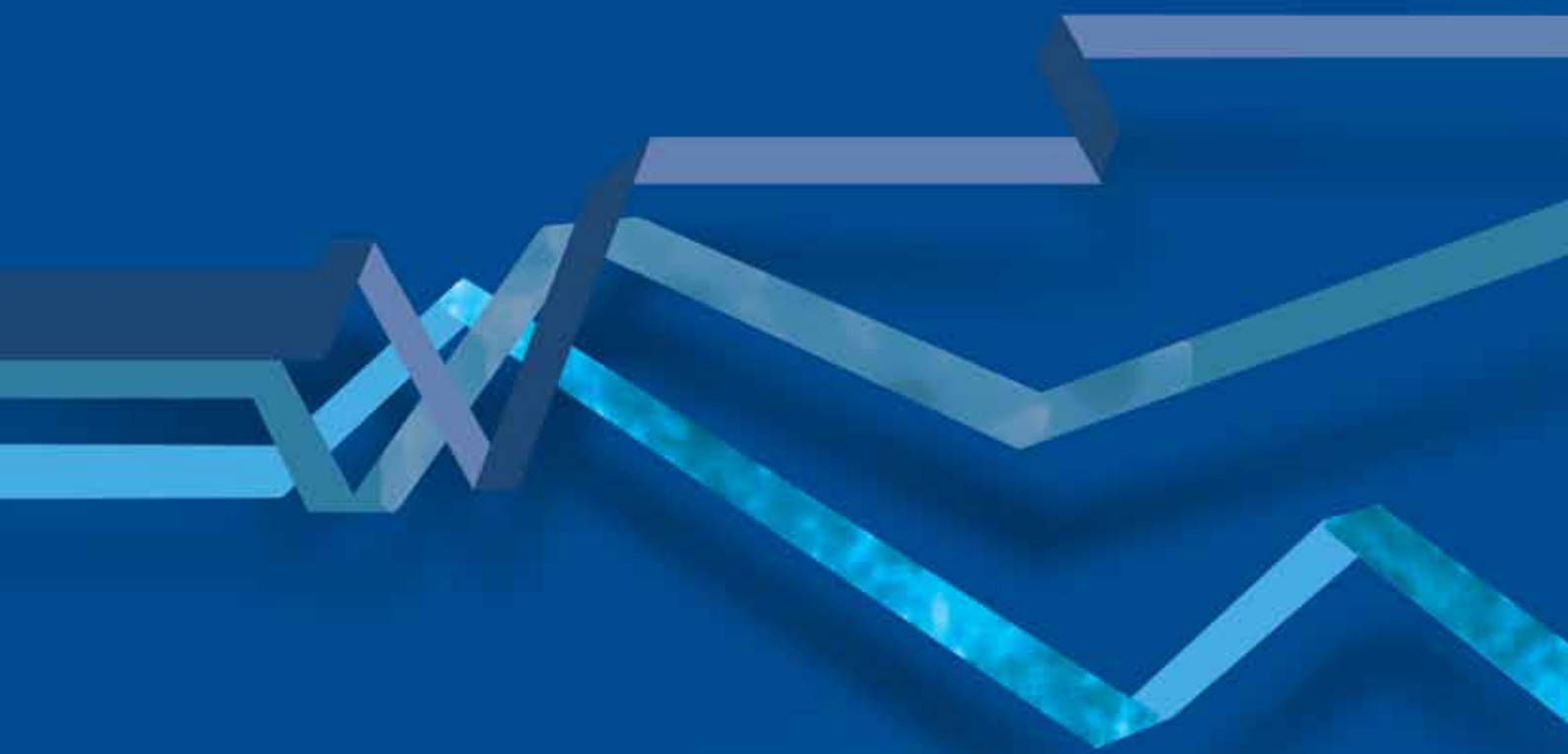


ANNUAL REPORT AND
FINANCIAL STATEMENTS 2014





His Highness Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of Kuwait



His Highness Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince



His Highness Sheikh
Jaber Al-Mubarak Al-Hamad Al-Sabah
Prime Minister

P.O. Box: 1346 Dasman 15464 Kuwait
Tel.: (965) 22251200
Fax: (965) 22251203/4

Email: info@strategia.com.kw
Website: www.strategia.com.kw

USA Office:

Strategia Investors, Inc.
107 John Street,
Southport, CT 06890 USA
Office: (1) 203 722 6974
Fax: (1) 509 757 2434

Index

	Page
Board of Directors	7
Chairman Message	8
Vice Chairman & CEO Message	9
Governance and Transparency Report	12
Independent Auditors' Report	36
Consolidated Statement of Financial Position	37
Consolidated Statement of Income	38
Consolidated Statement of Comprehensive Income	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	41
Notes to the Consolidated Financial Statements	42

Board of Directors



Mr. Soud Abdulaziz Al-Mansour
Chairman



Mr. Mishal Nasser Habib
Vice Chairman & CEO



Mr. Hassan Kamal Caedbey
Board Member



Mr. Jamal Abdullah Al-Saleem
Board Member



Mrs. Amani Ibrahim Al-Omani
Board Member



Mr. Ghazi Ahmed Al-Osaimi
Board Member

Chairman Message

**“And say (unto them): Act! Allah will behold your actions,
and (so will) His messenger and the believers”**

Dear Valued Shareholders,

It gives me great pleasure, on behalf of my fellow Board Members of Strategia Investment Company to present to you Strategia's Annual Report and Financial Statements for the fiscal year ended 31 December 2014.

Strategia has recorded positive results, achieving a net profit of KD 1,123,391. Where the main financial indicators of the company during 2014 as follows:

Statement	2013	2014	Percentage Change
Total assets	KD 35,360,983	KD 34,294,987	(3.01)%
Total liabilities	KD 3,444,646	KD 449,604	(86.9)%
Shareholders' equity	KD 31,916,337	KD 33,845,383	6.04%

The proportions are relatively well in the circumstances experienced by the Kuwaiti market during 2014 and regional markets. Therefore, the Board of Directors has decided to avoid any dividend payment for the financial year ended 31/12/2014 and post the profits to shareholders equity.

The Board also recommended distributing remuneration for Board members by 12,000 KD (only twelve thousand Kuwaiti Dinars) as a result of their efforts and work for the fiscal year ended on December 31, 2014. This recommendation is subject to the Annual General Meeting's approval and other authorities.

The year 2014 was one of the worst years that passed on local market that came in the end of regional financial markets parade and the world's fifth-worst performing Stock Exchanges in 2014. Since capital markets are a reflection of the economic climate of the States, it is a clear indication of the poor state of the national economy during 2014, which were the result of the bad situation for the previous years. Kuwait has suffered for years from a deteriorating economic climate, because of the no real development and slow political action between the authorities in addition to the lack of development of laws and economic legislation that would work on the resettlement of local investment and attracting foreign investments with changing economic culture of consumption to industrial and service pattern especially with great financials potentialities, experience and competencies with national geographic and historic token on the map of the Arab Gulf countries rich in natural resources.

Overall, we still have the optimistic view for the markets in which we operate locally, regionally or internationally where we have confidence of the positive facts for these markets, although some of influential political or psychological factors, but this does not restrict the presence of high-value investment opportunities.

At the end and on behalf of the Board Members, I would like to extend my sincere thanks and gratitude to H.H. Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, the Amir of Kuwait; H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of Kuwait; H.H. Sheikh Jaber Al-Mubarak Al-Sabah, the Prime Minister; and all the regulators for their efforts to achieve the good of our country and its progress at all aspects. I would also like to thank our valued shareholders for their support which we hope will continue and more in the future; and to our customers for their confidence in Strategia. Also, I extend my thanks and gratitude to the company's staff members for their efforts to achieve the business plans.



Soud Abdulaziz Al-Mansour
Chairman

Vice Chairman and CEO Message

Dear Valued Shareholders,

SIC's Management is pleased to present you the annual report and financial statements of the company for the fiscal year ending on 31 December 2014.

Key Financial Highlights in 2014 *

Statement	2014	2013
Management fees	281	243
Investment income	1,483	4,203
Interest income, and others	74	80
Total assets	34,295	35,361
Total liabilities	450	3,445
Shareholders' equity	33,845	31,916
Retained earnings (losses)	2,218	1,219
Net profit	1,124	3,363
Earnings per share (fils)	3.75 fils	13.8 fils
Share price at the end of the year	59 fils	77 fils
Market capitalization	17,700	23,100
Book value	112 fils	106 fils
Return on shareholders' equity (%)	3.32%	10.54%

* Figures in thousands

The financial statements experienced fundamental changes especially the company debts that were settled during 2014 for an amount of KD 3 million. In spite of investments profit decrease as a result of the decrease of realized profit from the sister company, the company achieved a good growth for the shareholders' equity with the share price where the book value recorded an increase of 5.7% during the same period.

Despite relatively good results, the company's shares are still traded below its book value due to the slow investment climate prevailing in Kuwait stock exchange that we hope to witness growth and prosperity during the coming period, God willing.

Key Events in 2014

- During the fourth quarter of the year, the company exited from several local investments, thereby achieving earnings of 9%. And the timing of this exit was before the sharp downturn crisis of the local market during the last three months of the year due to the investors' concern that had grown because of the continuous decrease in oil prices during that period.
- The company has made the necessary studies to join with a foreign partner to acquire a property in Bad Hamburg, a town approximately 15 km north of the city center of Frankfurt. The property is situated on an area of 3,900 square meters with 5 storeys plus 3 underground storeys, and is leased up to 90% to several leading local and international companies working in the chemicals and technology field. It is expected that the property will provide the company with a yearly net return around 9.30% with an estimated Internal Rate of Return IRR of 11.60% over the next seven years. It is expected to conclude the process after completing the official approvals with stakeholders during the first and second quarter of 2015.

- Also, the company has made necessary studies to buy a land in the Emirate of Sharjah in the U.A.E., and to develop it into a residential property. The property is situated in a prominent location in Al Nahda area of Sharjah that is the first position in popularity among expats working in Dubai and opting to reside in Sharjah due to its geographical location that's near from Dubai in addition to health, shopping and entertainment facilities adjacent to site. The company objectives of this investment are to diversify the income sources and cash flows, which will reflect positively on the financial statements of the company, God willing. And the purchase contract will be signed during 2015.
- During 2014, the company achieved revenues of nearly 10% for globally managed accounts. The company was able to achieve these revenues due to the expertise of the staff and the management of assets in Kuwait and the United States, where the total value of managed account reached to about 115 million dollars.

Overview of the Kuwaiti Economy in 2014

Although the oil prices were a source of surplus and satisfaction for the national economy during the first half of the year, they also were a source of concern and preparation for difficult days in recent months. These months witnessed rising oil crisis and decline for oil barrel by about 50% from its high level in June. Whereas our national economy is one of the world's economies, which is dependent on sole income source of oil, it will lead to clear changes in the State budget, particularly in revenues item that will be surely affected with this reduction. Especially that about 90% of these revenues come from oil revenues, make Kuwait stand today at a crossroads to diversify away from black gold, which proved that its income is unstable.

