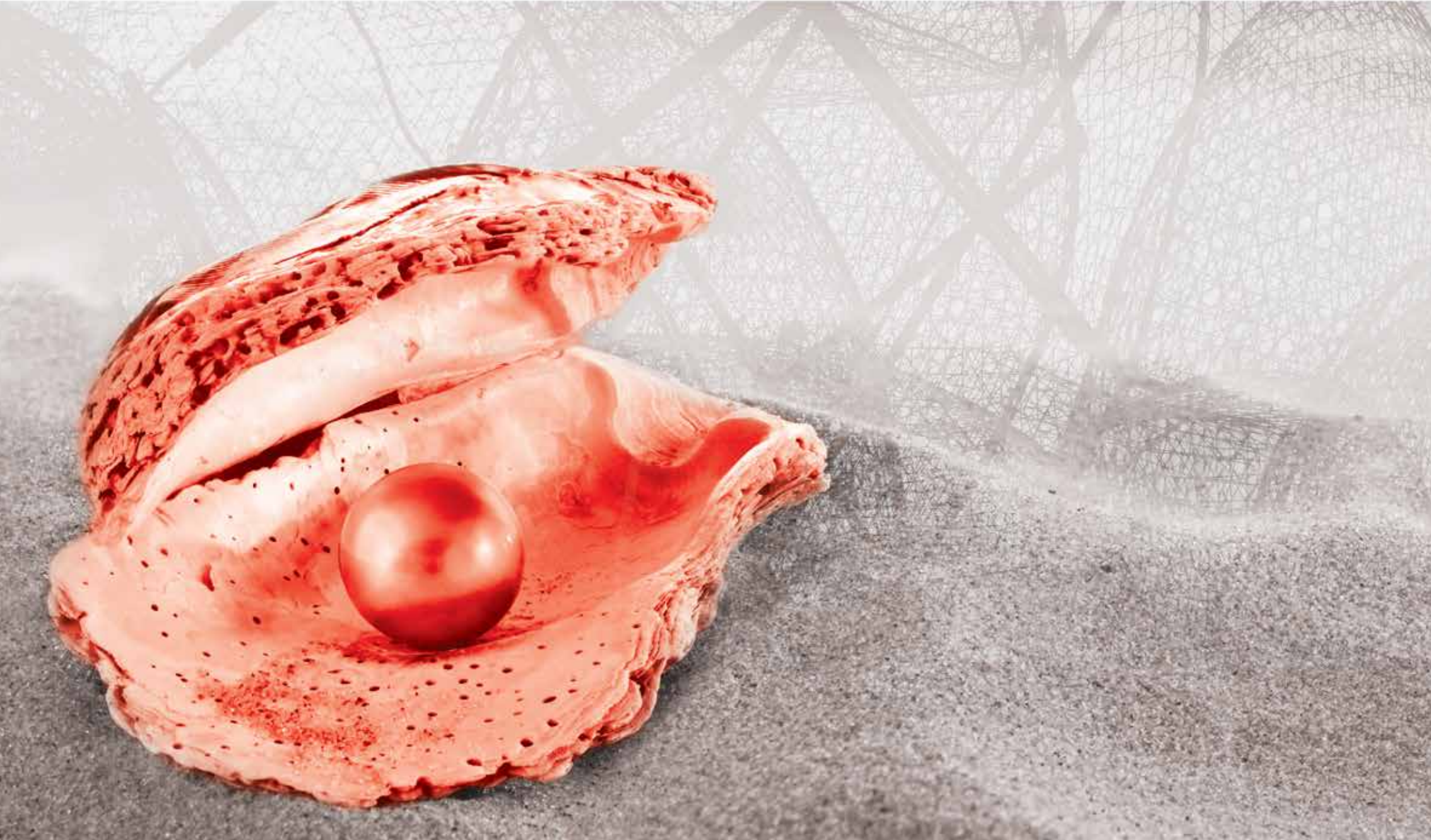




شركة الديرة القابضة  
Al-Deera Holding Co. K.P.S.C.

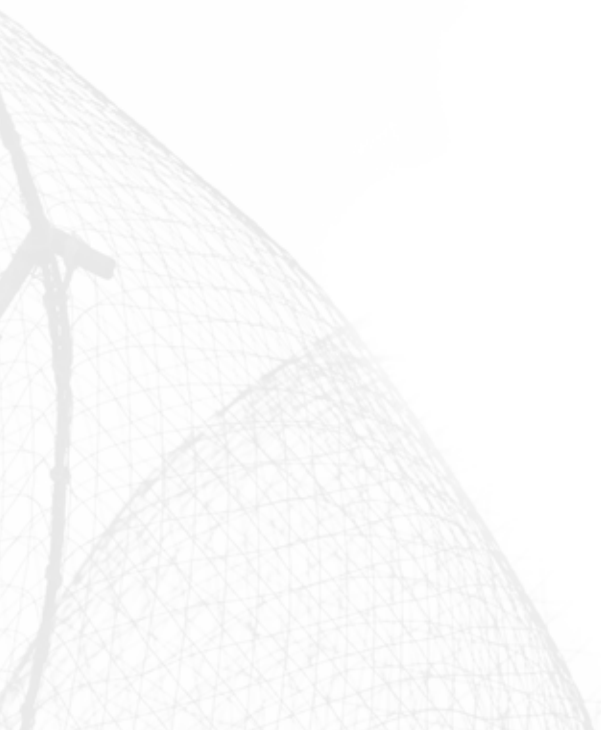
ANNUAL REPORT 2014





شركة الديرة الفايزة  
Al-Deera Holding Co. K.P.S.C.

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Tel: (965) 2249-3966 / 2249-3955 Fax: (965) 2249-3963  
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His Highness  
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah  
Amir of the State of Kuwait



His Highness  
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah  
Crown Prince of the State of Kuwait



## Diving Equipment in Old Kuwait:

1. Mouthpiece: a small piece that is manufactured from turtles' bones, completing the height of a finger. The mouthpiece consists of an opening that allows the diver to allocate it on his nose to omit any air, or water to enter.
2. Leash: a container made from thin ropes creating a shape of a sieve, and on the top it contains an arrow manufactured from wood, that allows the diver to place the oysters inside it.
3. Gloves: a small container made out of leather and is placed on the tips of the fingers. The diver wears it to protect his fingers from injuries that some types of oysters can cause.
4. Stone: a portion of lead that assists the diver in reaching the bottom of the sea, due to its heavy weight.
5. Trousers (Al Shamshool): a short black sherwal that the diver wears that aids in the flexibility of the movement.
6. Diving Suit: black semi-pants, made from light fabric, paired with shirt with long sleeves which the diver wears to avoid any injuries caused by the jellyfish.
7. Cord (Al Ayda): a long rope that pulls the diver from the bottom of the sea, the length of the rope ranges from 72 meters to 81 meters.
8. Cord (Al Zaybal): a long rope that pulls the stones from the bottom of the sea, when the diver reaches the bottom, the approximate length of the rope is 36 meters.

## Contents

	Page
Members of the board	9
Chairman's message	10 - 11
Independent auditors' report	12 - 13
Consolidated statement of income	14
Consolidated statement of comprehensive income	15
Consolidated statement of financial position	16 - 17
Consolidated statement of changes in equity	18 - 19
Consolidated statement of cash flows	20 - 21
Notes to the consolidated financial statements	22 - 67



## Members of the Board

**Talal Bader Al-Bahar**

Chairman

**Nidal Khaled Al-Masoud**

Vice Chairman

**Turki Bin Nasser Al-Mutawa Al-Otaibi**

Member of the board

**Bader Jassim Al -Hajri**

Member of the board

## Dear Shareholders,

Greetings,

On behalf of the board of directors of Al Deera Holding Company, I present to you the annual report for the fiscal year end December 31, 2014.

### Overview:

The year 2014 was characterized by a number of political and economic events on both the local and global fronts. The overall Kuwaiti economy did not perform well during the year while the Kuwait stock market endured the heavier burden in specific. Although the general market experienced positive performance during the first half of the year particularly pertaining to governmental efforts for amending the capital market authority's law, the market suffered a series of price decline setbacks in the last quarter of the year which was coupled with oil prices decline which reached approximately 50 Dollars per barrel then. This specific new oil reality had a major negative impact on all GCC markets, including the Kuwaiti market, whereby the Kuwait Stock Exchange price index declined by 13.4 % compared to 3% in 2013.

### Financial performance:

The company reported a loss of 1.16 million Kuwaiti Dinars (equivalent to a loss of 1.55 fils per share) in 2014 compared to a profit of 1.3 million Kuwaiti Dinars (equivalent to a profit of 1.74 fils per share) in the previous year 2013. Concerning gross profitability, total gross profits were 7.16 million Kuwaiti Dinars compared to 14 million Kuwaiti Dinars in the previous year 2013. To the contrary, total expenses and other charges reduced to 8.34 million Kuwaiti Dinars in 2014 compared to 13.96 million Kuwaiti Dinars in 2013. The main reasons for the loss in 2014 relate to a drop in the value of certain investments, available for sale investments, and foreign exchange losses pertaining to appreciation of the US dollar.

The overall local and foreign debt of the parent company and its subsidiaries were 27.68 million Kuwaiti Dinars as at end of year 2014 which is equivalent to 37.8% of the value of total assets at the same year end compared to 26.66 million Kuwaiti Dinars as at end of year 2013 which is equivalent to 30.8% of the company's total assets for the same year end.

