assets:			
Bank balances and cash	1,262,439	-	1,262,439
Short-term murabaha investments	203,906	-	203,906
Accounts receivable and prepayments	855,304	-	855,304
Financial assets at fair value through income statement	136,800	3,958,040	4,094,840
Financial assets available for sale	-	1,820,906	1,820,906
Investment in associates	22,082,472	56,616,569	78,699,041
Assets held for sale / associated with discontinued operations	23,435,726	-	23,435,726
Total assets	47,976,647	62,395,515	110,372,162
Liabilities:			
Murabaha payables	44,582,579	-	44,582,579
Accounts payable and accruals	2,651,718	-	2,651,718
Employees' end of service benefits	-	14,914	14,914
Liabilities associated with assets held for sale / discontinued operations	4,040,109	-	4,040,109
Total liabilities	51,274,406	14,914	51,289,320
LIQUIDITY (GAP) SURPLUS	(3,303,759)	62,380,601	59,082,842
<hr/>			
2013	Up to 1 year KD	Over 1 year KD	Total KD
Assets:			
Bank balances and cash	4,521,612	-	4,521,612
Short-term murabaha investments	799,571	-	799,571
Accounts receivable and prepayments	3,890,878	-	3,890,878
Financial assets at fair value through income statement	564,453	4,381,383	4,945,836
Financial assets available for sale	1,087,490	3,716,401	4,803,891
Investment in associates	125,000	85,583,799	85,708,799
Property, plant and equipment	-	5,175,846	5,175,846
Total assets	13,439,023	99,556,403	112,995,426
Liabilities:			
Murabaha payables	44,865,181	4,350,000	49,215,181
Accounts payable and accruals	4,868,815	-	4,868,815
Employees' end of service benefits	-	966,524	966,524
Total liabilities	49,733,996	5,316,524	55,050,520
LIQUIDITY (GAP) SURPLUS	(36,294,973)	94,239,879	57,944,906

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18 FIDUCIARY ASSETS

In its capacity as manager of portfolios and funds belonging to third parties, the parent company manages investments and bank accounts amounting to KD 16,704,138 (2013: KD 16,425,341) in its own name as a nominee on behalf of third parties. These assets are not included in the consolidated statement of financial position of the group. Income from the managed portfolios and funds amounts to KD 12,789 for the year ended 31 December 2014 (2013: KD 82,545).

19 ZAKAT

Zakat for shareholders is calculated according to the Sharia rules approved by the parent company's Fatwa and Shariah Supervisory Board. Zakat calculated amount as of 31 December 2014 is 1.40 fils (2013: 2.52 fils) per share.

In accordance with Law No. 46 of 2006 and as a result of the profit for the year, the group has deducted a provision of 1% of net profit subject to zakat for the year ended 31 December 2014 amounting to 0.02 fils per share (2013: Nil as a result of loss incurred for the year).

Responsibility for payment of unsettled zakat amounting to 1.38 fils (2013: 2.52 fils) per share lies with the shareholders and not the parent company.

20 CAPITAL MANAGEMENT

The primary objective of the group's capital management 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 reduce the amount of borrowings, adjust the dividend payment 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 gearing ratio, which is net debt divided by capital plus net debt. The group includes within net debt, murabaha payable, accounts payable and accruals and employees' end of service benefits, less cash and cash equivalents. Capital represents equity attributable to the equity holders of the parent company.

	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Murabaha payable	44,582,579	49,215,181
Accounts payable and accruals	2,651,718	4,867,749
Employees' end of service benefits	14,914	966,524
Less: Cash and cash equivalents	(1,466,345)	(5,321,183)
Net debt	<u>45,782,866</u>	<u>49,728,271</u>
Equity attributable to the equity holders of the parent company	<u>53,930,931</u>	<u>51,866,102</u>
Capital and net debt	<u>99,713,797</u>	<u>101,594,373</u>
Gearing ratio	<u>45.9%</u>	<u>48.9%</u>