KSE Performance in 2014

On the level of Kuwait stock exchange, its indicators lost, particularly weight, all the gains earned over nine months. Kuwait index 15, which measures the largest performing stocks in Kuwait in terms of liquidity and capital value lost all its gains of 13% in the last three months and ended the year losing 0.70%. Weighted index also lost all its gains of 9% during the year and ended the year losing more than 3%; meanwhile Kuwait topped the Gulf failure exchanges in 2014 with a declined index price of 13%.

Liquidity declined last year by 45%, falling from KD 11 billion in 2013 to KD 6 billion in 2014. The decline of oil played a prominent role in blocking the liquidity in Kuwait stock exchange, especially with the start of oil prices declining as the volume of liquidity in the market coincided with the decline of oil prices in the world market. The liquidity reached KD 2.7 billion in the last six months, down by about 30% comparing with the last six months of the year 2013 that was KD 3.8 billion. This indicates that the effect of the oil was strong on Kuwait Stock Exchange that appears significantly in the reduction of its indicators, its variables and more obviously on the trading value.

Overview of GCC Economy in 2014

Although the oil prices were declining during 2014, the trend was slow and steady during the first three quarters of 2014. Hence the performance of GCC economies was almost normal during the subject period with minor variations. However, since the fourth quarter of 2014 the oil prices started a sharp decline affecting the oil revenues and in turn affecting the performance of GCC economies. With significant reduction in the oil prices during the last quarter of 2014 the annual oil revenues of GCC economies are expected to show in general marginal increase compared with the last year.

Performance of the Company

In spite of the uncertain and difficult situation around, the company's operations were profitable with net profit of KD 1.123 Million for the whole year. The Net profit declined compared with the earlier year's Net Profit of KD 3.363 Million. However considering the gains booked due to acquisition of an associate during the last year, the current year's earnings look respectable. On the expanded capital the profit works out to be 3.75 fills per share with Return on Assets of 3.28 %. It is important to note that the company has started adding income generating international real estate assets to its portfolio which can ensure regular income flows as well as an opportunity to create a REIT in future.

Dividend Payment

The company is in the process of creating necessary infrastructure for the expanded business based on the increased capital. The profits for 2014 are also moderate. Hence the Board of Directors has decided to skip the dividend payment for the year 2014.

Future Outlook

It is expected that the year 2015 will witness a more stable phase into the market due to the market recognition of the reasons behind its decline. It is also expected that the indicators will offset some of its losses in the first quarter of this year because of the disclosures of financial statements of many companies operating, in particular banking. With reference to the Kuwaiti banks, they have abundant liquidity and capitalization rates with stable profits where the capital adequacy ratio of combined banks reached to 18.3% and the proportion of total non-performing loans decreased to around 3.5% of total portfolio loans driving down the non-performing loans in the sectors of real estate, and stocks and further improving in credit growth and continuing reduction in write-offs of loans.

SIC is planning for major share of new investments in the international market with a small portion in the local market to improve the income and make profit from the assets prices. The company is also planning to come out with some new products like sectorial funds, especially after the volatility in the markets during the past period, to achieve good returns for investors and company alike.

Thanks and Gratitude

On behalf of the Board Members and the executive management, I would like to extend my sincere thanks, gratitude and congratulations to H.H. Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah the Amir of Kuwait to have the title of "Commander of humanity" that is considered a pride for Kuwait and the Arab and Islamic World; I extend my thanks to H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of Kuwait; H.H. Sheikh Jaber Al-Mubarak Al-Sabah, the Prime Minister; and all the regulators, asking God, to safeguard them all and bless their continuous endeavors and support aimed at achieving prosperity and progress of our country's economy at local and global levels.

I would also like to express my thanks and gratitude to our revered shareholders for their confidence and their absolute and continuous support to the company management in all circumstances, with a view to make Strategia one of the leading investment companies locally and globally. In addition, I would also like to take the opportunity to thank the company's staff members for their dedication and efforts during the year to achieve the company's business plans.

Mishal Nasser Habib
Vice Chairman & CEO

Governance and Transparency Report Strategia Investment Company – KSCP

For the year ended
31 December 2014

Index	Page
Implementation of Corporate Governance	14
Shares Dealing	15
Shareholders	16
Board of Directors	16
Executive Management	25
Related Parties Transactions	26
Company Auditors	27
Internal Control	28
Disclosure & Investors Relations Policy	30
General information's	31
Sustainable Development and Social Responsibility	32

1. Implementation of Corporate Governance Rules and Standards

Governance Rules and Corporate Discipline Standards enhance the levels of confidence in our ability to honor our commitment towards efficiency, and generate returns that contribute to the development of the Kuwait economy.

1.1 Introduction

In Strategia, we take pride in the adoption of the highest standards and best practices in line with the provisions of the Kuwait legislations on Governance, the Companies Law, the laws issued by the Capital Markets Authority (CMA), and the relevant instructions of the Central Bank of Kuwait (CBK).

Indeed, we follow international best practices, and affirm our compliance with CMA’s resolution No. 25 of 2013 regarding the Governance Rules and Corporate Discipline Standards.

Governance rules and standards aim to properly manage the company’s organizational structure as well as the applicable policies and procedures so that the company’s activities are in line with the rules issued by CMA, CBK, and other regulatory bodies, and in alignment with international best practices. This is meant to achieve efficiency in business, with added value to all shareholders and stakeholders, i.e., human resources, customers, partners, investors, and realize the returns that would contribute to the development of Kuwait economy.

1.2 Overview of Corporate Governance

Strategia abides by the corporate governance rules stipulated in CMA’s resolution No. 25 of 2013, and corporate discipline standards set forth in the Corporate Governance Manual covering the duties and responsibilities of the Chairman, the CEO. The governance rules do not allow the Chairman to assume the responsibilities of the same company’s CEO. Additionally, duties and responsibilities of the Board of Directors were specified including the Company’s internal control system and assurance of its effectiveness. The Governance Manual of 2014 covered the external auditor appointment policy, as well as disclosure and communication with shareholders policy. All these policies were developed to help us adhere to the highest standards.

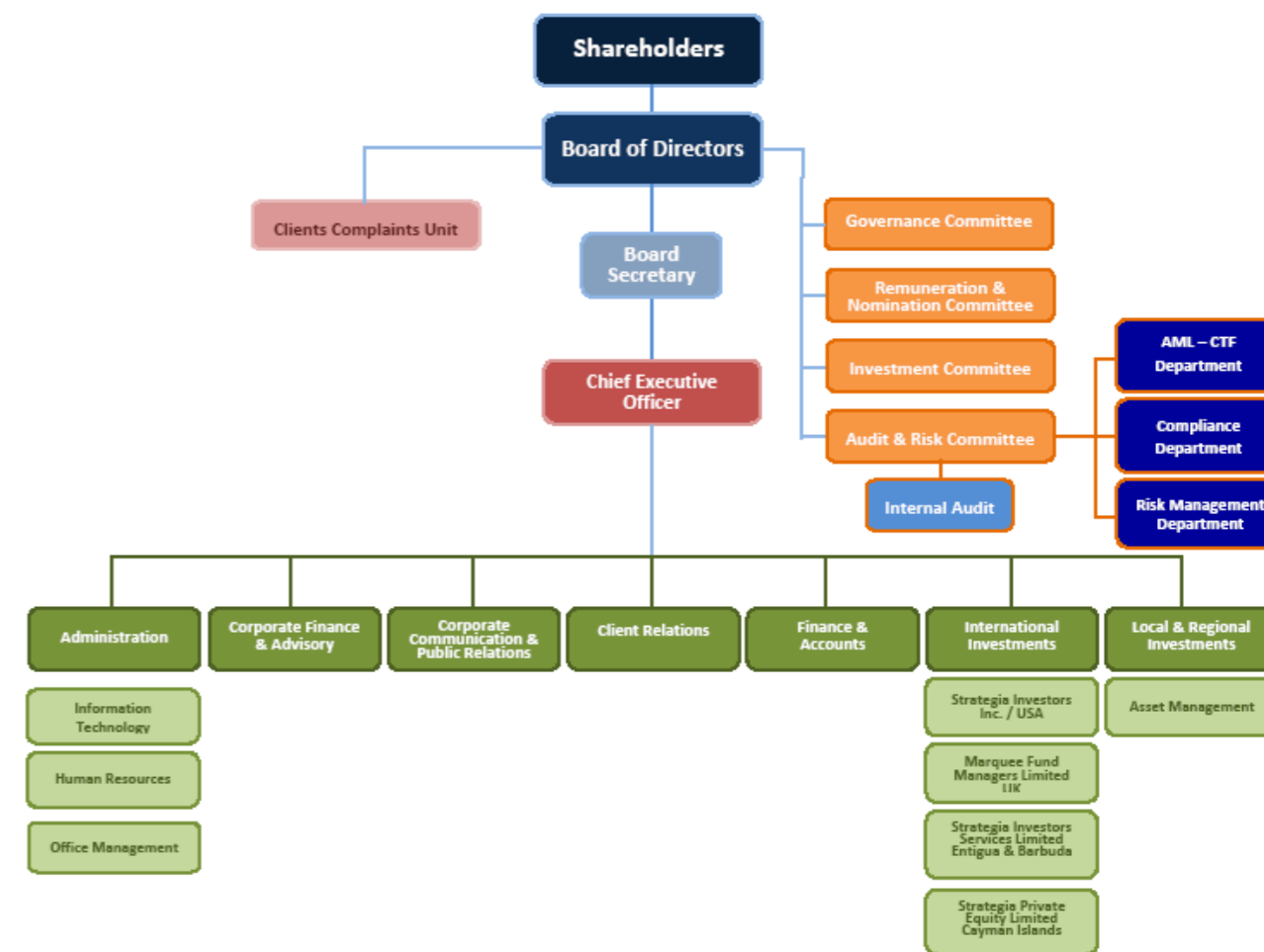
We have taken positive actions in terms of corporate governance, as we have launched a Governance Portal on the company’s website, including the annual governance report, the board structure, and information on the main founder shareholders, on all governance policies applicable in the company. In light of our keenness to apply the highest standards of transparency and disclosure, the board of directors communicates with the shareholders, inside or outside Kuwait, via the corporate governance related email address in a way that complies with the practices of the board of directors, executive management and employees.

The governance Manual includes policies and rules which are based on transparency and responsibility, and emphasizes compliance with the highest standards of behavioral, professional and ethical discipline. It includes the following:

1. Corporate social responsibility policy which indicates our commitment to contribute to the development of the living quality of the company’s employees which will reflect positively on the society.
2. Policy of profit distribution to shareholders, which seeks to achieve sustainable value for shareholders.
3. Code of conduct and a statement of the general principles that need to be complied with by the employees, the executive management, and the board of directors.
4. Share trading policy.
5. Related parties’ transactions policy which specifies the acceptance requirements of transactions that involve the company and the related parties.
6. Whistleblowing policy.
7. Disclosure and transparency policy.
8. Assurance and integrity of financial reports policy.