During fiscal year 2014 and by the end of the third quarter, the company's total accumulated losses reached 74.82% of paid up capital, which prompted the board of directors to recommend writing off the accumulated losses as at September 30, 2014 when the accumulated losses of the company reached KD 55,702,744 against the following amounts:

1. KD 994,976 represented the full legal reserve available thereby decreasing accumulated losses to KD 54,707,768.
2. Decrease the paid up capital of the company from KD 74,445,648 to KD 19,737,880 representing 197,378,800 shares, which wipes off all remaining accumulated losses as at September 30, 2014.

The company received all necessary regulatory approvals, and held its deferred extraordinary general assembly meeting on Sunday March 22, 2015 which unanimously approved writing off the accumulated losses above.

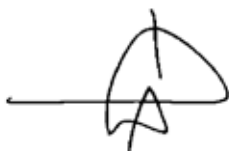
It is also important to point out that the board of directors did not receive any compensation or financial benefits during the fiscal year ended December 31, 2014. The board of directors also recommended not to distribute profits for the fiscal year ended December 31, 2014, while this recommendation is subject to the approval of the annual general assembly of the company and the regulatory authorities.

**The general performance of subsidiaries and the associate companies:**

Year 2014 was once again distinguished with a harsh operational environment on the competition and declining sales prices fronts. Despite this fact, our subsidiaries and associate companies were able to enhance their business development capabilities and achieve profitability while sustaining their market shares, products, services, and operational abilities. Fast Telecommunication Company (Fasttelco), one of our subsidiary companies, has managed to grow its revenue by approximately 19.5% and reduce a number of its expenses, which is expected to help sustain Fasttelco's profitability in the coming years. Moreover, Aiwa Gulf, one of our associate and one of the leading companies within the mobile content technology, has maintained its profitability despite the aggressive operational environment which was coupled with receiving awards from local and regional mobile network operators which is consistent with the Aiwa Gulf's track record. Aiwa Gulf is currently working on securing exclusive contracts for transmitting breaking news for Middle East region.

**Future plans:**

Concerning future plans, Al Deera Holding Company continues to focus on divesting certain investments while pursuing overall debt reduction while striving to generate worthwhile return on investments. In conclusion, I would like to thank all the shareholders of the company for their continuous support and trust they gave to us. On your behalf, I would like to express appreciation to the staff team of the company for their hard work and effort to achieve the goals of the company. Wishing them all the best of luck and success.



**Talal Bader Al-Bahar**  
**Chairman**



**Auditors & Consultants**  
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[www.mazars.com.kw](http://www.mazars.com.kw)

## Independent auditors' report

To the shareholders of  
Al-Deera Holding Company – KPSC  
Kuwait

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al-Deera Holding Company - Kuwaiti Public Shareholding Company ("Parent Company") and its Subsidiaries, ("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 of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al-Deera Holding Company – KPSC and its Subsidiaries as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

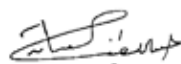
### Emphasis of matter

At 31 December 2014, the accumulated losses of Al-Deera Holding Company and its Subsidiaries amounted to 74.78% of the share capital and the current liabilities exceeded current assets by KD41,054,703. Further, as disclosed in note 23 to the consolidated financial statements, certain instalments of the borrowings were not settled resulting into maturity of the entire outstanding loans. Management is currently negotiating restructuring of its borrowings with the banks. These conditions may indicate inability of an entity to continue as a going concern.

### Report on Other Legal and Regulatory Matters

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

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2014.



Abdullatif M. Al-Aiban (CPA)

(Licence No. 94-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Hend Abdullah Al Surayea

(Licence No. 141-A)

Hend Abdullah Al Surayea & Co.

Member of MAZARS

Kuwait  
20 April 2015

## Consolidated statement of income

	Notes	Year ended 31 Dec 2014	Year ended 31 Dec 2013
		KD	KD
<b>Revenue</b>			
Sales		11,773,003	9,853,424
Cost of sales		(8,661,120)	(7,624,709)
<b>Gross profit</b>			
Change in fair value of investments at fair value through statement of income		(426,963)	(1,300,346)
(Loss)/profit on sale of investments at fair value through statement of income		(2,272)	16,759
Profit on sale of available for sale investments		327,898	4,797,156
Profit on sale of subsidiary	7.1	50,068	-
Share of results of associates	16.1	935,143	424,343
Profit on sale of associates		-	5,888,949
Liabilities and provisions no longer required written back	8	3,483,355	1,109,775
Consultancy and advisory fees		179,945	470,455
Dividend income		2,271	-
Gain on settlement of bank debt		-	138,468
Interest and other income	9	461,213	303,488
Loss on foreign exchange		(967,235)	(79,211)
		<b>7,155,306</b>	<b>13,998,551</b>
<b>Expenses and other charges</b>			
Distribution costs		(287,290)	(703,376)
Staff costs		(2,269,684)	(2,299,635)
General, administrative and other expenses		(1,301,980)	(1,795,025)
Advisory fees		-	(1,301,682)
Finance costs	11	(1,930,591)	(2,325,957)
Provision for doubtful debts		(501,837)	(1,491,181)
Impairment of investment in associates	16.1	(722,972)	(2,870,750)
Impairment of available for sale investments	17	(1,321,727)	(1,172,762)
		<b>(8,336,081)</b>	<b>(13,960,368)</b>
(Loss)/profit before provisions to NLST and Zakat		(1,180,775)	38,183
Provision for National Labour Support Tax (NLST)		-	(64,715)
Provision for Zakat		-	(25,886)
<b>Loss for the year</b>		<b>(1,180,775)</b>	<b>(52,418)</b>
Attributable to:			
Shareholders of the parent company		(1,157,166)	1,297,704
Non-controlling interests		(23,609)	(1,350,122)
		<b>(1,180,775)</b>	<b>(52,418)</b>
<b>Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company</b>	12	<b>(1.55) Fils</b>	<b>1.74 Fils</b>

The notes set out on pages 22 to 67 form an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	KD	KD
Loss for the year	<b>(1,180,775)</b>	(52,418)
<b>Other comprehensive (loss) /income:</b>		
Items that will be reclassified subsequently to consolidated statement of income:		
Exchange differences arising on translation of foreign operations	<b>(214,255)</b>	10,139
Available for sale investments:		
- Net change in fair value arising during the year	<b>(11,834,474)</b>	3,292,486
- Transferred to consolidated statement of income on sale/exchange	<b>145,808</b>	(15,450,315)
- Transferred to consolidated statement of income on impairment	<b>1,321,727</b>	1,172,762
Share of other comprehensive (loss)/income of associates	<b>(2,251,554)</b>	1,099,136
Total other comprehensive loss for the year	<b>(12,832,748)</b>	(9,875,792)
Total comprehensive loss for the year	<b>(14,013,523)</b>	(9,928,210)
Attributable to:		
Shareholders of the parent company	<b>(13,457,617)</b>	(9,189,340)
Non-controlling interests	<b>(555,906)</b>	(738,870)
	<b>(14,013,523)</b>	(9,928,210)

The notes set out on pages 22 to 67 form an integral part of these consolidated financial statements.

## Consolidated statement of financial position

	Notes	31 Dec. 2014	31 Dec. 2013
		KD	KD
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	7.4	9,242,504	9,242,504
Property, plant and equipment	13	3,813,447	3,399,012
Intangible asset	14	6,182,193	6,182,193
Deferred costs	15	1,220,253	1,324,609
Investment in associates	16	27,724,746	29,763,452
Available for sale investments	17	16,288,747	28,534,549
		<b>64,471,890</b>	<b>78,446,319</b>
<b>Current assets</b>			
Inventories		607,026	758,803
Receivables and other assets	18	5,887,106	7,938,862
Current portion of deferred costs	15	104,712	105,104
Investments at fair value through statement of income	19	1,753,178	2,091,376
Balances with banks and other financial institutions		391,018	608,404
		<b>8,743,040</b>	<b>11,502,549</b>
<b>Total assets</b>		<b>73,214,930</b>	<b>89,948,868</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	20	74,445,648	74,445,648
Treasury shares		-	(12,364)
Legal reserve	21	994,976	1,000,000
Other components of equity	22	(1,642,485)	10,657,966
Accumulated losses		(55,667,809)	(54,534,049)
Total equity attributable to the shareholders of the parent company		<b>18,130,330</b>	<b>31,557,201</b>
Non-controlling interests		<b>2,776,477</b>	<b>3,894,877</b>
<b>Total equity</b>		<b>20,906,807</b>	<b>35,452,078</b>



## Consolidated statement of financial position (continued)

### Liabilities

#### Non-current liabilities

Term loans	23	<b>1,365,480</b>	1,693,000
Provision for employees' end of service benefits		<b>1,144,900</b>	1,061,525
		<b>2,510,380</b>	2,754,525

#### Current liabilities

Payables and other liabilities	24	<b>19,827,738</b>	21,710,259
Advances from customers		<b>3,657,135</b>	4,063,580
Current portion of term loans	23	<b>26,312,870</b>	25,968,426
		<b>49,797,743</b>	51,742,265

<b>Total liabilities</b>		<b>52,308,123</b>	54,496,790
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<b>Total equity and liabilities</b>		<b>73,214,930</b>	89,948,868
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**Talal Bader Al-Bahar**  
Chairman

The notes set out on pages 22 to 67 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