9. Confidentiality of internal information (Chinese Walls).
10. The shareholders’ disclosure and communication policy indicated in paragraph 8 below.
11. External auditor appointment policy, referred to in paragraph 2.6.
12. Board advisors’ appointment policy; to provide advisory services to the board members and support the board’s resolutions in order to achieve value for shareholders.

1.3 Governance Organization Chart in Strategia



2. Shares Dealing

2.1 Shares dealing policy

Shares dealing policy applies to the board members as well as the member of the executive team, employees of the company and subsidiaries and the alike. In addition, this policy is communicated to any third party who may have access (owing to a contractual relationship with the company, or a personal relationship with any of the company’s staff members) to sensitive information related to the share price.

Objectives of the shares dealing policy:

- a) Ensure that the board members and the member of the executive team, employees of the company and the alike are aware of the fact that they are not allowed to deal in the shares of the company, directly, indirectly or through third

parties by disclosing sensitive and non-public share price related information to them, like:

- Annual, semi-annual and quarterly reports.
- Information on the company's forecasts and trading potentials.
- Disclosure of the dividends proposed by the board of directors, or any changes to the company's dividends policy.
- Expansion plans, including access to new markets or establishment of investment portfolios and funds.
- Strategic alliances or any proposed mergers or acquisitions.
- Company's restructuring programs
- Essential changes to the company's nature of business.
- Disposal of any of the company's shares by a key shareholder.
- Changes to the board structure.
- Regulatory approvals and licenses.
- Any potential dispute that might constitute a critical lawsuit.

b) Set up a framework for employees to follow for dealing in shares.

c) Highlight the consequences of non-compliance with such policy.

2.2 Prohibition of dealing in shares

The members of the board as well as the executive team and the employees are not allowed to deal, directly or indirectly, in the company's shares during the prohibition periods.

a) The prohibition period is fifteen (15) days before end of the annual, semi-annual and quarterly fiscal periods, and continues until the interim financial statements are officially disclosed for the capital market and CMA. As for the annual financial statements, their prohibition period continues until such statements are approved by the general assembly.

b) Dealing in the company's shares at any point of time requires official approval by:

1. Chairman of the Audit & Risk Committee for the board members and the CEO.
2. Chairman of the board for the chairman of the Audit & Risk Committee, and the CEO for the company's employees.

c) Members of the board and the executive team as well as the employees are not allowed to deal in the company's shares unless written approvals are obtained from the competent individuals as mentioned above. Additionally, board members must inform the company's Board Secretary, on annual basis, of the number of the shares they possess. The Audit & Risk Committee shall be responsible for reviewing "Shares Dealing Policy" and recommending any required amendments.

3. Shareholders who own 5% or more from the company shares as per shareholders list in Kuwait Clearing Company as of 31/12/2014

Shareholders	Number of Shares	Ownership
Privatization Holding Company	75,327,114	25.109%
National Industries Group Holding	19,277,278	6.426%

4. The Company's Board of Directors

Our organizational governance is clearly evident from the principles of conduct and compliance imposed by the Board of Directors in line with the international standards.

4.1 Composition

According to the Corporate Governance Manual, the board of directors is formed of six members, most non executives. The board includes one independent member, and one executive member.

Board members were elected at the Annual General Meeting held on 22 June 2014. The Board of Directors is consisting of six members, including executives and independents, and their names as follows:

	Name	Designation in the Board of Directors	Committees Membership	Representative of	Educational Qualifications
	Soud Abdulaziz Al-Mansour	Chairman	Governance Committee Audit & Risk Committee Remuneration & Nomination Committee	Elected	BA in Business Administration & Finance- California - USA - 2000
	Mishal Nasser Habib	Vice Chairman & CEO	Investment Committee	Elected	BA in Accounting/Kuwait University - 1996 Computer science Diploma- Commercial Institute "Public Authority for Applied Sciences" 1992
	Amani Ebrahim Al-Omani	Board Member	Remuneration & Nomination Committee	First Equilease for Equipment & Transportation Company	BA in Accounting - Kuwait University - 1994
	Ghazi Ahmed Al-Osaimi	Board Member	Audit & Risk Committee Governance Committee	Global Profession General Trading Company	BA in Business Administration – Finance/ Gulf University for Science and Technology - 2006
	Hassan Kamal Caedbey	Board Member	Investment Committee Governance Committee	Commercial Global Projects Company	BA in Business Administration - Saint Louis University - USA
	Jamal Abdullah Al-Saleem	Board Member	Remuneration & Nomination Committee Audit & Risk Committee Investment Committee	Combined Trust Real Estate Company	BA in Accounting - Kuwait University - Master's degree in Accounting with first class honors - Oklahoma City University - USA

4.2 Board Committees

There are four main committees emerged from the Board of directors, their task is to view specific responsibilities and competencies and adjudication, and make certain recommendations to the Board of Directors for proper action. Each committee is formed of a chairman and two members or more from the board. A board committee convenes its meetings according to the rules of corporate governance.

Below are the main board committees:

First: Audit & Risk Committee

The Audit & Risk Committee is consisting of (3) members at least. And one of its members is independent as a minimum, and its Chairman is a member of the non-Executive Board members.

The committee member should have the appropriate scientific qualifications and knowledge of the financial and administrative aspects of the company's business. The committee convenes at least four times a year.

a) Duties of the Committee

Duties and responsibilities of the Audit Committee can be summarized as follows:

- Preparation and review of strategies, internal audit & risk management prior to their adoption by the Board of Directors, and ensure the implementation of these strategies and policies and they suit the nature and scale of the activities of the company.
- Ensure adequate systems and resources for internal audit & risk management.
- Assessing and measuring systems and mechanisms and the follow-up to various types of risks the company to identify its shortcomings.
- Assisting the Board in identifying and assessing the level of risk is acceptable in the company, and ensure the company does not exceed this level of risk after its adoption by the Governing Council.
- Review organizational structure of risk management and to develop recommendations before adoption by the Governing Council.
- Ensure the independence of the staff of the risk management activities that result in the company's risk exposure.
- Ensure that the risk management staff have a full understanding of the risks surrounding the company, and work to raise the awareness of employees in risk culture and understanding it.
- Prepare periodic reports on the nature of the risks that the company faces, and provide such reports to the Board of Directors of the company.
- Review periodic financial statements before submission to the Board of Directors, and give opinion and recommendation to ensure the fairness and transparency of financial reporting.
- Recommend to the Board of Directors for the appointment and reappointment or the change of the external auditors and their fees and takes in consideration, when recommending the appointment of the auditor, their independence and review the letters of appointment.
- Follow-up the work of the external auditors, and ensure that they don't provide services to the company except for the services required by the audit profession.
- Review the external auditors' comments on the company financial statements and follow what is done in it.
- Review the accounting policies used and give opinion and recommendation to the Board of Directors thereon.
- Assess the adequacy of internal control system in place within the company and prepare a report containing the Committee's recommendations in that regard.
- Oversee the management of the company's internal audit to verify the effectiveness in the implementation of actions and specific tasks by the Board of Directors.
- Recommend for the appointment of the internal auditor, move, and the isolation and evaluation of its performance and the performance of the internal audit department and recommend for the appointment of the expert auditor for the preparation of the annual report of Capital Market Authority on the review of internal control review (ICR).
- Review and approve the audit plans proposed by the internal auditor and ensure that proper action is taken on the comments listed in the reports.
- Review the results of regulators reports and make sure that the necessary actions have been taken.
- Ensure the compliance of the company with laws, policies and regulations and other relevant instructions.
- Review trades and transactions proposed to be undertaken by the company with related parties.

b) Authorities of the Committee

The Committee is entitled, and without any restrictions, to access and review all of the information's, data and reports, records, and correspondences relating to audit operations and all risk and internal control systems or other matters which the Committee considers important and falls within its competence and to report periodically to the Board of Directors. And the Board of Directors is responsible to take all measures that ensure the Committee carries out its tasks.

Second: Remunerations and Nominations Committee

The role of the Remunerations and Nominations Committee is to set the executive management's remunerations and wages policy, and to determine the total compensations of each executive board member, if any, including salaries, remunerations, pension, and incentives.

a) Duties of the Committee

- Support and advise the board members in terms of setting the salary and benefits structure of the company's employees.
- Develop an annual report detailing the remunerations and compensations paid to the board members and the senior executives, to be included in the Company's Annual Report as per the Corporate Governance Regulations issued by the CMA.
- Monitor and provide advice to the board on the preparation of the policies and plans that organize the Company's compensation schemes.
- Perform the other duties and responsibilities set forth in the Corporate Governance Regulations issued by CMA.
- Set clear policies on the compensations and remunerations of the board members and the senior executives, bearing in mind the performance related standards.
- Provide recommendations on board membership by nominating two members able to support the board in managing and directing the company's affairs effectively as per the approved policies and standards.
- Perform an annual review of the required skills for the board, and receive applications from applicants for executive vacancies. Such review include, but not limited to, the following:
 - Ensure having in place an induction program on the company's activities for the new board members.
 - Recommend the appointment of the company's executive management (i.e., the CEO and his/her deputies, risk and compliance manager, anti-money laundering officer and the financial manager).
- Perform any other duties or responsibilities assigned from time to time by the Board to the committee.

b) Authorities of the Committee

If the committee establishes that one of its members is no longer independent, it raises the issue to the board of directors. The board in turn will notify that member by means of a registered mail to his/her address, maintained by the company, of the reasons why he/she is no longer independent. The member shall have fifteen (15) days, from the date notified, to respond. At the board's first meeting following the member's response or lapse of the set period without response from the member, the board will determine whether or not such member is independent.

In the event where the member's new status is not affecting the minimum limit of the independent board members, then this should be taken into account during formation of committees.

Third: Investment Committee

The Investment Committee's role is to review and approve the Company's primary and secondary investment activities and to do necessary action to implement the investment strategy prepared by the Board of Directors. It is formed of Mr. Mishal Habib as a chairman, as well as Mr. Hassan Caedbey, and Mr. Jamal Al-Saleem as members.

c) Duties of the Committee

- Review all proposed opportunities for financial and strategic investment.
- Review and approve quarterly investment and financial reports, as well as any other reports presented by «Investment Department».
- Review any proposed investment, credit facilities, or treasury deals in order to approve, decline, amend or conditionally approve the same as per the applicable policy.
- Review and approve any amendments to the «Investment Policy» presented by the «Investment Department», for submission to the Board of Directors for approval.
- Review and approve any amendments to the «Assets Distribution Policy» presented by the «Investment Department», for submission to the Board of Directors for approval.
- Review and approve any accidental or relevant issue raised by any member of the Committee.
- The Investment Committee complies with the instructions of the CMA, CBK, Kuwait Stock Exchange (KSE) and any other regulatory body.
- Review investment proposals presented by the «Investment Department», and approve the same as per the authorities granted to committee.
- Board members may at any time request the committee to provide a special report and/or presentation on any issue, suggestion or specific proposal. In addition, the committee takes any action it deems suitable for any issue, proposal, or suggestion presented by related parties.
- The committee performs its above mentioned duties by any available method, provided that such method is approved by all members of the committee.
- The committee provides a signed copy of its minutes of meeting to the Board at the first board meeting following a committee meeting.

Fourth: Governance Committee

The Governance Committee is formed of at least three board members, and chaired by the Chairman of the Board, while one of its members is an independent member of the audit & risk committee. Members should possess academic qualifications and/or practical financial experience. The committee convenes at least twice a year, whenever necessary or at the request of the committee’s chairman or member.

a) Significant of Governance

The Corporate Governance rules and standards issued by CMA and CBK seek to ensure that the boards of directors of KSE-listed shareholding companies adhere to the best practices of modern governance, which safeguards the rights of shareholders and related stakeholders.

b) Duties of the Committee

- Assist the company to have a sound work environment in order to perform better under good management.
- Protect shareholder’s equity as well as investments against loss arising from misuse of administrative authorities for purposes other than in the best interest of investors, and maximizing returns of investment and shareholders’ equity.
- Increase the level of disclosure and transparency, and engage shareholders in the process of taking key decisions relevant to the company’s management, so that they are aware of everything relevant to their investments.
- Build enduring relationship among the company’s management, the employees as well as the stakeholders. Indeed, sound governance enhances the confidence level of all involved parties, and urges them to take part in improving the company’s performance and achieving its strategic goals.

- Organize the relations between the Board and the board committees, and set the roles and responsibilities of Audit & Risk, Remunerations & Nominations Committees.
- Organize ordinary and extraordinary general assembly meetings held by the company and ensure completeness of their procedures as per the governance manual.
- Review the company’s Governance structure, and amend it if necessary in line with the instructions issued by the regulatory bodies.
- Review quarterly governance reports, and ensure adequacy of the governance applicable procedures.
- Spread the culture of governance among board members, executive team and employees.
- Irrespective of the Governance Committee’s responsibility for the company’s governance systems, the ultimate responsibility for the same lies with the Board of Directors and the executive management.

c) Disclosure of Board Members’ Transactions:

Below are the dealings in the company’s shares during 2014, conducted by the board members and their first degree relatives:

Member	Relation	Total sale (of shares)	Total purchase (of shares)
None	None	None	None

- Board members and their first degree relatives did not conduct any dealings in the company’s shares during 2014.
- We seek to develop the performance of our services, and be more transparent in all our dealings with shareholders and investors.

4.3 Board Meeting

Board convenes upon presence of the majority of its members. During 2014, the board convened 12 times, Audit and Risk Committee convened 4 times, Investment Committee convened 9 times, while the Governance Committee convened 1 time.

The dates of Board Meetings are as follows:

#	Meeting Number	Date
1	Meeting # 77	28/01/2014
2	Meeting # 78	11/03/2014
3	Meeting # 79	26/03/2014
4	Meeting # 80	29/04/2014
5	Meeting # 81	18/05/2014
6	Meeting # 82	11/06/2014
7	Meeting # 83	10/07/2014
8	Meeting # 84	14/08/2014
9	Meeting # 85	17/08/2014
10	Meeting # 86	19/08/2014
11	Meeting # 87	01/09/2014
12	Meeting # 88	11/11/2014

The dates of Audit & Risk Committee Meetings are as follows:

#	Meeting Number	Date
1	Meeting # 1	20/01/2014
2	Meeting # 2	06/05/2014
3	Meeting # 3	09/11/2014
4	Meeting # 4	08/12/2014

The dates of Investment Committee Meetings are as follows:

#	Meeting Number	Date
1	Meeting # 1	23/01/2014
2	Meeting # 2	01/04/2014
3	Meeting # 3	27/04/2014
4	Meeting # 4	04/05/2014
5	Meeting # 5	20/05/2014
6	Meeting # 6	02/09/2014
7	Meeting # 7	25/09/2014
8	Meeting # 8	17/11/2014
9	Meeting # 9	20/12/2014

The date of Governance Committee Meeting is as follows:

#	Meeting Number	Date
1	Meeting # 1	10/11/2014

Board Meeting Attendance Table in 2014

Statement of Board meetings		Mishal Nasser Habib	Ahmed Mohamed Hasan	Soud AbdulAziz Al-Mansour	Hassan Kamal Caedbey	Ghazi Ahmed Al-Osaimi	Amani Ebrahim Al-Omani
		C**	VC	M*	M	M	M
Meeting #	Date of Meeting						
77	28/01/2014	✓	✓	✓	✓	✓	✓
78	11/03/2014	✓	✓	✓	✓	✓	✓
79	26/03/2014	✓	✓	✓	✓	✓	✓
80	29/04/2014	✓	✓	✓	✓	✓	✓
81	18/05/2014	✓	✓	✓	✓	✓	✓
82	11/06/2014	✓	✓	✓	✓	✓	✓
83	10/07/2014	A	✓	✓	B	✓	✓
84	14/08/2014	✓	✓	✓	✓	✓	✓
85	17/08/2014	✓	✓	✓	✓	✓	✓
*** The new structure of the Board of Directors		Soud AbdulAziz Al-Mansour	Mishal Nasser Habib	Jamal Abdullah Al-Saleem	Hassan Kamal Caedbey	Ghazi Ahmed Al-Osaimi	Amani Ebrahim Al-Omani
		C*	VC**	M	M	M	M
86	19/08/2014	✓	✓	✓	✓	✓	✓
87	01/09/2014	✓	✓	✓	✓	✓	✓
88	11/11/2014	✓	✓	✓	✓	✓	✓

Note:

C = Chairman / VC = Vice Chairman / M = Member non-Executive / ** = Executive / * = Independent

*** The new Board of Directors was formed during board meeting # 86 held on 19/8/2014.

- Chairman did not attend the board meeting # 83 to avoid conflicts of interest by reason of its membership in Privatization Holding Company.
- Mr. Hassan Caedbey did not attend the board meeting # 83 due to travel.

Ordinary General Assembly

Strategia's General Assembly Meeting was held on 22 June 2014 at the premises of Ministry of Commerce and Industry, Kuwait City, and the following was decided:

- Ratification of the board's report on the company's activity and financial position for the fiscal year ended on 31/12/2013.
- Reading out the (financial or non-financial) penalties imposed by the regulatory bodies on the company for the fiscal year ended on 31/12/2013; (NONE).
- Ratification of the auditor's report for the fiscal year ended on 31/12/2013.
- Ratification of the company's balance sheet, as well as profit and loss account for the fiscal year ended on 31/12/2013.
- Approval of the board's suggestion not to make any profit distributions for the fiscal year ended on 31/12/2013, and to forward the profits to the shareholders' equity.
- Approval to authorize the Board of Directors to buy or sell company's shares not exceeding 10% of its shares.
- Approving the board members' remunerations.
- Authorizing the board to deal with the related parties based on the same terms and conditions of dealing with third parties.

- i) Clearing The Board of Directors and the auditor from liabilities toward the company for the fiscal year ended on 31/12/2013.
- j) Reappointing the external auditors for 2014 and specifying their fees.

The Company has published the financial information relevant to the general assembly on the company's website; www.strategia.com.kw, on 23 June 2014.

4.4 Board Members' Remunerations

Board members' remunerations proposal has been presented to the board for approval and submission to the shareholder at the general assembly for voting.

The ordinary general assembly of 2014 has approved the board members' remunerations at KD 12000 distributed to the board members as fees for the fiscal year ended on 31/12/2013.

4.5 Delegation and Authorities of the Executive Management

The board of directors is keen to support and guide the executive management with a view to achieve the company's strategy clearly and transparently under the umbrella of corporate governance.

a) Matters Retained for the Board

According to the instructions of all regulatory bodies, and CMA's resolution No. 25 of 2013 regarding the issuance of Corporate Governance Rules and Corporate Discipline Standards, the board of directors may delegate certain matters, retained for the board, for the board committees of executive management.

If necessary, the executive management is delegated according to general or specific delegations, with clear instructions on the authorities of the executive management.

Matters retained for the board are summarized as follows:

1. Review and approve the company's annual budget and strategy.
2. Board membership.
3. Total salaries and remunerations of the executive management.
4. The company's capital structure.
5. Financial reports and controls.
6. Internal control.
7. General risks.
8. Approve the contracts and expenditures (which exceed the authority limit of the executive management) as per the applicable policy.
9. Approve the company's governance policy.
10. Review and approve the general policies.

4.6 Performance Evaluation of the Board and the Board Committees

- Based on its keenness to enhance its performance, improve the effectiveness of its resolutions, and add value to the shareholders, the board has decided to evaluate its performance and that of the board committees by end of 2015. As such, the board members will complete a special performance evaluation questionnaire. The questionnaire will cover the effectiveness of the chairman and the CEO, the operating performance, corporate governance as well as the leadership and culture.
- The board has also decided to set a road map to rectify any gap during 2015, which will contribute to the enhancement of the board's performance and efficiency. In addition, the board is committed to enhance its performance and efficiency, and to create corporate values for the company and shareholders.

5. Executive Management

- The Company's executive management handles the day to day activities. It is headed by the Chief Executive Officer who is responsible, towards the board of directors, for the company's operating management, development, recommendations, as well as the application of strategies, policies and internal control framework.

5.1 Executive Management

The members of the Executive management are professionals with an extensive investment experience in local and international investment markets, with strong International Academy certifications and practical experience are grouped roughly 170 years as shown in below table:

Name		Positions	Qualifications & Experiences
Mr. Mishal Nasser Habib		Mr. Mishal has joined Strategia since March 2011. He has appointed as Managing Director by the Board of Director to manage the Company daily business. He has succeeded to highlight his effective role in the company's growth plans moving forward. Mr. Mishal Habib is the Chief Executive of the company since August 2014.	Mr. Habib holds a Diploma in Computer Science and Bachelor in Accounting from Kuwait University. He has also completed the Intensive Credit Program in 1998 and the Harvard Executive Program for Leadership Development in 2007. From 2000, Mr. Habib serves as a Guest Speaker in the Institute of Banking Studies. His experience in the field of investments and financial services is more than 18 years.
Mr. Vijay Kulkarni		Mr. Vijay has joined Strategia Investment Company since May 2012 as a risk consultant for the executive team.	He has got master in Business Administration and finance from one of the greatest school in India. He has an extensive experience up to 38 years in executive and risk management in many of Kuwaiti and Indian banks. He also has many other academic certificates.
Mr. Harry Milne		Mr. Harry has joined Strategia Investors Inc. since 2007 as a consultant.	Member of the global real estate consultancy group (CRE).He has 25 years of experience in the field of investment in real estate, fixed income and equity.
Mr. Ahmed Sobhy		Mr. Ahmed has joined Strategia since 2012 as chief financial officer. He is responsible for monitoring all financial operations, financial planning and records. He is also responsible for applying financial reports to top management.	He got Bachelor in Accounting from Cairo University in 1995 and CMA in 2004 and many other certified courses and certificates in financial sciences, financial analysis, internal audit and accounting.
Mr. Essam Al-Yousef		Mr. Essam has joined Strategia Company since July 2009 as Chief of Risk Management & Compliance Officer. He is also responsible for Anti Money Laundering, fighting financing terrorism and corporate governance to ensure the company's compliance to the highest standards in the risk management field.	He got Bachelor in Accounting from Al-Balqa University- Jordan- in 1993, in addition to CPA, CCAML from Henly London, Corporate Governance Program - London (CG),MBA from University of Baylor, and a certificate in Certified Operational Risk Management (CORM) from International Academy in 2014. He has attended numerous training courses in the area of Finance, Risk Management, and Business Administration.