	Equity attributable to the shareholders of the parent company						Non-	Total
	Share capital	Treasury shares	Legal reserve	Other components of equity (note 22)	Accumulated losses	Sub – total	controlling	
							interests	
	KD	KD	KD	KD	KD	KD	KD	
<b>Balance at 1 January 2014</b>	<b>74,445,648</b>	<b>(12,364)</b>	<b>1,000,000</b>	<b>10,657,966</b>	<b>(54,534,049)</b>	<b>31,557,201</b>	<b>3,894,877</b>	<b>35,452,078</b>
Sale of treasury shares	-	12,364	(5,024)	-	(1,258)	6,082	-	6,082
Acquisition of non-controlling interests (note 7.1)	-	-	-	-	12,538	12,538	(562,494)	(549,956)
Total transactions with shareholders	-	12,364	(5,024)	-	11,280	18,620	(562,494)	(543,874)
Loss for the year	-	-	-	-	(1,157,166)	(1,157,166)	(23,609)	(1,180,775)
Other comprehensive loss for the year	-	-	-	(12,300,451)	-	(12,300,451)	(532,297)	(12,832,748)
Total comprehensive loss for the year	-	-	-	(12,300,451)	(1,157,166)	(13,457,617)	(555,906)	(14,013,523)
Gain on partial disposal of subsidiary by an associate	-	-	-	-	12,126	12,126	-	12,126
<b>Balance at 31 December 2014</b>	<b>74,445,648</b>	<b>-</b>	<b>994,976</b>	<b>(1,642,485)</b>	<b>(55,667,809)</b>	<b>18,130,330</b>	<b>2,776,477</b>	<b>20,906,807</b>

The notes set out on pages 22 to 67 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity (continued)

	Equity attributable to the shareholders of the parent company						Non-	Total
	Share capital	Treasury shares	Legal reserve	Other components of equity (note 22)	Accumulated losses	Sub total	controlling interests	
	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance at 31 December 2012 (as previously reported)</b>	74,445,648	(12,364)	1,000,000	21,145,010	(55,719,259)	40,859,035	2,273,444	43,132,479
Effect of IFRS 10 adoption	-	-	-	-	-	-	1,797,809	1,797,809
<b>Balance at 31 December 2012 (restated)</b>	74,445,648	(12,364)	1,000,000	21,145,010	(55,719,259)	40,859,035	4,071,253	44,930,288
Arising on part disposal of subsidiary	-	-	-	-	(112,494)	(112,494)	562,494	450,000
Total transactions with shareholders	-	-	-	-	(112,494)	(112,494)	562,494	450,000
Profit/(loss) for the year	-	-	-	-	1,297,704	1,297,704	(1,350,122)	(52,418)
Other comprehensive (loss)/income for the year	-	-	-	(10,487,044)	-	(10,487,044)	611,252	(9,875,792)
Total comprehensive (loss)/income for the year	-	-	-	(10,487,044)	1,297,704	(9,189,340)	(738,870)	(9,928,210)
<b>Balance at 31 December 2013</b>	74,445,648	(12,364)	1,000,000	10,657,966	(54,534,049)	31,557,201	3,894,877	35,452,078

The notes set out on pages 22 to 67 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
<b>OPERATING ACTIVITIES</b>		
<b>Loss for the year</b>	<b>(1,180,775)</b>	(52,418)
Adjustments for:		
Foreign exchange loss on non-operating assets and liabilities	<b>967,235</b>	79,211
Depreciation	<b>1,137,300</b>	1,108,764
Gain on settlement of bank debt	<b>-</b>	(138,468)
Interest and other income	<b>(461,213)</b>	(303,488)
Liabilities and provisions no longer required written back	<b>(3,483,355)</b>	(1,109,775)
Impairment of available for sale investments	<b>1,321,727</b>	1,172,762
Impairment of investment in associates	<b>722,972</b>	2,870,750
Provision for doubtful debts	<b>501,837</b>	1,491,181
Provision for employees' end of service benefits	<b>178,697</b>	235,627
Dividend income	<b>(2,271)</b>	-
Profit from sale of available for sale investments	<b>(327,898)</b>	(4,797,156)
Share of results of associates	<b>(935,143)</b>	(424,343)
Profit on sale of associates	<b>-</b>	(5,888,949)
Finance costs	<b>1,930,591</b>	2,325,957
Profit on sale of subsidiary	<b>(50,068)</b>	-
	<b>319,636</b>	(3,430,345)
<b>Changes in operating assets and liabilities:</b>		
Deferred costs	<b>104,748</b>	(375,301)
Investments at fair value through statement of income	<b>338,198</b>	1,139,462
Receivables and other assets	<b>(566,666)</b>	1,970,181
Payables and other liabilities	<b>1,731,191</b>	1,020,468
Inventories	<b>151,777</b>	(201,294)
Advances from customers	<b>(406,445)</b>	(557,274)
Employees' end of service benefits paid	<b>(83,700)</b>	(136,676)
<b>Net cash from/(used in) operating activities</b>	<b>1,588,739</b>	(570,779)
<b>INVESTING ACTIVITIES</b>		
Purchase of available for sale investments	<b>(3,643)</b>	(5,217)
Proceeds from sale of available for sale investments	<b>837,166</b>	1,507,449
Dividend income received	<b>2,271</b>	-
Interest income received	<b>160,405</b>	240,516
Purchase of property, plant and equipment	<b>(1,551,735)</b>	(973,434)
Purchase of investment in associates	<b>-</b>	(618,935)
Proceeds from sale of investment in associates	<b>-</b>	308,633
Dividends received from associate	<b>-</b>	54,965
Proceeds from part disposal of subsidiary	<b>-</b>	450,000
<b>Net cash (used in)/from investing activities</b>	<b>(555,536)</b>	963,977

## Consolidated statement of cash flows (continued)

	<b>Year ended 31 Dec. 2014 KD</b>	Year ended 31 Dec. 2013 KD
<b>FINANCING ACTIVITIES</b>		
Movement in term loans	<b>(902,200)</b>	(569,600)
Proceeds from sale of treasury shares	<b>6,082</b>	-
Finance costs paid	<b>(354,471)</b>	(1,002,471)
<b>Net cash used in financing activities</b>	<b>(1,250,589)</b>	(1,572,071)
<b>Net decrease in cash and cash equivalents</b>	<b>(217,386)</b>	(1,178,873)
Cash and cash equivalents at beginning of the year	<b>608,404</b>	1,787,277
<b>Cash and cash equivalents at end of the year</b>	<b>391,018</b>	608,404
<b>Non-cash transactions</b>		
Proceed from sale of available for sale investments	-	9,336,609
Proceeds from sale of associate	-	2,500,000
Proceeds from sale of investment at fair value through statement of income	-	500,000
Settlement of term loan	-	(10,839,515)
Finance costs	-	(385,237)
Gain on settlement of bank debt	-	138,468
Payables and other liabilities	-	(1,250,225)

The notes set out on pages 22 to 67 form an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## 1. Incorporation and activities

Al Deera Holding Company (the parent company) was established on 18 February 1998 as a Kuwaiti limited liability company. On 8 September 2005, the legal status of the company was changed from a limited liability company to a Kuwaiti public shareholding company.

The extraordinary general assembly held on 26 June 2014 approved the amendment of the parent company's objectives to become as follows:

- Management of the parent company's subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.
- Investing funds by way of trading in shares, bonds and other financial securities
- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.
- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than %20.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.

The parent company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The parent company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The parent company has the right to establish, participate in or acquire such institutions.

The parent company's shares are listed on Kuwait Stock Exchange. The group comprises the parent company and its subsidiaries. Details of subsidiaries are set out in note 7.

The address of the parent company's registered offices is PO. Box 4839, Safat 13049 – Kuwait.

The parent company's board of directors approved these consolidated financial statements for issue on 20 April 2015. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

## 2. Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through statement of income and financial assets available for sale that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

## 3. Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

## Notes to the consolidated financial statements (continued)

### 4. Changes in accounting policies

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

#### 4.1 New and amended standards adopted by the group

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

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

#### **IAS 32 Financial Instruments: Presentation - Amendments**

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

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

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

#### **IAS 36 Impairment of Assets - Amendments**

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

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

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

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

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

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

## Notes to the consolidated financial statements (continued)

### 4. Changes in accounting policies (continued)

#### 4.1 New and amended standards adopted by the group (continued)

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

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

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

##### **IFRIC 21 Levies**

##### **IFRIC 21 clarifies that:**

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

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

#### **4.2 IASB Standards issued but not yet effective**

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

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



## Notes to the consolidated financial statements (continued)

### 4. Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective

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

## Notes to the consolidated financial statements (continued)

### 4. Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### **IFRS 9 Financial Instruments**

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

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

##### **IFRS 15 Revenue from Contracts with Customers**

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

The five steps in the model are as follows:

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

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

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

# Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies (continued)

### 4.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

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

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

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

#### **IAS 1 Disclosure Initiative – Amendments**

The Amendments to IAS 1 make the following changes:

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

# Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies (continued)

### 4.2 IASB Standards issued but not yet effective (continued)

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

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

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

The groups' management has yet to assess the impact of these new standard on the group's financial statements.

#### **IAS 19 Defined Benefit Plans: Employee Contributions - Amendments**

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

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

#### **IAS 27 Equity Method in Separate Financial Statements - Amendments**

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

The groups' management has yet to assess the impact of these new standard on the group's financial statements.

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

The Amendments are aimed at clarifying the following aspects:

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

The groups' management has yet to assess the impact of these new standard on the group's financial statements.

# Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies (continued)

### 4.2 IASB Standards issued but not yet effective (continued)

#### **Annual Improvements to IFRSs 2012–2014 Cycle**

- (i) Amendments to IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- (ii) Amendments to IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- (iii) Amendments to IAS 19 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- (iv) Amendments to IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

#### **Annual Improvements to IFRSs 2010–2012 Cycle:**

- (i) Amendments to IFRS 3-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of income.
- (ii) Amendments to IFRS 13- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.
- (iii) Amendments to IFRS 8- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators). A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.
- (iv) Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.
- (v) Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

#### **Annual Improvements 2011-2013 Cycle**

- (i) Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:
- IFRSs that are currently effective
  - IFRSs that have been issued but are not yet effective, that permits early adoption

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

- (ii) Amendments to IFRS 3- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- (iii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

# Notes to the consolidated financial statements (continued)

## 5. Significant accounting policies

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

### 5.1 Basis of consolidation

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

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

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

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

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

### 5.2 Business combinations

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

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

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

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

# Notes to the consolidated financial statements (continued)

## 5. Significant accounting policies (continued)

### 5.2 Business combination (continued)

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

### 5.3 Goodwill

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

### 5.4 Investment in associates

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

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

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

The difference in reporting dates of the associates and the group is typically not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

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

### 5.5 Segment reporting

The group has two operating segments: the telecommunication and investment segments. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

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

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.6 Revenue

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

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

##### 5.6.1 Sale of goods

Sale of goods comprises the sale of internet telecom related hardware and software and is recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied, which is normally the date customer has taken delivery of the goods.

##### 5.6.2 Rendering of services

Subscription fees (consisting primarily of monthly charges for access to broad band and other internet access) and services like voice calls are recognised as the service is provided.

Revenue from internet service contracts is recognised on a straight line basis over the term of the contract.

Consulting, structuring, advisory and other fees are recognised when services have been rendered completely.

##### 5.6.3 Interest and similar income

Interest and similar income and expenses are reported on an accrual basis using the effective interest method.

##### 5.6.4 Dividend income

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

#### 5.7 Operating expenses

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

#### 5.8 Finance costs

Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the interest rate applicable.

#### 5.9 Taxation

##### 5.9.1 National Labour Support Tax (NLST)

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

##### 5.9.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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



## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.9 Taxation (continued)

##### 5.9.3 Zakat

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

For the year ended 31 December 2014, the parent company has no liability towards NLST, KFAS and Zakat due to losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

#### 5.10 Property, plant and equipment

Property, plant and equipment (comprising telecom equipment, furniture and fixture and office equipment) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. 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 following useful lives are applied:

- Telecom equipment: 3 - 8 years
- Furniture and fixture: 5 years
- Office equipment: 5 years

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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

#### 5.11 Intangible assets

Intangible assets acquired separately 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 impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, 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.

#### 5.12 Deferred costs

Deferred costs are measured on initial recognition at cost. Following initial recognition, deferred costs are carried at cost less amortisation and impairment losses if any.

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.13 Impairment testing of goodwill and non financial assets

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

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

#### 5.14 Financial instruments

##### 5.14.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either

a) the group has transferred substantially all the risks and rewards of the asset or

b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.14 Financial instruments (continued)

##### 5.14.1 Recognition, initial measurement and derecognition (continued)

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

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

##### 5.14.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through statement of income (FVTSI)
- available-for-sale (AFS) financial assets

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

##### • **Loans and receivables**

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

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

The group categorises loans and receivables into following categories:

##### • **Due from related parties**

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

##### • **Trade receivables**

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

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.14 Financial instruments (continued)

##### 5.14.2 Classification and subsequent measurement of financial assets (continued)

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and balance with banks and other financial institutions which are subject to an insignificant risk of changes in value.

- **Financial assets at FVTSI**

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

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

- **AFS financial assets**

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

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

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

##### 5.14.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include term loans, payables and other liabilities, due to related parties and advances from customers.

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.14 Financial instruments (continued)

##### 5.14.3 Classification and subsequent measurement of financial liabilities (continued)

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

- **Financial liabilities other than at fair value through income statement**

These are stated using effective interest rate method. Term loans, payables and other liabilities, due to related parties and advances from customers are classified as financial liabilities other than at FVTSL.

- **Term loans**

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

- **Payables and other liabilities**

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

- **Due to related parties**

Due to related parties are financial liability arising in the normal courses of the business and are not quoted in an active market.

- **Advances from customers**

Liability is recognised for amounts received in advance from customers for which services is not provided to the customers.

#### 5.15 Amortised cost of financial instruments

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

#### 5.16 Trade and settlement date accounting

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

#### 5.17 Offsetting of financial instruments

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

#### 5.18 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

#### 5.20 Equity, reserves and dividend payments

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

Legal reserve comprises appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent company's articles of association.

Other components of equity include the following:

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

Accumulated losses includes all current and prior period accumulated losses. All transactions with owners of the parent are recorded separately within equity.

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

#### 5.21 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 shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and legal reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

#### 5.22 Provisions, contingent assets and contingent liabilities

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

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

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

## Notes to the consolidated financial statements (continued)

### 5. Significant accounting policies (continued)

#### 5.22 Provisions, contingent assets and contingent liabilities (continued)

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

#### 5.23 Foreign currency translation

##### 5.23.1 Functional and presentation currency

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

##### 5.23.2 Foreign currency transactions and balances

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

##### 5.23.3 Foreign operations

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

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

#### 5.24 End of service benefits

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

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

#### 5.25 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies in which they are principal owners. All related party transactions are approved by management.

## Notes to the consolidated financial statements (continued)

### 6. Significant management judgements and estimation uncertainty

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

#### 6.1 Significant management judgements

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

##### 6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

##### 6.1.2 Control assessment

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

#### 6.2 Estimates uncertainty

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

##### 6.2.1 Impairment of goodwill and other intangible assets

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

##### 6.2.2 Impairment of assets with definite lives

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



## Notes to the consolidated financial statements (continued)

### 6. Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.3 Impairment of associates

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

##### 6.2.4 Impairment of available for sale equity investments

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

##### 6.2.5 Impairment of receivables

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

##### 6.2.6 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

##### 6.2.7 Useful lives of depreciable assets

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

##### 6.2.8 Licence cost

The management assesses whether the useful life of licence cost is finite or indefinite and, if finite, the length of the useful life. The licence cost is regarded by the management as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity.

## Notes to the consolidated financial statements (continued)

### 6. Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.9 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. There are a number of investments where this estimation cannot be reliability determined, and as a result, investments with a carrying amount of KD1,730,022 (2013: KD1,906,748) are carried at cost.

### 7. Subsidiaries

Details of subsidiary companies are set out below:

#### 7.1 Composition of the group

Subsidiary	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2014	31 Dec. 2013	
		%	%	
Al-Deera International Communication Company – WLL	Kuwait	98%	95%	General trading & contracting
Al-Deera SG Company – WLL	Kuwait	98%	98%	General trading
Al-Deera REG Company – WLL	Kuwait	98%	98%	General trading
Al-Deera IG Company – WLL	Kuwait	98%	98%	General trading
Al-Deera FG Company – WLL	Kuwait	98%	98%	General trading
Fast Telecommunication Co. – WLL	Kuwait	39%	39%	Telecommunication
Univest Consultancy Group – WLL	Kuwait	49%	49%	Financial services
Al-Deera Holding USA – Inc	USA	100%	-	General trading

- Control in Fast Telecommunication Company – WLL is demonstrated by representation of majority of directors on the board of directors of the subsidiary.
- The group holds 49% ownership interest and voting rights in Univest Consultancy Group – WLL. The remaining 51% ownership interest is held by other shareholders including the Chief Executive Officer of the parent company. When determining control, management considered whether the group has the practical ability to direct the relevant activities of Univest Consultancy Group – WLL on its own to generate returns for itself. Management concluded that it has the power based on its ability to appoint and remove the majority of management of the investee at any time, without restrictions. The group, therefore, has accounted for Univest Consultancy Group – WLL as a subsidiary.
- During the year, on completion of all legal and establishment formalities, the group consolidated with effect from 1 January 2010 Al-Deera Holding USA, Inc. The group owns 100% of the subsidiary. At 31 December 2014, the total assets of the subsidiary were KD8,894 total liabilities were KD381,994 and net loss for the year was KD373,100.

## Notes to the consolidated financial statements (continued)

### 7. Subsidiaries (continued)

#### 7.1 Composition of the group (continued)

- During the year, the group acquired an additional 3% interest in Al-Deera International Communication Company – WLL, increasing its ownership interest to 98% for a total consideration of KD549,956 to be paid to non-controlling shareholders. The carrying value of the additional net assets acquired in Al-Deera International Communication Company – WLL was KD562,494. Following is a schedule of additional interest acquired in Al-Deera International Communication Company – WLL:

	<b>KD</b>
Consideration paid to non-controlling shareholders	<b>(549,956)</b>
Fair value of the additional interest in Al-Deera International Communication Company – WLL	<b>562,494</b>
Difference recognised in accumulated losses within equity	<b>12,538</b>

- During the year, the group sold one of its subsidiaries (BPL Global Middle East – WLL) to a related party for a total consideration of KD125,000 resulting in a gain of KD50,068. Total assets and liabilities of the subsidiary on the date of disposal amounted KD74,932 and KD Nil respectively (2013: KD303,751 and KD250,179). Upto the date of the disposal, the subsidiary reported a profit of KD21,360 (2013: loss of KD3,098).
- The group has pledged 50% of the share capital of Al-Deera International Communication Company against a term loan (note 23).