Name		Positions	Qualifications & Experiences
Mr. AbdulAziz Al-Jassem		Mr. AbdulAziz has joined Strategia since Nov. 2007 as Senior Vice President – Business Development. He is responsible for international real estate assets management as well.	He holds Bachelor of Science in Business Administration (BSBA) from Sufflok University (U.S.A). He has more than 10 years extensive experience in international investments.
Mr. Raed Al-Sadhan		Mr. Raed has joined Strategia in 2006; he started as a Vice President in the Administration & HR Division and was promoted as a Senior Vice President in January 2011. He manages all activities related to Human Resources, Information Systems Management and all ongoing administrative issues of the company.	Mr. Raed Al-Sadhan graduated from Helwan University (Egypt) in 1996 with Bachelor in Business Administration. He has attended many academic courses in his field. He also brings with him rich previous experience of nine years in other prestigious organizations.
Mr. Burhan Kamali		Mr. Burhan Kamali joined Strategia Investment Company in January 2011 as a Senior Investment Analyst and was promoted as a Vice President – International Investments Department in November 2012. In his role, he analyzes and evaluates the various investment opportunities as needed by the clients and strengthen the products platform offered by the company.	Mr. Burhan received his Bachelor of Arts Degree, majoring in Banking and Financial Management from Applied Science University in Jordan in 2004. He got his CFA charter in 2012.
Mr. Fahad Al-Osaimi		Mr. Fahad has joined Strategia in October 2013 as a Vice President / Local & Regional Investments Division	Mr. Fahad received his Bachelor in Accounting from the College of Business Administration - Kuwait University in 2004, in addition to many training courses in the field of financial analysis and investment and CIM. He also has extensive experience in the Local & Regional markets and in the field of analysis and trading.

5.2 Total Remunerations Paid to the Executive Management in 2014

Employees	No. of Employees	Fixed bonuses Thousand KWD	Variable Bonus Thousand KWD		Total Thousand KWD
			Cash	Shares	
Senior Management	9	88,521	-	-	88,521

* It is important to note that the remunerations and incentives relevant to the company's performance are calculated according to the individual performance evaluation mechanism within a general framework approved by the board of directors. Such evaluation is being performed and approved for all members of the executive management.

6. Related Parties Transactions

Transactions of related parties are subject to the board approval.

Related parties include our shareholders, board members, key administrative officers, as well as the companies with great influence on our company. Related parties' transactions are completed pursuant to the relevant terms and conditions approved by the company's Executive Management or Board of Directors.

7. Company Auditors

7.1 General Information

Deloitte & Touche Al Fahad Al-Wazzan & Co
Auditors' register No. 62, Category A

"Deloitte & Touche" is a trademark dealing with dozens of thousands of the professionals in independent companies around the globe, offering services like audit, advisory, financial advisory, corporate risks, and tax for certain customers.

Horwath Al Muhanna & Co
Auditors' register No. 152, Category A

"Horwath Al Muhanna" is a leading company established in 1978 and offers a spectrum of professional services including accounting, taxation and advisory. Its customers vary from commercial companies to big companies and institutions.

7.2 External Auditor's Appointment Policy

The External Auditor's Appointment Policy defines the external auditor's framework, scope, and authorities with emphasis on allowing external auditors to perform their assignments freely and independently. It also defines the conditions required for the Auditor selection, where the Board of Directors raises its recommendations for selection to be presented for the General's Assembly opinion and approve recommendations.

The general assembly meeting held on 22 June 2014 approved the reappointment of Deloitte & Touche - Badr Al Wazzan, as the first auditor of the company, and Horwath Al Muhanna - Rabea Saad Al Muhanna, as the second auditor of the company for 2014, against fees of KD 10,000. No other external auditor has been engaged to provide any sort of financial statements auditing during 2014. Additionally, external auditors are not required to handle any internal control related issue, whereas the company's internal control tasks have been assigned to Grant Thornton, as per the internal audit plan approved by the Audit & Risk Committee and the Board of Directors.

In line with the disclosure and transparency provisions issued by the CMA, CBK as well as other regulatory bodies, the company's financial statements for the fiscal year ended on 31/12/2014 have been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), with a view to increase the level of the board's transparency and compliance, and to provide the shareholders and public with financial statements reflecting the company's real financial condition.

7.3 Relationship with the External Auditor

The Audit & Risk Committee oversees the external auditor's appointment policy, and maintains good relationships with the auditors. The company's relationship with the auditors is determined through the following duties of the Audit & Risk Committee:

- Approve the external auditor's appointment policy and present the same to the board of directors.
- Study the recommendations to be presented to the shareholders on the appointment, reappointment, or removal of the company's external auditor, and submit the same to the board for approval in the annual general assembly meeting.
- Monitor the external auditor's independency and objectiveness, and discuss its nature and scope and efficiency of work as per IFRS.
- Explore any suggestion to appoint an external auditor to provide services, other than Accounts Auditing, to the company or subsidiaries, and ensure adherence to the schedules as per the corporate governance law.
- Foster a suitable environment for cooperation between the external and internal auditors.

The Audit & Risk Committee must consider the following when appointing an external auditor:

- Appointment of one external auditor or more for one year renewable by the general assembly.
- The Company's external auditor must be enlisted in the Accountants and Auditors Register as per CMA and CBK Executive Regulation organizing the profession of accounting and auditing.
- According to the governance rules, CMA's Executive Regulations, and the instructions of other regulatory bodies, the external auditor should not be party to any agreement, or agent for any of the company's founder members, board members or any of their relatives to the fourth degree of relationship.
- Selection of an external auditor depends on the efficiency, reputation and experience of the external auditor. In the event where the board of directors or the general assembly does not accept the Audit Committee's recommendations regarding the selection, appointment, resignation, or removal of the external auditor, the board of directors must include, in the company's governance report, a statement of such recommendations and the reasons for refusal.

8. Internal Control

8.1 Internal Control System

Our board of directors is responsible for monitoring and reviewing the effectiveness of the internal control, for protecting the assets, maintaining sound financial statements, and revealing errors and violations. The board of directors is committed to review the Audit & Risk Committee's report on the internal control activities and periodic reports.

Internal Control involves setting a clear organizational structure, documentation of policies and guidelines, and identification of authorities, delegations and performance control mechanisms set up to monitor the company's operations effectively and regularly, and to ensure compliance with the corporate governance rules issued by the regulatory bodies.

8.1.1 The Board's Role in Internal Control

The board accepts full responsibility for reviewing the internal control system and ensuring its effectiveness.

The board is fully responsible for ensuring that the Top Management develops and applies an effective internal control system providing reasonable guarantee for having efficient and effective operations, presenting accurate financial reports, and complying with the laws and legislations as set forth in CMA's law and Executive Regulations of Law No. 25 of 2013 regarding the Governance Rules and Corporate Discipline Standards.

The board has delegated the following to the Audit & Risk Committee:

- 1) Review the Risk Management Department's systems and the internal controls once a year to ensure, by means of applying suitable and effective controls, mitigating all risks encountered in the course of achieving business objectives.
- 2) The review procedures adopted by the company to identify, assess and manage great risks.
- 3) Changes made, since the last review, to the nature and extent of great risks, and the company's ability to adapt to any change in the operations and external environment. The Committee is also responsible for the scope and nature of the activities of controls applied to risks and internal control systems as well as the external audit processes.
- 4) Review the weaknesses and defects of the internal control system or unexpected emergencies that have materially affected or may materially affect the company's financial position, and review the procedures applied by the company for tackling the control's essential issues.
- 5) Review the company's compliance with the applicable laws and regulations.
- 6) Whistleblowing policy.

According to the instructions of CMA, CBK and the other regulatory bodies, and CMA's resolution No. 25 of 2013 issued by CMA about governance control and the standards of the institutional discipline, the Company's board of directors has delegated to the Audit & Risk Committee the responsibility for reviewing the efficiency of the company's applicable internal control system. Based on the review outcomes and the available information, the Audit & Risk Committee confirms that the internal control system is designed effectively and appropriately, and is applied efficiently to achieve the company's objectives.

8.1.2 Internal Control System's Mechanism

Our Internal Control System is comprised of a group of procedures applied by the board of directors, the executive management, as well as the company's employees. Such procedures are designed to provide reasonable, not ultimate, guarantee for achieving the following objectives:

- Risk management: ensure identifying the risks and controls required for achieving the company's objectives.
- Operations' effectiveness and efficiency: To conduct operations in a precise way with pre-approved procedures to ensure expected accuracy and smooth customers service.
- Authenticity of Financial Reports: ensure presenting authentic financial statements and information to the board, shareholders and Top Management.
- Adherence to applicable laws and legislations: adhere to the laws and regulations governing the company, to avoid harming the company's image or receiving penalties.
- The Internal Control System aims to set the pillars of internal controls, document and maintain the same properly, and abide by the same throughout the company's business unit.

8.1.3 Internal Control Management

Internal Control Management operation is responsible for ensuring that the procedures applied for monitoring the company's operations have been designed properly and are applied effectively according to the company's annual plan approved by the Audit & Risk Committee delegated by the board of directors.

- 1) Internal Control Management is responsible for preparing reports on the effectiveness and efficiency of the internal control systems applied by the company. Inclusive of the ideas and recommendations aimed to enhance the internal control systems, the reports should be presented to the Top Management and the Audit & Risk Committee delegated by the board of directors.
- 2) Based on a recommendation from the Audit & Risk Committee and final approval of Board of Directors, the Internal Control appoints Compliance Officer with clear and independent supervision responsibilities covering the company's extent of compliance with the laws, regulations, and internal procedures. The Compliance Officer is responsible for monitoring the control of the company's activities; ensuring compliance with the laws as well as internal and external systems; and amending and updating the procedures used by the compliance control systems to ensure that work activities are performed in line with the highest standards applicable.
- 3) Internal Control Management provides a reasonable confirmation to the Audit & Risk Committee, delegated by the board of directors, regarding the operations effectiveness in achieving the Company's objectives.
- 4) Internal Control is managed in cooperation with the Risk and Compliance Management Department, and Internal Control Firm (Grant Thornton) as part of the internal audit and control plan reviewed by the Audit & Risk Committee on annual basis for proper recommendation of the same.

8.1.4 Internal Control Approach for Solving Significant Problems:

Internal Control performs its duties through five key departments:

- 1) Finance and Accounting Department
- 2) IT Department
- 3) Investment Department
- 4) Administrative Affairs Department
- 5) Risk and Compliance Management Department

Internal Control studies the company's big issues in details through the five departments, based on the nature of the issue and through provides effective recommendations, for solving the problem, to the Executive Management and Audit Committee, and regularly monitors the application of recommendations and provides relevant reports to the Audit & Risk Committee.