#### 7.2 Subsidiaries with material non-controlling interests

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

<b>Name</b>	<b>Proportion of ownership interests and voting rights held by the NCI</b>		<b>Profit/(loss) allocated to NCI</b>		<b>Accumulated NCI</b>	
	<b>31 Dec. 2014</b>	31 Dec. 2013	<b>31 Dec. 2014</b>	31 Dec. 2013	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD	<b>KD</b>	KD	<b>KD</b>	KD
Fast Telecommunication Co. – WLL	<b>61%</b>	61%	<b>288,949</b>	(10,935)	<b>2,551,458</b>	2,262,509
Univest Consultancy Group – WLL	<b>51%</b>	51%	<b>(312,558)</b>	(1,339,186)	<b>250,744</b>	1,100,854

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

## Notes to the consolidated financial statements (continued)

### 7. Subsidiaries (continued)

#### 7.2 Subsidiary with material non-controlling interests (continued)

##### a) Fast Telecommunication Co. - WLL

Summarised financial information for Fast Telecommunication Co. - WLL, before intragroup eliminations is set out below:

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Non-current assets	<b>11,212,785</b>	10,901,043
Current assets	<b>4,993,659</b>	5,229,913
<b>Total assets</b>	<b>16,206,444</b>	16,130,956
Non-current liabilities	<b>2,368,198</b>	3,191,513
Current liabilities	<b>9,655,528</b>	9,230,412
<b>Total liabilities</b>	<b>12,023,726</b>	12,421,925
Equity attributable to the shareholders of the parent company	<b>1,631,260</b>	1,446,522
Non-controlling interests	<b>2,551,458</b>	2,262,509
	<b>Year ended</b>	Year ended
	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Revenue	<b>11,773,003</b>	9,853,424
Profit/(loss) for the year attributable to the shareholders of the parent company	<b>184,738</b>	(6,992)
Profit/(loss) for the year attributable to NCI	<b>288,949</b>	(10,935)
Profit/(loss) for the year	<b>473,687</b>	(17,927)
	<b>Year ended</b>	Year ended
	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Net cash flow from operating activities	<b>2,666,637</b>	169,790
Net cash flow used in investing activities	<b>(1,603,993)</b>	(972,065)
Net cash flow used in financing activities	<b>(934,951)</b>	(221,633)
<b>Net cash inflows/(outflows)</b>	<b>127,693</b>	(1,023,908)

## Notes to the consolidated financial statements (continued)

### 7. Subsidiaries (continued)

#### 7.2 Subsidiary with material non-controlling interests (continued)

##### b) Univest Consultancy Group – WLL

Summarised financial information for Univest Consultancy Group - WLL, before intragroup eliminations is set out below:

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Non-current assets	<b>1,736,634</b>	2,851,932
Current assets	<b>1,230,231</b>	1,542,485
<b>Total assets</b>	<b>2,966,865</b>	4,394,417
Non-current liabilities	<b>52,291</b>	54,877
Current liabilities	<b>2,517,626</b>	2,309,080
<b>Total liabilities</b>	<b>2,569,917</b>	2,363,957
Equity attributable to the shareholders of the parent company	<b>146,204</b>	929,606
<b>Non-controlling interests</b>	<b>250,744</b>	1,100,854
	<b>Year ended</b>	Year ended
	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Revenue	<b>179,945</b>	649,285
Loss for the year attributable to the shareholders of the parent company	<b>(266,291)</b>	(1,193,678)
Loss for the year attributable to NCI	<b>(312,558)</b>	(1,339,186)
<b>Loss for the year</b>	<b>(578,849)</b>	(2,532,864)
Other comprehensive (loss)/income for the year attributable to the shareholders of the parent company	<b>(517,111)</b>	563,447
Other comprehensive (loss)/income for the year attributable to NCI	<b>(537,552)</b>	586,444
<b>Total other comprehensive (loss)/income for the year</b>	<b>(1,054,663)</b>	1,149,891
Total comprehensive loss for the year attributable to the shareholders of the parent company	<b>(783,402)</b>	(630,231)
Total comprehensive loss for the year attributable to NCI	<b>(850,110)</b>	(752,742)
<b>Total comprehensive loss for the year</b>	<b>(1,633,512)</b>	(1,382,973)

## Notes to the consolidated financial statements (continued)

### 7. Subsidiaries (continued)

#### 7.2 Subsidiary with material non-controlling interests (continued)

##### c) Uninvest Consultancy Group – WLL (continued)

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	KD	KD
Net cash flow used in operating activities	(458,773)	(278,760)
Net cash flow from investing activities	16,005	24,165
Net cash flow used in financing activities	-	(61,463)
Net cash inflows/(outflows)	<b>(442,768)</b>	<b>(316,058)</b>

#### 7.3 Interest in unconsolidated structured entities

The group has no interests in unconsolidated structured entities.

#### 7.4 Goodwill

	31 Dec. 2014	31 Dec. 2013
	KD	KD
Fast Telecommunication Company-WLL	7,060,016	7,060,016
Uninvest Consultancy Group -WLL	2,182,488	2,182,488
	<b>9,242,504</b>	<b>9,242,504</b>

##### 7.4.1 Fast Telecommunication Company - WLL

Goodwill acquired through business combination with indefinite life has been allocated to the entire subsidiary, Fast Telecommunication Company - WLL (cash generating unit), for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 12.5% and cash flows beyond the four-year period are extrapolated using 2.7% annual growth.

Key assumptions used in value in use calculations

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

- Gross margins,
- Discount rates and
- Growth rate to extrapolate cash flows beyond forecast period

Gross margins are based on average values achieved in the last three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates reflect the current market assessment of the risks specific to cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the subsidiary.

Projected growth rates and local inflation rate assumptions are based on published research.

## Notes to the consolidated financial statements (continued)

### 7. Subsidiaries (continued)

#### 7.4.1 Fast Telecommunication Company WLL (continued)

##### Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The average gross margin for cash-generating unit would need to fall to 35.5% before impairment is recognised.

The discount rate for cash-generating unit would need to increase to 13% before impairment is recognised.

#### 7.4.2 Univest Consultancy Group WLL.

Goodwill acquired through business combination with indefinite life has been allocated to the subsidiary (cash generating unit) for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a four-year period. The discount rate applied to cash flow projections is 13% and cash flows beyond the forecast period are extrapolated using Nil annual growth.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the discount rate.

Discount rates reflect the current market assessment of the risks specific to cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the subsidiary.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The discount rate for cash-generating unit would need to increase to 16.4% before impairment is recognised.

### 8. Liabilities and provisions no longer required written back

These liabilities include an amount of KD3,069,354 payable on account of National Labour Support Tax (NLST), Zakat & Kuwait Foundation for the Advancement of Sciences (KFAS) relating to prior years arising at the time of merger with another company.

In the opinion of the external legal counsel of the group, these amounts are obsolete and the group is no longer obliged to settle. Therefore, the group reversed these liabilities during the current year.

## Notes to the consolidated financial statements (continued)

### 9. Interest and other income

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2014 KD
Other income	432,821	131,007
Interest on cash and cash equivalents	28,392	822
Interest on balances due from related parties	-	171,659
	<b>461,213</b>	<b>303,488</b>

### 10. Net gain or (loss) on financial assets

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

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2014 KD
Other income	432,821	131,007
Cash and cash equivalents	28,392	822
Due from related parties	-	171,659
Investments at fair value through statement of income		
• Trading	-	(847,534)
• Designated	(428,630)	(436,053)
Available for sale investments	(992,162)	3,624,393
Net realised and unrealised (loss)/gain	(959,579)	2,644,294
Net unrealised (loss)/gain recognised in equity	(12,231,366)	4,928,572
	<b>(13,190,945)</b>	<b>7,572,866</b>

### 11. Finance costs

Finance costs relate to the group's borrowings activities: term loans, due to associates and due to related parties. All these financial liabilities are stated at amortised cost.

### 12. Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company

(Loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the shareholder of the parent company by weighted average number of shares outstanding during the year (excluding treasury shares).

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2014
(Loss)/profit for the year attributable to the shareholders of the parent company (KD)	(1,157,166)	1,297,704
Weighted average number of shares outstanding during the year (excluding treasury shares)	744,235,626	744,154,371
Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company	<b>(1.55) Fils</b>	<b>1.74 Fils</b>



## Notes to the consolidated financial statements (continued)

### 13. Property, plant and equipment

	Telecom equipment	Furniture & fixtures	Office equipment	Total
	KD	KD	KD	KD
<b>31 December 2014:</b>				
<b>Cost</b>				
At 1 January	13,826,357	442,073	1,199,844	15,468,274
Additions	1,494,481	16,841	40,413	1,551,735
At 31 December	<b>15,320,838</b>	<b>458,914</b>	<b>1,240,257</b>	<b>17,020,009</b>
<b>Accumulated depreciation</b>				
At 1 January	10,778,887	362,065	928,310	12,069,262
Charge for the year	987,684	35,221	114,395	1,137,300
At 31 December	<b>11,766,571</b>	<b>397,286</b>	<b>1,042,705</b>	<b>13,206,562</b>
<b>Net book value</b>				
<b>At 31 December</b>	<b>3,554,267</b>	<b>61,628</b>	<b>197,552</b>	<b>3,813,447</b>
<b>31 December 2013 :</b>				
<b>Cost</b>				
At 1 January	12,911,851	442,073	1,140,916	14,494,840
Additions	914,506	-	58,928	973,434
At 31 December	13,826,357	442,073	1,199,844	15,468,274
<b>Accumulated depreciation</b>				
At 1 January	9,828,016	350,587	781,895	10,960,498
Charge for the year	950,871	11,478	146,415	1,108,764
At 31 December	10,778,887	362,065	928,310	12,069,262
<b>Net book value</b>				
<b>At 31 December</b>	3,047,470	80,008	271,534	3,399,012

Depreciation charge for the year has been allocated as follows:

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Cost of sales	1,078,188	1,084,513
General, administrative and other expenses	59,112	24,251
	<b>1,137,300</b>	<b>1,108,764</b>

### 14. Intangible asset

This represents costs incurred by the group to acquire two licences from Ministry of Communication (MOC) Kuwait to provide internet and digital and voice services in Kuwait. The useful life of licence is assessed to be indefinite. Therefore, the licence cost is not amortised, but is tested for impairment annually. Management is not aware of any factors which may indicate impairment of the licences.