8.2 Corporate Risk Management

- 1) The Company is committed to keep the risk management systems in line with the latest international criteria and standards in order to sustain our capabilities and efficiencies in that regard.
- 2) The Company believes that the strategic and applied efficiency and the practices adopted through “Corporate Risk Management” are a basic requirement of all the Company’s departments.
- 3) The Corporate Risk management works persistently to set up the best frameworks and methodologies through which the Company can maintain its assets, possessions and development on the one part, and protect the interests of shareholders and stakeholders on the other part in addition to maintaining its compliance with the laws and regulations applicable in the fields of investment and operating activities practiced by the Company.
- 4) The Company has developed its own comprehensive scope for risk management based on relevant international methodologies. This scope is in line with the diligence, compliance and general policies adopted by the Company to define, assess and monitor the risks threatening it and to report the same to the concerned parties through appropriate methods.
- 5) Through that scope, the department in charge of risk affairs will periodically detect and assess the company-related risks and discuss the same with the Chairman and the executive management team in order to specify the best methods to deal with the risks that the Company may face. This ensures that the Risk Management Department is in line with the Company’s strategic and commercial goals.
- 6) The Company is also working on implementing some procedures and practices to develop the business activities and increase the practical efficiency for dealing with the risks in such a significant department.
- 7) The Risk Management Department’s Head works on presenting a periodic report on the Company’s risk indicators in addition to submitting a semiannual report to CMA on the Company’s risks. Such report shall be presented to the Audit & Risk Committee and the Board.

Note: the board of directors will review and amend the Internal Control next year

8.3 Whistleblowing Policy

The Corporate Governance Manual includes the whistleblowing policy expressed through reliable procedures urging the employees to disclose any potential violations. The responsibility for overseeing and implementing the whistleblowing policy was assigned to the Company’s Internal Control and responsible for providing the appropriate atmosphere for facilitating such job.

9. Disclosure and Investors Relations Policy

We keep publishing all explanatory information and disclosures related to our operations and activities in a way that ensures sound dealing and gives confidence to shareholders and investors wherever required.

As per the instructions of the CMA’s Executive Regulations, the Company has followed the Shareholders Disclosure and Communication Policy requiring the Company to immediately disclose all quarterly and annual financial statements once they are finalized and approved by CMA. Besides, the Company complies with disclosing all essential information which affects the Company’s financials and shareholders’ equity. Furthermore, the Board is keen on reporting and disclosing, to the official authorities, shareholders and the public, the information that may affect the Company’s share price and performance, once such information is available.

The Company’s Board of the Directors and Executive Management dedicated their efforts to provide communication channels so that the shareholders can contact them not only through the general assembly meetings, but also through the open door policy followed by the Company.

10. General Information’s

10.1 SIC share performance market in 2014

Date/Fils	High Price / Fils	Low Price / Fils	Closing Price
31 Jan 2014	80	72	80
28 Feb 2014	90	80	85
31 Mar 2014	90	83	85
30 Apr 2014	85	80	80
31 May 2014	80	80	80
30 Jun 2014	80	80	80
31 Jul 2014	80	80	80
31 Aug 2014	80	80	80
30 Sep 2014	85	80	85
31 Oct 2014	85	80	80
30 Nov 2014	80	65	80
31 Dec 2014	80	60	60

10.2 SIC share performance in comparison with market index for year 2014

Date/Fils	Market Index	SIC Share Price / Fils
31 Jan 2014	7755.8	80
28 Feb 2014	7692.75	85
31 Mar 2014	7572.81	85
30 Apr 2014	7407.68	80
31 May 2014	7291.09	80
30 Jun 2014	6971.44	80
31 Jul 2014	7130.89	80
31 Aug 2014	7430.51	80
30 Sep 2014	7621.51	85
31 Oct 2014	7361.61	80
30 Nov 2014	6752.86	80
31 Dec 2014	6510.11	60

10.3 The Company’s Highlights During 2014

- Strategia was one of the first companies that have been able to successfully align its positions pursuant to Law No. 7 of 2010 subsequent to the establishment of Capital Markets Authority and regulating the securities’ activities and its Executive Bylaw as per the decision of the Board Commissioners of the Capital Markets Authority No. 37 for the year 2014 and CMA license was issued to the company to operate five activities from 30/09/2014 until 31/8/2017.
- Amendment of Memorandum and articles of Association of the company to align its positions with the provisions of the companies’ law issued by Decree Law No. (25) of 2012 by issuing companies law and its amendments.
- There were no violations during the fiscal year ending on 31 December 2014 or any breaches of the regulatory resolutions on the Corporate Governance Rules and Standards.

11. Sustainable Development and Social Responsibility

The contribution in the social responsibility is the most important features of the Kuwaiti economy, which abounds with humanitarian initiatives that benefit segments that need support and care. Hence our responsibility towards our society always comes in the forefront of our commitments as it is one of our main goals.

With Strategia’s adoption of the slogan «With Profit Growth Comes Responsibility”, which is not just a slogan, but it is a reflection of our sense of responsibility and our faith in the role of the sustainable development in our business practice. In Strategia, we mainly focus on sustainable development and seek to be a responsible company with an efficient role in society development through initiatives having tangible effects on society in general and the financial sector in particular.

The social responsibility takes Strategia beyond charity work, as it shows how the company manages economic, social and environmental impacts as well as our relations in all the key areas of these effects.

Our service to the community includes:

Our Human Resources:

The human element is the most important resource of the company, so it is important to keep all the social responsibilities towards it and to develop and apply a strong relationship between the company and its employees. Some of social practices adopted by the company in this frame are:

- 1) Provide an opportunity for fresh graduates to raise their abilities and contribution in society.
- 2) Support national workforce.
- 3) Rewards and incentives for personnel in accordance with the principle of efficiency and trustworthy.
- 4) Raise the morale of employees and spread the spirit of cooperation, motivation and encouragement among them.
- 5) Training and development. The company has launched several courses and training programs aimed to develop the skills of its staff and to expand their knowledge.
- 6) Safety and sound lifestyle.
- 7) Staff members’ commitment to work.
- 8) Business diversification.
- 9) Integrity and credibility of business.
- 10) Recruitment and retention.
- 11) The company’s commitment to apply the related laws and regulations and executing them fairly with its employees.

Social Initiatives:

In pursuit of the company management in participation, and ongoing commitment to act ethically, as required by laws and general norms, Strategia Investment Company supported the Kuwaiti Association for Down syndrome, one of the associations of public benefit publicized by the Ministry of Social Affairs and labor that’s dealing with people with intellectual disabilities specially down syndrome category. Its goal is to care about this category from both gender and all age groups to rehabilitate and develop their mental abilities as well as individual and collective skills through the provision of educational and rehabilitative activities for them to be effective agents in the society in which they live.

Initiatives to support young people:

The company is committed to support youth in various initiatives, where the company participated the State Ministry of Youth Affairs in the questionnaire to identify services the social responsibility of the private society sector and youth in the State of Kuwait in order to serve our Kuwait.

Internal Policies:

Strategia seeks to have the corporate social responsibility integrated in the day-to-day company’s operations. It looks for the proper coordination and communication between the company and all functional units, where the commitment towards social responsibility is translated to specific goals and included in corporate policies and procedures.

Confirmation about the data in the report:

- 1 - The Board of Directors confirms that there are no substantial matters which may affect the continuation of the company in the next fiscal year.
- 2 - The Board of Directors confirms its responsibility for the preparation of the financial statements and the provision of an effective control system in the company.

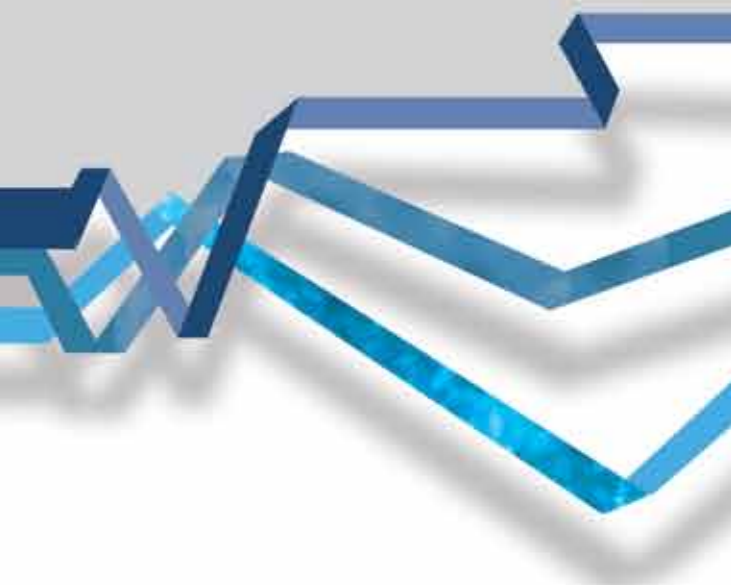
Mr. Soud Abdulaziz Al-Mansour Chairman	Mr. Mishal Nasser Habib Vice Chairman & CEO	Mr. Hassan Kamal Caedbey Board Member
		
Mr. Jamal Abdullah Al-Saleem Board Member	Mrs. Amani Ibrahim Al-Omani Board Member	Mr. Ghazi Ahmed Al-Osaimi Board Member
		

- 3 - We, the undersigned below, confirm the accuracy and completion of the information and statements set out in the report.

Mr. Soud Abdulaziz Al-Mansour Chairman	Mr. Mishal Nasser Habib Vice Chairman & CEO	Mr. Ahmed Mohamad Sobhy Chief Financial Officer
		

Consolidated Financial Statements and Independent Auditors' Report

For the year ended
31 December 2014



Independent Auditors' Report to the Shareholders

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Strategia Investment Company - KSCP "the Parent Company" and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, 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.

Parent company Management's Responsibility for the Consolidated Financial Statements

The parent company management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 auditor's 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 auditor considers 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.

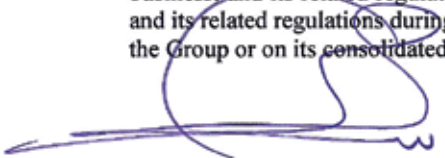
Opinion

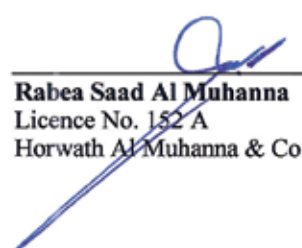
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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


Bader A. Al-Wazzan
 Licence No. 62 A
 Deloitte & Touche
 Al Wazzan & Co.
 Kuwait, 23 March 2015


Rabea Saad Al Muhanna
 Licence No. 152 A
 Horwath Al Muhanna & Co.

Consolidated Statement of Financial Position

as of 31 December 2014

(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Assets			
Cash and cash equivalents	5	8,705,257	9,074,816
Investments available for sale	6	3,949,731	6,686,851
Receivables and other debit balances	7	115,522	175,584
Investment in an associate	8	20,408,083	19,406,856
Investment properties	9	1,095,451	-
Other assets		20,943	16,876
Total assets		34,294,987	35,360,983
Liabilities and equity			
Liabilities			
Bank facilities		-	3,000,000
Payables and other credit balances	10	449,604	444,646
		449,604	3,444,646
Equity			
Share capital	11.1	30,000,000	30,000,000
Share premium		697,235	697,235
Statutory reserve	11.2	264,500	151,086
Voluntary reserve	11.3	26,449	15,108
Foreign currency translation reserve		21,187	43,552
Change in fair value reserve		163,072	(209,731)
Group share of an associate's reserve		454,677	-
Retained earnings		2,218,263	1,219,087
Total equity		33,845,383	31,916,337
Total liabilities and equity		34,294,987	35,360,983

The accompanying notes form an integral part of these consolidated financial statements



Soud Abdulaziz Al Mansour
 Chairman



Mishal Nasser Habib
 Vice Chairman & CEO

Consolidated Statement of Income
For the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Revenues			
Management fees		280,786	242,777
Investments (loss) / income	12	(107,215)	4,203,207
Shares of results from an associate	8	1,535,648	-
Interest income		74,014	50,930
Rent income		54,655	-
Provision no longer required/ (provided during the year)	7	235,885	(268,749)
Other income		76,814	28,913
		<u>2,150,587</u>	<u>4,257,078</u>
Expenses			
Staff costs		538,534	475,128
Other expenses		422,801	266,078
Depreciation		34,340	15,679
Finance costs		20,774	11,764
		<u>1,016,449</u>	<u>768,649</u>
Profit before deductions		1,134,138	3,488,429
National Labor Support Tax		-	(79,987)
Zakat		-	(31,995)
Kuwait Foundation for advancement of Science		(10,207)	(13,598)
Net Profit for the year		<u>1,123,931</u>	<u>3,362,849</u>
Earnings per share (fils)	13	<u>3.75</u>	<u>13.75</u>

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars)

	2014	2013
Net profit for the year	<u>1,123,931</u>	<u>3,362,849</u>
Other comprehensive income items		
<i>Items that may be reclassified subsequently to the statement of income</i>		
Change in fair value of investments available for sale	(169,064)	1,103,824
Transferred to statement of income from sale of investments available for sale	(29,981)	103,616
Transferred to statement of income on acquisition of an associate	-	(1,246,237)
Impairment of investments available for sale	571,848	-
Foreign currency translation differences	(22,365)	(851)
Group's share of an associate's reserves	454,677	-
Total other comprehensive income / (loss) items	<u>805,115</u>	<u>(39,648)</u>
Total comprehensive income for the year	<u>1,929,046</u>	<u>3,323,201</u>

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity
For the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars)

	Share Capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change in fair value reserve	Group's share of an associate reserve	Retained earnings	Total
Balance as of 1 January 2013	15,000,000	460,935	-	-	44,403	(170,934)	-	(1,977,568)	13,356,836
Capital increase	15,000,000	-	-	-	-	-	-	-	15,000,000
Share premium	-	300,000	-	-	-	-	-	-	300,000
Cost of issuance	-	(63,700)	-	-	-	-	-	-	(63,700)
Net profit for the year	-	-	-	-	-	-	-	3,362,849	3,362,849
Transferred to reserves	-	-	151,086	15,108	-	-	-	(166,194)	-
Other comprehensive loss items	-	-	-	-	(851)	(38,797)	-	-	(39,648)
Balance as of 31 December 2013	30,000,000	697,235	151,086	15,108	43,552	(209,731)	-	1,219,087	31,916,337
Balance as of 1 January 2014	30,000,000	697,235	151,086	15,108	43,552	(209,731)	-	1,219,087	31,916,337
Net profit for the year	-	-	-	-	-	-	-	1,123,931	1,123,931
Transferred to reserves	-	-	113,414	11,341	-	-	-	(124,755)	-
Other comprehensive (loss)/ income items	-	-	-	-	(22,365)	372,803	454,677	-	805,115
Balance as of 31 December 2014	30,000,000	697,235	264,500	26,449	21,187	163,072	454,677	2,218,263	33,845,383

The accompanying notes form an integral part of these consolidated financial statements.

Notes of the Consolidated Financial Statements
For the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Note	2014	2013
Cash flow from Operating activities			
Net profit for the year		1,123,931	3,362,849
<i>Adjustments:</i>			
Depreciation		34,340	15,679
Finance costs		20,774	11,764
Investments loss / (income)		107,215	(4,203,207)
Share of result from an associate		(1,535,648)	-
Interest income		(74,014)	(50,930)
(Provision no longer required) / provided during the year		(235,885)	268,749
Operating losses before changes in operating assets and liabilities		(559,287)	(595,096)
Investments at fair value through profit or loss		-	1,616
Receivables and other debit balances		298,752	1,641,737
Payables and other credit balances		(15,678)	238,654
Net cash (used in) / generated from operating activities		(276,213)	1,286,911
Cash flow from investing activities			
Paid for purchase of available for sale investments		(584,030)	(15,166,044)
Proceeds from sale of available for sale investments		3,277,519	3,303,271
Paid for purchase of additional shares in an associate		(101,306)	(542,117)
Dividends received from an associate		1,090,404	-
Paid for purchase of investment properties		(1,114,502)	-
Purchase of property and equipment		(21,086)	(4,471)
Dividends received		309,220	597,112
Interest income received		71,209	39,807
Net cash generated from / (used in) investing activities		2,927,428	(11,772,442)
Cash flow from financing activities			
Proceeds from capital increase - Net		-	15,236,300
(Payment for) / proceeds from bank facilities		(3,000,000)	3,000,000
Finance costs paid		(20,774)	(9,463)
Net cash (used in) / generated from financing activities		(3,020,774)	18,226,837
(Decrease) / increase in cash and cash equivalents		(369,559)	7,741,306
Cash and cash equivalents at the beginning of the year		9,074,816	1,333,510
Cash and cash equivalents at the end of the year	5	8,705,257	9,074,816

The accompanying notes form an integral part of these consolidated financial statements

1. Incorporation and activities

Strategia Investment Company KSCP is a Kuwaiti shareholding Company Public incorporated in Kuwait in 1998 and is regulated by the Central Bank of Kuwait and Capital Markets Authority. The Parent Company was listed in the Kuwait Stock Exchange on 3 December 2008.

The objectives of the Parent Company are:

Financial investment operations in all economic sectors by all legal means deemed appropriate by the Company to achieve its objectives inside and outside Kuwait for its benefit or others, including:

- Sale and purchase of financial securities for the Company and others with no violation to provisions of law.
- Lending or borrowing and issuing bonds as per Law and financing the foreign trade operations.
- Carrying out financial brokerage operations and managing investments for others.
- Providing and preparing studies and technical, economic and revaluation consultancies, as well as studying the related investment projects and preparing the necessary studies for those institutions and companies (provided the necessary conditions should be met).
- Establishing or participating in the establishing of companies of all types, objectives and nationalities and deal in selling and purchasing of shares, bonds and financial rights of those companies.
- Managing financial and real estate portfolios for the company and for others and investing and developing its customers' funds through placing them in all aspects of local and global investment.
- Investing in real estate, industrial, agricultural and other economic sectors either directly or by contributing in the establishment of specialized companies or purchasing shares or bonds of those companies in different sectors.
- Establishing, managing and marketing investment funds of all types as per Law.
- Carrying out the function of bonds issuing manager, which are issued by companies and authorities, and investment custodian's functions.
- Dealing and trading in the foreign exchange market and precious metals market inside and outside Kuwait for the company's benefit only.

Providing all services that assist developing and supporting the ability of the financial and monetary market in Kuwait within limits of Law and as per CBK's instructions and procedures through offering new trading financial instruments or providing consulting services to Kuwait Stock Exchange's management and other services.

The Company may have an interest or participate in any way in any entity that conducts similar business or which may assist it to achieve its objectives inside and outside Kuwait and it may also purchase such entities or affiliate thereof to it.

The Parent Company's registered office is at Al Nassar Tower, Fahed Al Salem Street, P.O. Box 1346, Kuwait.

The consolidated financial statements include the financial statement of the Parent Company and its subsidiaries, which are fully owned and mentioned below together referred to as "the Group".

Name	Place of Incorporation	Principal Activity	Equity interest (%)
Strategia Investors Inc.	United States	Investment manager & advisor	100
Marquee Fund Manager Limited	United Kingdom	Investment manager & advisory services	100
Strategia Investors Service Limited	Antigua & Bermuda	Investment manager & advisor to a real estate fund	100
Strategia Private Equity Limited	Cayman Islands	Investment	100

For the purposes of consolidation, it had been relied on management accounts prepared by the management of subsidiaries. The total assets of these subsidiaries amounted to KD 1,775,105 as of 31 December 2014 (KD 1,752,819

- 31 December 2013), and net losses amounted to KD 1,826 for the year ended 31 December 2014 (KD 224,508 for the year ended 31 December 2013).

The consolidated financial statements for the year ended 31 December 2013 were authorized by the Parent Company's shareholders on 22 June 2014 and approved not to distribute dividends.

The consolidated financial statements for the year ended 31 December 2014 were authorized for issue by the Parent Company's Board of Directors on 23 March 2015.

The extra-ordinary general assembly meeting was held on 22 June 2014 to approve the amendments to the Parent Company's Memorandum of Incorporation and Articles of Association to be in compliance with companies law, as amended, and CMA's related resolutions.

These amendments have been authenticated in the commercial register on 20 July 2014.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the State of Kuwait for financial institution regulated by the Central Bank of Kuwait and Capital Markets Authority. The consolidated financial statements have been prepared based on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 New and revised standards

New and revised IFRSs issued and effective

In the current year, the Group has applied a number of new and revised IFRSs that are issued and effective for accounting periods that begin on or after 1 January 2014.

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

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The application of the amendments has had no impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year.

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the followings new and revised IFRS that have been issued and not yet effective.

For annual periods beginning on or after 1 July 2014

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The Annual Improvements to IFRSs 2010-2012 Cycle:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

The Annual Improvements to IFRSs 2011-2013 Cycle:

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The directors of the Parent Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

For annual periods beginning on or after 1 January 2016

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

Amendments to IAS 16 & IAS 38 *Clarification of Acceptable Methods of Depreciation & Amortisation*

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The directors of the Parent Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Effective for annual periods beginning on or after 1 January 2017

IFRS 15 *Revenue from Contracts with Customers*

The directors of the Parent Company anticipate that the application of these IFRS 15 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

Effective for annual periods beginning on or after 1 January 2018

IFRS 9 *Financial Instruments*

The directors of the Parent Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Group gains control until the date when Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

Goodwill

Goodwill arising on an acquisition of subsidiaries is carried at cost as established at the date of acquisition of the subsidiaries less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within

the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets".

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

Available for sale (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note (3.3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the year.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.3.3 Investment properties

Investment properties held by the Group are the properties held for capital appreciation or to earn rental income. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried out at historical cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on the building is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life of 39 years.