## Notes to the consolidated financial statements (continued)

### 15. Deferred costs

This represents the costs that the group has incurred to purchase bandwidth capacity on submarine telecommunications cable system for a 15 year period. The amount paid has been classified as a deferred cost and is being amortised over the term of the contracts.

### 16. Investment in associates

#### 17.1 Details of the group's investment in associates are given below:

	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2014 %	31 Dec. 2013 %	
Al Bab Holding Company – WLL	Kuwait	20%	20%	Investment
Warba Press & Publishing Company – WLL	Kuwait	24%	24%	Press & publishing
Arzan Financial Group for Financing and Investment – KPSC	Kuwait	18.20%	18.20%	Financing and investment
Aiwa Gulf Company – WLL	Kuwait	32.27%	32.27%	Communications
Sadara Industrial Development Co. – WLL	Saudi Arabia	25%	25%	Food Industry
Diwan Capital Limited – UAE	UAE	24%	24%	Investment

The group exercises significant influence on Arzan Financial Group for Financing and Investment by way of representation on the board of directors of the investee.

All the above associates except Arzan Financial Group for Financing and Investment – KPSC are unquoted.

The movement of investment in associates during the year was as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Balance at beginning of the year (as previously reported)	29,763,452	48,932,291
Effect of IFRS 10 adoption	-	(3,139,838)
Balance at beginning of the year (restated)	29,763,452	45,792,453
Purchase of associates	-	618,935
Disposal of associates	-	(2,751,467)
Dividends from associates	-	(54,965)
Share of results	935,143	424,343
Share of other comprehensive (loss)/income of associates	(2,251,554)	1,099,136
Foreign exchange translation	(11,449)	(1,511)
Impairment of investment in associates	(722,972)	(2,870,750)
Reclassification to available for sale investments	-	(12,492,722)
Disposal of partial interest of an associate's subsidiary	12,126	-
	<b>27,724,746</b>	<b>29,763,452</b>

Investment in associates of KD6,826,086 (2013: KD11,204,935) is pledged against term loans and due to related parties (notes 23 and 24).

As a result of the impairment testing of the carrying value of the investment in associates, the group recognised an impairment loss of KD722,972 (2013: KD2,870,750).

## Notes to the consolidated financial statements (continued)

### 16. Investment in associates (continued)

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

**d) Arzan Financial Group for Financing and Investment – KPSC:**

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Non-current assets	<b>153,304,531</b>	136,837,520
Current assets	<b>30,400,063</b>	34,777,787
<b>Total assets</b>	<b>183,704,594</b>	171,615,307
Non-controlling interests	<b>43,149,864</b>	16,619,629
Non-current liabilities	<b>6,490,539</b>	13,418,382
Current liabilities	<b>21,318,590</b>	20,099,319
<b>Total liabilities</b>	<b>70,958,993</b>	50,137,330
<b>Net assets</b>	<b>112,745,601</b>	121,477,977

	<b>Year ended 31 Dec. 2014</b>	Year ended 31 Dec. 2013
	<b>KD</b>	KD
Revenue	<b>11,379,114</b>	9,628,338
<b>Profit for the year</b>	<b>4,817,340</b>	2,267,304
Other comprehensive (loss)/income for the year	<b>(13,366,608)</b>	6,451,328
<b>Total comprehensive (loss)/income for the year</b>	<b>(8,549,268)</b>	8,718,632

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

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Group's ownership interest (%)	<b>18.20%</b>	18.20%
<b>Net assets of the associate</b>	<b>112,745,601</b>	121,477,977
Group's share of net assets	<b>20,517,212</b>	22,106,312
Goodwill	<b>2,290,341</b>	2,290,341
Other adjustments	<b>(464,045)</b>	(435,120)
<b>Carrying amount</b>	<b>22,343,508</b>	23,961,533
<b>Fair value of the associate</b>	<b>6,940,078</b>	11,396,339

## Notes to the consolidated financial statements (continued)

### 16. Investment in associates (continued)

#### 16.2 Summarised financial information of group's material associates are set out below: (continued)

##### e) Aiwa Gulf Company – WLL:

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Non-current assets	<b>4,491,831</b>	6,210,971
Current assets	<b>4,449,696</b>	2,376,691
<b>Total assets</b>	<b>8,941,527</b>	8,587,662
Non-current liabilities	<b>526,174</b>	1,040,319
Current liabilities	<b>1,981,362</b>	2,143,233
<b>Total liabilities</b>	<b>2,507,536</b>	3,183,552
<b>Net assets</b>	<b>6,433,991</b>	5,404,110
	<b>Year ended 31 Dec. 2014</b>	Year ended 31 Dec. 2013
	<b>KD</b>	KD
Revenue	<b>2,452,000</b>	2,242,328
<b>Profit for the year</b>	<b>1,068,373</b>	212,196
Other comprehensive loss for the year	<b>(44,501)</b>	(6,009)
<b>Total comprehensive profit for the year</b>	<b>1,023,872</b>	206,187

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

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Group's ownership interest (%)	<b>32.27%</b>	32.27%
<b>Net assets of the associate</b>	<b>6,433,991</b>	5,404,110
Group's share of net assets	<b>2,076,251</b>	1,743,908
Goodwill	<b>1,658,179</b>	2,381,151
<b>Carrying amount</b>	<b>3,734,430</b>	4,125,059

## Notes to the consolidated financial statements (continued)

### 16.3 Investment in associates (continued)

16.3 Set out below is the aggregate information for the individually immaterial associates, as at 31 December 2014 and 31 December 2013.

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Group's share of the results	<b>(66,207)</b>	(75,712)
Group's share of total comprehensive loss	<b>(66,207)</b>	(75,712)
Aggregate carrying amount of group's interest in these associates	<b>1,646,808</b>	1,676,860

### 17. Available for sale investments

	31 Dec. 2014 KD	31 Dec. 2013 KD
Investment portfolios	<b>3,977,958</b>	11,469,068
Quoted investments	<b>2,239,566</b>	5,335,367
Equity participations	<b>10,071,223</b>	11,730,114
	<b>16,288,747</b>	28,534,549

- Equity participations are investments with the objective of future medium and long-term capital growth. These investments include investments with a carrying value of KD1,730,022 (2013: KD1,906,748) which are stated at cost due to unavailability of reliable fair market value.

- Available for sale investments having a carrying value of KD6,576,187 (2013: KD15,874,253) are pledged as security against term loans, due to associates and due to related parties (notes 23 and 24).

- During the year, the group recognised an impairment loss of KD1,321,727 (2013: KD1,172,762) against certain available for sale investments as the market value of these investments declined significantly below their costs. Management is not aware of any factors which may indicate any further impairment against available for sale investments.

## Notes to the consolidated financial statements (continued)

### 18. Receivables and other assets

	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Financial assets</b>		
Trade receivables	4,673,720	4,313,394
Due from associates	3,916,212	3,916,212
Due from other related parties	768,994	2,835,650
	<b>9,358,926</b>	11,065,256
Provision for doubtful debts	<b>(5,848,624)</b>	(6,265,877)
	<b>3,510,302</b>	4,799,379
Staff receivables	65,129	35,980
Advances to suppliers	182,781	321,345
Refundable deposit	23,587	160,468
Other assets	1,373,337	1,948,084
	<b>5,155,136</b>	7,265,256
<b>Non-financial assets</b>		
Prepaid expenses	731,970	673,606
	<b>5,887,106</b>	7,938,862

The carrying values of the financial assets included above approximate their fair values and all of them are due within one year.

Trade receivables are non-interest bearing and generally on 30 – 90 days terms.

As at 31 December 2014 and 31 December 2013 the ageing analysis of trade receivables is as follows:

	Not due	30 days	60 days	90 days	Over 90 days	Total
	KD	KD	KD	KD	KD	KD
<b>31 December 2014</b>	<b>69,246</b>	<b>404,155</b>	<b>519,982</b>	<b>269,456</b>	<b>3,410,881</b>	<b>4,673,720</b>
31 December 2013	127,049	615,837	311,380	177,798	3,081,330	4,313,394

### 19. Investments at fair value through statement of income

	31 Dec. 2014	31 Dec. 2013
	KD	KD
<b>Designated on initial recognition:</b>		
Unquoted investments	480,214	484,979
Investment portfolios	1,272,964	1,606,397
	<b>1,753,178</b>	2,091,376

Designated investment portfolios having a carrying value of KD1,272,294 (2013: KD915,894) are pledged against term loan (note 23).

## Notes to the consolidated financial statements (continued)

### 20. Share capital

	<b>Authorised, issued and fully paid</b>	
	<b>31 Dec. 2014</b>	<b>31 Dec. 2013</b>
	<b>KD</b>	<b>KD</b>
744,456,480 (2013: 744,456,480) authorised, issued and fully paid shares of KD0.100 each.	<b>74,445,648</b>	<b>74,445,648</b>

Subsequent to the reporting date, an extraordinary general assembly of the shareholders held on 22 March 2015 approved to write off accumulated losses of KD55,702,744 by using legal reserve of KD994,976 and reduction of share capital by KD54,707,768. Management of the parent company is in the process to amend the articles of association to reflect this decision.

After the amendment, the share capital of the parent company will comprise of 197,378,800 shares of 100 Fils per share. All shares are in cash.

### 21. Legal reserve

The Companies Law and the parent company's articles of association require that 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is transferred to legal reserve. The shareholders of the parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. No transfer is required in a year in which the parent company has incurred a loss or where cumulative losses exist.

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

### 22. Other components of equity

	<b>Fair value reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Balance at 1 January 2014</b>	<b>10,376,987</b>	<b>280,979</b>	<b>10,657,966</b>
Exchange differences arising on translation of foreign operations	-	<b>(216,530)</b>	<b>(216,530)</b>
Share of other comprehensive loss of associates	<b>(2,253,191)</b>	<b>1,637</b>	<b>(2,251,554)</b>
AFS financial assets:			
- Net change in fair value arising during the year	<b>(11,299,902)</b>	-	<b>(11,299,902)</b>
- Transferred to consolidated statement of income on sale	<b>145,808</b>	-	<b>145,808</b>
- Transferred to consolidated statement of income on impairment	<b>1,321,727</b>	-	<b>1,321,727</b>
Total other comprehensive loss for the year	<b>(12,085,558)</b>	<b>(214,893)</b>	<b>(12,300,451)</b>
<b>Balance at 31 December 2014</b>	<b>(1,708,571)</b>	<b>66,086</b>	<b>(1,642,485)</b>

## Notes to the consolidated financial statements (continued)

### 22. Other components of equity (continued)

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
<b>Balance at 1 January 2013</b>	20,898,730	246,280	21,145,010
Exchange differences arising on translation of foreign operations	-	(626)	(626)
Share of other comprehensive income of associates	1,063,811	35,325	1,099,136
AFS financial assets:			
- Net change in fair value arising during the year	2,691,999	-	2,691,999
- Transferred to consolidated statement of income on sale/exchange	(15,450,315)	-	(15,450,315)
- Transferred to consolidated statement of income on impairment	1,172,762	-	1,172,762
Total other comprehensive (loss)/income for the year	(10,521,743)	34,699	(10,487,044)
<b>Balance at 31 December 2013</b>	10,376,987	280,979	10,657,966

### 23. Term loans

Currency	<b>31 Dec. 2014</b> KD	31 Dec. 2013 KD
Kuwaiti Dinars	<b>2,601,200</b>	3,503,400
US Dollars	<b>10,998,750</b>	10,595,626
US Dollars	<b>14,078,400</b>	13,562,400
	<b>27,678,350</b>	27,661,426
Less: Instalments due within next twelve months	<b>(26,312,870)</b>	(25,968,426)
	<b>1,365,480</b>	1,693,000

The average effective interest rate on US Dollar loans is 4.59% (2013: 4.59%) per annum and on Kuwaiti Dinar loans ranges between 5.50% and 7.50% (2013: 5.50% and 7.50%) per annum.

The term loans are secured against investment in associates (note 16), available for sale investments (note 17), investments at fair value through statement of income (note 19) and 50% of the share capital of Al- Deera International Communication Company (note 7.1).

The Kuwaiti Dinar outstanding loans represent term loans and Murabaha. The facilities are secured by corporate guarantees as well as certain trade receivables in various instalments ending on 15 July 2018.

In a prior year, a total loan facility of USD 37.5 million was restructured to be paid in equal annual instalments of USD 12.5 million ending 28 December 2015. During the last year, one of the instalments due on 28 December 2013 amounting to USD 12.5 million was not paid. However, during the year, the group agreed with the bank to reschedule the unpaid instalment which is now repayable on 28 December 2015. Also, one instalment of USD 12.5 million matured on 28 December 2014 and was not paid. The group was unable to fully pay the interest due on this facility. Management is currently negotiating settlement of these unpaid amounts. The entire outstanding amount due under this facility is shown as current liability.

Further, on 21 October 2011, an instalment of USD26.5 million matured for a syndicated loan facility of USD53 million. However, during 2011, the group settled an amount of USD5,000,000 (equivalent to KD1,376,165) plus the related accrued interest up to that date of USD643,469 (equivalent to KD177,598). The remaining balance of USD48 million of the total facility was restructured to be paid in instalments with the final maturity on 30 December 2014. This balance was not paid and the group was unable to fully pay the interest due on this facility. Management is currently negotiating settlement of this balance. The entire outstanding amount due under this facility is shown as current liability.



## Notes to the consolidated financial statements (continued)

### 24. Payables and other liabilities

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
<b>Financial liabilities</b>		
Trade payables	<b>2,297,410</b>	2,017,409
Due to associates	<b>1,034,248</b>	2,713,994
Due to other related parties	<b>9,170,979</b>	7,697,373
Accrued expenses	<b>881,667</b>	644,555
Accrued interest	<b>1,731,879</b>	472,538
Dividend payable	<b>62,810</b>	62,810
National Labour Support Tax payable	<b>2,602,977</b>	4,038,689
KFAS payable	<b>206,133</b>	1,891,086
Zakat payable	<b>104,294</b>	52,983
Other payables	<b>1,735,341</b>	2,118,822
	<b>19,827,738</b>	21,710,259

Balance due to associates carry an interest rate of 6% (2013: 6%) per annum and is secured against available for sale investment (note 17).

Due to other related parties include balances amounting to KD5,793,848 (2013: KD5,523,713) which bear interest rate of 5% (2013: 2.5% to 5.0%) per annum and are secured against investment in associates (note 16) and available for sale investments (note 17).

### 25. Annual general assembly

The annual general assembly of the shareholders held on 22 May 2014 approved the consolidated financial statements of the group for the year ended 31 December 2013 without dividend.

### 26. Related party balances and transactions

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

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

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Consolidated statement of financial position:		
Due from related parties (included in receivables and other assets)	<b>418,994</b>	1,683,570
Due from associates (included in receivables and other assets)	<b>10,263</b>	10,263
Due to related parties (included in payables and other liabilities)	<b>9,170,979</b>	7,697,373
Due to associates (included in payables and other liabilities)	<b>1,034,248</b>	2,713,994
Loss on part disposal of subsidiary	-	112,494
Purchase of investment in associate	-	618,935
Purchase of available for sale investments	-	441,896
Sale of available for sale investments	<b>101,976</b>	1,707,450

## Notes to the consolidated financial statements (continued)

### 26. Related party balances and transactions (continued)

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
<b>Transactions included in consolidated statement of income:</b>		
Profit on sale of available for sale investments	<b>340,837</b>	110,939
Finance costs (associates)	<b>149,897</b>	128,218
Finance costs (other related parties)	<b>304,319</b>	234,320
Management and advisory fees	<b>125,000</b>	1,421,682
(Loss)/profit on sale of investments at fair value through statement of income	<b>(2,272)</b>	16,759
Profit on sale of associate	-	115,121
Profit on sale of subsidiary	<b>50,068</b>	-
<b>Compensation of key management personnel:</b>		
Short-term benefits	<b>690,435</b>	847,495
End of service benefits	<b>32,042</b>	63,628
	<b>722,477</b>	911,123

### 27. Segmental information

The group's reportable segments under IFRS 8 are as follows:

- Telecommunication
- Investments

The revenues and profits/(losses) generated by the group from segments are summarised as follows:

	<u>Telecommunication</u>		<u>Investments</u>		<u>Total</u>	
	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Segment revenue	<b>11,773,003</b>	9,853,424	<b>4,043,423</b>	11,769,836	<b>15,816,426</b>	21,623,260
Segment profit/(loss)	<b>473,687</b>	(17,927)	<b>(1,654,462)</b>	(34,491)	<b>(1,180,775)</b>	(52,418)
Profit/(loss) for the year	<b>473,687</b>	(17,927)	<b>(1,654,462)</b>	(34,491)	<b>(1,180,775)</b>	(52,418)

#### As at 31 December 2014 and 31 December 2013:

Total segment assets	<b>16,206,444</b>	16,130,956	<b>57,008,486</b>	73,817,912	<b>73,214,930</b>	89,948,868
Total segment liabilities	<b>12,023,726</b>	12,421,925	<b>40,284,397</b>	42,074,865	<b>52,308,123</b>	54,496,790

### 28. Risk management objectives and policies

The group's principal financial liabilities comprise term loans and payables and other liabilities. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as receivables and other assets, cash and bank balances and investment securities. The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

## Notes to the consolidated financial statements (continued)

### 28. Risk management objectives and policies (continued)

The parent company's board of directors is ultimately responsible to set out policies and strategies for management of risks.

The group does not use derivative financial instruments.

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

#### 28.1 Market risk

##### a) Foreign currency risk

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

The group mainly operates in Kuwait, the Middle Eastern countries and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar and Euro. The group's financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

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

	<u>Financial assets</u>		<u>Financial liabilities</u>	
	<b>31 Dec. 2014</b> KD	31 Dec. 2013 KD	<b>31 Dec. 2014</b> KD	31 Dec. 2013 KD
US Dollar	<b>7,434,962</b>	7,801,228	<b>25,122,145</b>	24,219,370
Euro	<b>436,053</b>	436,053	-	-

The foreign currency sensitivity is determined on the following assumptions:

	<u>Exchange rate sensitivity %</u>	
	<b>31 Dec. 2014</b>	31 Dec. 2013
US Dollar	<b>0.34%</b>	0.34%
Euro	<b>0.59%</b>	0.59%

The above percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	<u>Profit for the year</u>		<u>Equity</u>	
	<b>31 Dec. 2014</b> KD	31 Dec. 2013 KD	<b>31 Dec. 2014</b> KD	31 Dec. 2013 KD
US Dollar	<b>±83,508</b>	±79,660	<b>±23,372</b>	±23,838
Euro	<b>±2,573</b>	±2,573	-	-

##### a) Foreign currency risk (continued)

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

## Notes to the consolidated financial statements (continued)

### 28. Risk management objectives and policies (continued)

#### 28.1 Market risk (continued)

##### b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to term loans and balances due to related parties. The risk is managed by the group by monitoring regularly to ensure positions are maintained within established limits.