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

2.3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

2.3.5 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.3.6 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.7 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.8 Revenue recognition

Gain on sale of investments is recognised at the completion of the transaction. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis based on the maturity dates of the related assets by using the effective yield method. Management and subscription fees are recognized when the services are provided.

2.3.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Parent Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position.
- Income and expenses for each statement of income are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of other comprehensive income items.

2.3.12 Dividends

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.3.13 Fiduciary assets

Assets which are kept by the Group as an agency or under a fiduciary capacity are not considered as Group's assets.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value of interest rate risk, risks of fluctuations in cash flows resulted from changes in interest rates and market price risk), credit risk and liquidity risk.

(a) Market risk

Foreign currency risks

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US Dollar. The risk of foreign exchange is resulting from future transactions on financial instruments in foreign currency recorded in the consolidated financial statements of the Group.

The Group has set policies for managing foreign exchange risk through careful monitoring of changes in currency rates and its respective impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advisory in case of any significant change in foreign currencies' rates.

In case of a change in the US Dollar against the Kuwaiti Dinar by 5% as of 31 December, the Group's profit and equity would have changed by KD 123,095 (2013: KD 124,375).

Following is the net position of the foreign currencies as of 31 December:

	<u>2014</u>	<u>2013</u>
US\$ Surplus	2,461,905	2,487,503

Price risk

Price risk is the risk arising from fluctuation of financial instrument value resulting from changes in market price. The Group is exposed to the price risk arising from its investments that are classified in the consolidated financial statement as available for sale investments and investments at fair value through profit or loss.

For managing this risk, the Group is monitoring market prices of these investments, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for these investments.

The following sensitivity analysis shows the impact of the change in the index of the stock market on the Group's equity. This analysis is based on the index change by 5% with all other variables held constant.

	Impact on equity	
	2014	2013
Kuwait Stock Exchange	88,407	304,307

Cash flow and fair value Interest rate risk

Financial assets and liabilities affected by interest rate fluctuations are cash deposits and bank loans. The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's exposure to interest rate risk arises from deposits and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by locking the deposits for a short-term period relatively. The Group is periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to mitigate such impact.

(b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

Credit risk is managed by the Group by monitoring credit policy on regular basis taking into account to maintain non-concentration of credit risk.

Credit risk is highly concentrated in cash and cash equivalents, time deposits and receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation. The Group grants credit only within the limits of the requirements and the normal course of business taking into consideration its financial position, past experience and reputation.

(c) Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining Group of highly liquid financial investments. This facilitates the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All outstanding liabilities as of 31 December 2014 and 2013 will mature within one year from the consolidated financial statements date.

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group comprising issued capital, reserves and retained earnings.

The Parent Company's current strategy is to rely on the self-finance for the Group's activities instead of depending on debts, and to maintain the external finance at minimum.

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical financial instruments.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets are determined:

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/14	31/12/13				
Available for sale investments						
- Quoted Shares	2,540,000	5,413,596	1	Last bid price	N/A	N/A
- Funds	281,794	271,967	2	Net assets value	N/A	N/A

The unquoted shares are carried at cost less accumulated impairment.

The fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis approximately equals their carrying values.

4. Critical accounting estimates and judgments and sources of estimation uncertainty

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources concerning current period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

Valuation of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability the Group uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in (note 3.3).

Impairment of investments

Management determines the impairment in investments available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. The impact of such impairments in these consolidated financial statements is disclosed in note (12).

Impairment of Receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period, change in global and local economies which led the customers to default in payment. The impact of such impairments in these consolidated financial statements is disclosed in note (7).

Impairment in associate

The Group calculates the recoverable amount for its investments in associate if there is an indication of an impairment to determine whether there is any impairment should be recorded.

Recoverable amount is calculated based on the value in use or fair value less cost to sell whichever is higher. In estimating the value in use, cash flows which are based on the associate's business plans are discounted using the relevant discount rate and the terminal value is calculated by estimating the terminal growth rates. In case of difficulty to obtain such information, the recoverable amount is calculated based on the adjusted book value taking into consideration the market conditions and the difficulties that may be faced by the investee. These involve high degree of estimates.

5. Cash and cash equivalents

	2014	2013
Cash on hand and at banks	2,204,834	2,074,409
Time deposits (less than 3 months)	6,500,000	7,000,000
Cash at portfolios	423	407
	<u>8,705,257</u>	<u>9,074,816</u>

The average interest rate on time deposits during the year ended 31 December 2014 was 1%. (31 December 2013: 1%).

6. Investments available for sale

	2014	2013
Quoted shares	2,540,000	5,413,596
Unquoted shares	1,127,936	1,001,288
Funds	281,795	271,967
	<u>3,949,731</u>	<u>6,686,851</u>

The fair value has been determined based on valuation basis mentioned in note (3.3).

Unquoted shares are carried at cost, less impairment, due to unavailability of market values for these investments and whose fair values cannot be reliably measured.

Below is the currency analysis of the investments available for sale as at 31 December:

	2014	2013
Kuwaiti Dinar	3,117,501	5,991,096
US Dollar	832,230	695,755
	<u>3,949,731</u>	<u>6,686,851</u>

7. Receivables and other debit balances

	2014	2013
Management fees – net	65,609	59,682
Receivables	437,551	510,754
Due on sale of investments	80	235,966
Prepaid expenses	34,771	27,556
	<u>538,011</u>	<u>833,958</u>
Provision for doubtful debts	(422,489)	(658,374)
	<u>115,522</u>	<u>175,584</u>

The movement for provision for doubtful debts is as follows:

	2014	2013
Balance as at 1 January	658,374	389,625
Provided during the year	-	268,749
Recovery during the year	(235,885)	-
Balance as at 31 December	<u>422,489</u>	<u>658,374</u>

8. Investment in an associate

Company's name	Place of Incorporation	Principal Activity	Proportion of ownership interest	
			2014	2013
Kuwait Financial Centre	Kuwait	Investment management and financial advisory	22.79%	22.64%

The Group's share in the associate's result is based on the reviewed financial information for the nine months period ended 30 September 2014. Summarized financial information of the associate as of 30 September is as follows:

	2014	2013 (Revised)
Total assets	144,078,000	135,411,000
Total liabilities	30,616,000	27,385,000
Revenues	15,543,000	12,772,000
Profits for the year	6,310,000	5,813,000
Total other comprehensive income	7,439,000	7,819,000
Dividend received from the associate during the year	1,090,404	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars unless otherwise stated)

Following is the reconciliation of the above summarized financial information to the carrying amount of Group's interest recognized in the consolidated financial statements:

	2014	2013
Net assets of the associate	98,835,000	94,878,000
Group ownership percentage	22.79%	22.64%
Other adjustments	(2,116,414)	(2,073,484)
	20,408,083	19,406,856

During the current year, the Group has completed the purchase price allocation exercise for the identifiable assets and liabilities as on the acquisition date. The fair values of the acquired assets and liabilities are not different from their provisional determined values.

The fair value of investment in an associate amounted to KD 12,055,626 (2013: KD 16,545,713) as of the consolidated financial statements date.

9. Investment properties

These are represented in commercial buildings located in United States of America purchased by one of the subsidiaries during the year ended 31 December 2014.

The fair value of the investment property amounted to KD 1,114,502 as of 31 December 2014 based on valuations prepared by independent valuers.

10. Payables and other credit balances

	2014	2013
Accrued expenses	55,500	18,741
Others	394,104	425,905
	449,604	444,646

11. Share capital and reserves

11.1 Share capital

The authorized, issued and paid up capital as of 31 December 2014 is KD 30 million allocated over 300 million shares with par value of 100 fils per share and all shares are in cash (2013: KD 30 million allocated over 300 million shares).

11.2 Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit before Board of Directors' remuneration, National Labor Support Tax, Zakat expense and KFAS are transferred to statutory reserve. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to discontinue this transfer. The reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends.

11.3 Voluntary reserve

In accordance with the Parent Company's Articles of Association, 1% of net profit before Board of Directors' remuneration, National Labor Support Tax, Zakat expense and KFAS as proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars unless otherwise stated)

12. Investments (loss) / income

	2014	2013
Gain on sale of investments available for sale	155,413	5,963
Fair value reserve recycled to statement of income on acquisition of an associate	-	1,246,237
Gain on bargain purchase	-	2,861,143
Cash dividends	309,220	597,112
Impairment losses	(571,848)	(507,248)
	(107,215)	4,203,207

13. Earnings per share

Earnings per share are computed by dividing net profit for the year attributable to the shareholders of the Parent Company by the weighted average number of outstanding ordinary shares during the year as follows:

	2014	2013
Net profit for the year	1,123,931	3,362,849
Weighted average number of outstanding ordinary shares (share)	300,000,000	244,520,548
Earnings per share (fils)	3.75	13.75

14. Related party transactions

Related parties are the shareholders of Parent Company who are represented in Board of directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the Parent Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried transactions during the year with related parties. The transactions and balances which are included in the consolidated financial statements are as follows:

	2014	2013
Transactions		
Salaries and other benefits	238,333	210,813
End of service indemnity	47,147	31,839
Committee remuneration	60,000	-
	264,071	242,652
Balances		
Payables and other credit balances	264,071	162,822

Related parties transactions are subject to approval of shareholders' general assembly.

15. Fiduciary assets

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected on the Group's consolidated financial statements. The aggregate net asset value held in a fiduciary capacity by the Group is KD 28,143,343 as of 31 December 2014 (KD 28,059,707 as of 31 December 2013).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars unless otherwise stated)

16. Segment information

The Group practices its main activities through the following segments:

Investment activities Investing in securities, funds, lending to corporate and individual customers and managing the Group's liquidity requirements.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the return on investments. The Group does not have any significant inter-segment transactions.

The following table presents segment revenues, profits, assets and liabilities regarding the Group's business segments:

	2014		
	Investment activities	Asset management & advisory services	Total
Segment revenues	1,869,801	280,786	2,150,587
Net profits	864,157	259,774	1,123,931
Segment assets	32,585,790	1,709,197	34,294,987
Segment liabilities	410,604	39,000	449,604

	2013		
	Investment activities	Asset management & advisory services	Total
Segment revenues	4,283,050	242,777	4,525,827
Net profits	3,136,930	225,919	3,362,849
Segment assets	34,178,025	1,182,958	35,360,983
Segment liabilities	3,414,434	30,212	3,444,646

Geographical distribution of Group's revenues, profits, assets and liabilities is set out below:

	2014			
	Middle East	USA	Europe	Total
Segment revenues	1,773,773	147,978	228,836	2,150,587
Net profits	918,993	21,115	183,823	1,123,931
Assets	32,222,475	1,700,636	371,876	34,294,987
Liabilities	410,522	7,025	32,057	449,604

	2013			
	Middle East	USA	Europe	Total
Segment revenues / (losses)	4,480,293	(175,436)	220,970	4,525,827
Net profits / (losses)	3,444,205	(237,955)	156,599	3,362,849
Assets	33,347,088	1,663,245	350,650	35,360,983
Liabilities	3,414,434	3,143	27,069	3,444,646