The group does not have any off balance sheet financial instruments which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +1% and -1% (2013: +1% and -1% basis points) for LIBOR and +1% and -1% (2013: +1% and -1%) for Kuwaiti Dinar interest rates. The calculation is based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on group's equity. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

	<u>Increase in interest rate</u>		<u>Decrease in interest rate</u>	
	<b>31 Dec. 2014</b>	31 Dec. 2013	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD	<b>KD</b>	KD
Profit for the year	<b>(348,223)</b>	(356,371)	<b>348,223</b>	356,371

##### c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income or available for sale investments.

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

The equity price risk sensitivity is determined on the following assumptions:

	<b>31 Dec. 2014</b>	31 Dec. 2013
Kuwait market	<b>1%</b>	1%
London market	<b>4%</b>	4%
USA market	<b>8%</b>	8%
Dubai market	<b>2%</b>	2%

##### c) Price risk (continued)

The above percentages have been determined based on basis of average market movements during the year. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of negative changes to equity prices in accordance with the above mentioned equity price sensitivity assumptions.

## Notes to the consolidated financial statements (continued)

### 28. Risk management objectives and policies (continued)

#### 28.1 Market risk (continued)

##### c) Price risk (continued)

	<u>Profit for the year</u>		<u>Equity</u>	
	<b>31 Dec. 2014</b>	31 Dec. 2013	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD	<b>KD</b>	KD
Investments at fair value through statement of income	<b>32,540</b>	36,177	<b>32,540</b>	36,177
Available for sale investments	-	-	<b>644,146</b>	776,252

If equity price risk sensitivity had been equal and opposite to the above percentages, the effect on the profit for the year and equity would have been as follows:

	<u>Profit for the year</u>		<u>Equity</u>	
	<b>31 Dec. 2014</b>	31 Dec. 2013	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD	<b>KD</b>	KD
Investments at fair value through statement of income	<b>(32,540)</b>	(36,177)	<b>(32,540)</b>	(36,177)
Available for sale investments	-	-	<b>(644,146)</b>	(776,252)

#### 28.2 Credit risk

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

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

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Receivables and other assets (note 18)	<b>5,155,136</b>	7,265,256
Investments at fair value through statement of income	<b>1,753,178</b>	2,091,376
Balances with banks and other financial institutions	<b>391,018</b>	608,404
	<b>7,299,332</b>	9,965,036

The group continuously monitors defaults of customers and other counterparties, identified either individually or as a group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality other than those disclosed in note 18.

The credit risk for bank balances is considered negligible, since the counterparties are financial institutions with high credit quality.

## Notes to the consolidated financial statements (continued)

### 28. Risk management objectives and policies (continued)

#### 28.3 Liquidity risk

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

The table below summarises the maturity profile of the group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

	Upto 3 months KD	3-12 months KD	Over 1 year KD	Total KD
<b>31 December 2014</b>				
<b>Liabilities</b>				
Term loans	25,373,580	939,290	1,365,480	27,678,350
Payables and other liabilities	1,782,892	18,044,846	-	19,827,738
	<b>27,156,472</b>	<b>18,984,136</b>	<b>1,365,480</b>	<b>47,506,088</b>

<b>31 December 2013</b>				
<b>Liabilities</b>				
Term loans	17,546,875	8,421,551	1,693,000	27,661,426
Payables and other liabilities	995,128	20,715,131	-	21,710,259
	18,542,003	29,136,682	1,693,000	49,371,685

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

	Upto 3 months KD	3-12 months KD	Over 1 year KD	Total KD
<b>31 December 2014</b>				
<b>Financial liabilities</b>				
Term loans	25,484,115	1,002,798	1,423,869	27,910,782
Payables and other liabilities	1,874,381	18,319,315	-	20,193,696
	<b>27,358,496</b>	<b>19,322,113</b>	<b>1,423,869</b>	<b>48,104,478</b>

<b>31 December 2013</b>				
<b>Financial liabilities</b>				
Term loans	17,626,452	9,004,640	1,739,557	28,370,649
Payables and other liabilities	1,022,521	21,198,367	-	22,220,888
	18,648,973	30,203,007	1,739,557	50,591,537

## Notes to the consolidated financial statements (continued)

### 29. Fair value measurement

#### 29.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
<b>Financial assets:</b>		
<b>Loans and receivables at amortised cost:</b>		
- Receivables and other assets (note 18)	<b>5,155,136</b>	7,265,256
- Balances with banks and other financial institutions	<b>391,018</b>	608,404
<b>Investments at fair value through statement of income:</b>		
Investments at fair value through statement of income	<b>1,753,178</b>	2,091,376
<b>Available for sale investments:</b>		
Available for sale investments – at fair value	<b>14,558,725</b>	26,627,801
Available for sale investments – at cost	<b>1,730,022</b>	1,906,748
	<b>23,588,079</b>	38,499,585
<b>Financial liabilities:</b>		
Term loans	<b>27,678,350</b>	27,661,426
Payables and other liabilities	<b>19,827,738</b>	21,710,259
	<b>47,506,088</b>	49,371,685

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values. The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

## Notes to the consolidated financial statements (continued)

### 29. Fair value measurement (continued)

#### 29.1 Fair value hierarchy (continued)

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

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2014</b>					
<b>Investments at fair value through statement of income</b>					
Designated on initial recognition					
Unquoted investments	b	-	-	480,214	480,214
Investment portfolios	c	1,272,964	-	-	1,272,964
<b>Available for sale investments</b>					
Investment portfolios	c	3,977,958	-	-	3,977,958
Quoted investments	a	2,239,566	-	-	2,239,566
Equity participations	d	-	917,539	7,423,662	8,341,201
<b>Net fair value</b>		<b>7,490,488</b>	<b>917,539</b>	<b>7,903,876</b>	<b>16,311,903</b>

#### 31 December 2013

#### Investments at fair value through statement of income

Designated on initial recognition

Unquoted investments	b	-	-	484,979	484,979
Investment portfolios	c	1,606,397	-	-	1,606,397

#### Available for sale investments

Investment portfolios	c	11,469,067	-	-	11,469,067
Quoted investments	a	5,335,367	-	-	5,335,367
Equity participations	d	-	917,709	8,905,658	9,823,367
<b>Net fair value</b>		<b>18,410,831</b>	<b>917,709</b>	<b>9,390,637</b>	<b>28,719,177</b>

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



## Notes to the consolidated financial statements (continued)

### 29. Fair value measurement (continued)

#### 29.2 Fair value measurement of financial instruments

##### Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

##### a) Quoted securities

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

##### b) Unquoted securities

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

##### c) Investment portfolios

The underlying investments of investment portfolios primarily comprise of local and foreign securities whose fair value has been determined by reference to their quoted bid prices at the reporting date.

##### d) Equity participations

Equity participations are investments with the objective of future medium and long-term capital growth.

##### e) Financial liabilities

The group does not have any financial liabilities at fair value.

##### Level 3 fair value measurements

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

	<u>31 Dec. 2014</u>		<u>31 Dec. 2013</u>	
	<b>Investments at fair value</b>	<b>Available for sale investments</b>	Investments at fair value	Available for sale investments
	<b>KD</b>	<b>KD</b>	KD	KD
Opening balance	<b>484,979</b>	<b>8,905,658</b>	917,389	22,371,727
Gains or losses recognised in:				
- Statement of income	<b>(1,122)</b>	-	(436,053)	-
- Other comprehensive loss	-	<b>(1,286,494)</b>	-	(3,208,717)
- Sales	<b>(3,643)</b>	<b>(214,697)</b>	-	(10,257,352)
Additions during the year	-	<b>19,195</b>	3,643	-
Closing balance	<b>480,214</b>	<b>7,423,662</b>	484,979	8,905,658

## Notes to the consolidated financial statements (continued)

### 29. Fair value measurement (continued)

#### 29.2 Fair value measurement of financial instruments (continued)

##### Level 3 fair value measurements (continued)

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

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

##### Available for sale investments and investments at fair value through statement of income:

The fair value of financial instruments that are not traded in an active market (e.g local unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Gains or losses recognized in the consolidated statement of income for the year are included in (loss)/profit on sale of investments at fair value through statement of income, change in fair value of investments at fair value through statement of income and profit on sale of available for sale investments.

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

The impact on consolidated statement of income and consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by %5.

### 30. Capital management objectives

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

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

Consistent with others in the industry, the group monitors capital on the basis of the net debt to equity ratio.

The net debt consists of the following:

	<b>31 Dec. 2014</b>	31 Dec.2013
	<b>KD</b>	KD
Term loans	<b>27,678,350</b>	27,661,426
Due to associates and other related parties (note 24)	<b>10,205,227</b>	10,411,367
Less: Cash and cash equivalents	<b>(391,018)</b>	(608,404)
<b>Net debt</b>	<b>37,492,559</b>	37,464,389
Equity	<b>20,906,807</b>	35,452,078

## Notes to the consolidated financial statements (continued)

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

	<b>31 Dec. 2014</b>	31 Dec. 2013
	<b>KD</b>	KD
Net debt	<b>37,492,559</b>	37,464,389
Equity	<b>20,906,807</b>	35,452,078
Net debt to equity ratio	<b>179.3%</b>	105.7%

### 31. Contingent liabilities

At 31 December 2014, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD3,566,817 (2013: KD4,140,633).

In addition, the parent company has provided a corporate guarantee to a local bank for the bank facilities provided by the bank to a subsidiary amounting to KD1,224,817 (2013: KD1,798,633).

### 32. Capital commitments

At 31 December 2014, the group had capital commitments of KD621,301 (2013: KD597,900) towards purchase of investments and an amount of KD272,538 (2013: KD1,057,996) for the acquisition of internet bandwidth capacity and acquisition of equipment.

