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Ektitab Holding Company – K.S.C. (Holding)
And its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report
For the year ended 31 December 2012

Ekttitab Holding Company – K.S.C. (Holding)
And its subsidiaries
State of Kuwait

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Ekttitab Holding Company – K.S.C. (Holding)
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ekttitab Holding Company K.S.C. (Holding) "the Company" and its subsidiaries (collectively "the Group") which comprise the consolidated financial position as of 31 December 2012, and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of a matter

We draw attention to note (9.3) to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuits between the Company and the creditors of Murabaha and Tawaruq agreements that are due and unpaid. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the 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 and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, and by the Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of provision of the Companies Law No. 25 of 2012, or of the Articles of Association of the Company have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Group or on its consolidated financial position.

Talal Yousef Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al Fahad, Al Wazzan & Co.

Dr. Saud Al-humaidi
Licence No. 51 A
Dr. Saud Al-humaidi & Partners
Member of Baker Tilly International

Kuwait, 20 March 2013

Ekttitab Holding Company - K.S.C. (Holding)
And its subsidiary

Consolidated Statement of Financial Position as at 31 December 2012
(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Assets			
Cash and cash equivalents	5	3,081,147	2,496,807
Investments at fair value through profit or loss	6	9,025,967	8,051,202
Available for sale investments	7	1,336,796	2,207,187
Investment in Islamic debt instruments	8	12,521,413	12,117,438
Receivable and other debit balances		142,559	244,472
Due from related parties	17	4,727,374	4,100,922
Fixed assets		5,053	9,963
Total assets		30,840,309	29,227,991
Liabilities and equity			
Liabilities			
Murabaha and Tawarq Contract payable	9	7,062,729	7,015,622
Payable and other credit balances	10	444,051	621,319
Total liabilities		7,506,780	7,636,941
Equity			
Share capital	11	22,862,423	22,862,423
Treasury shares	12	(11,094)	(149,589)
Statutory reserve	13	94,506	-
Change in fair value reserve		(624,294)	(1,097,978)
Retained earnings/ (accumulated losses)		921,305	(23,806)
Total equity attributable to the shareholders of the Company		23,242,846	21,591,050
Non-controlling interest		90,683	-
Total equity		23,333,529	21,591,050
Total liabilities and equity		30,840,309	29,227,991

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

Emad Hussain Nameh
Chairman

Abdul Mohsen Shahrayan
Vice Chairman

Ektitab Holding Company – K.S.C. (Holding)
And its subsidiary

Consolidated Statement of Income for the year ended 31 December 2012
(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Revenues			
Profit/ (losses) from investments	14	1,727,060	(2,961,421)
Investments income in Islamic debt instruments		738	610,670
Gains from foreign currency differences		4,592	92,832
Other income		4,581	-
		1,736,971	(2,257,919)
Expenses and other charges			
Finance costs		(47,107)	(295,321)
General and administrative expenses		(509,230)	(370,935)
Provision for doubtful debts		(135,380)	-
		(691,717)	(666,256)
Net profit/ (loss) for the year before deduction		1,045,254	(2,924,175)
National Labor Support Tax		(22,699)	-
Zakat expense		(1,011)	-
Net profit/ (loss) for the year		1,021,544	(2,924,175)
Attributable to:			
Shareholders of the Company		945,151	(2,924,175)
Non-controlling interests		76,393	-
		1,021,544	(2,924,175)
Earnings/ (Loss) per share attributable to shareholders of Company (fils)	15	4.15	(12.90)

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

(All amounts in Kuwaiti Dinars)

	2012	2011
Net Profit/ (loss) for the year	**1,021,544**	**(2,924,175)**
Other comprehensive income items:		
Change in fair value of available for sale investments	(434,660)	(649,276)
Transferred to the statement of income on sale of available for sale investments	608,282	474,264
Impairment of available for sale investments	300,062	-
Other comprehensive income/ (losses)	473,684	(175,012)
Total comprehensive income/ (losses) for the year	**1,495,228**	**(3,099,187)**
Attributable to :		
Shareholders of the Company	1,418,835	(3,099,187)
Non-controlling interests	76,393	-
	1,495,228	**(3,099,187)**

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

Ektitab Holding Company – K.S.C. (Holding)
And its subsidiary

Consolidated Statement of Changes in Equity for the year ended 31 December 2012
(All amounts in Kuwaiti Dinars)

	Equity attributable to shareholders of the Company								
	Share capital	**Treasury shares**	**Statutory reserve**	**Voluntary reserve**	**Change in fair value reserve**	**(Accumulated losses)/ retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2011	**51,700,000**	**(386,827)**	**1,545,914**	**1,545,914**	**(922,966)**	**(28,949,349)**	**24,532,686**	-	**24,532,686**
Net loss for the year	-	-	-	-	-	(2,924,175)	(2,924,175)	-	(2,924,175)
Other comprehensive income items:									
Change in fair value of available for sale investments	-	-	-	-	(649,276)	-	(649,276)	-	(649,276)
Transferred to the statement of income on sale of available for sale investments	-	-	-	-	474,264	-	474,264	-	474,264
Total other comprehensive income items	-	-	-	-	(175,012)	-	(175,012)	-	(175,012)
Purchase of treasury shares	-	(1,362,937)	-	-	-	-	(1,362,937)	-	(1,362,937)
Sale of treasury shares	-	1,600,175	-	-	-	(79,687)	1,520,488	-	1,520,488
Amortization of accumulated losses	(28,837,577)	-	(1,545,914)	(1,545,914)	-	31,929,405	-	-	-
Balance at 31 December 2011	**22,862,423**	**(149,589)**	-	-	**(1,097,978)**	**(23,806)**	**21,591,050**	-	**21,591,050**
Balance at 1 January 2012	**22,862,423**	**(149,589)**	-	-	**(1,097,978)**	**(23,806)**	**21,591,050**	-	**21,591,050**
Net profit for the year	-	-	-	-	-	945,151	945,151	76,393	1,021,544
Other comprehensive income items:									
Change in fair value of available for sale investments	-	-	-	-	(434,660)	-	(434,660)	-	(434,660)
Transferred to the statement of income on sale of available for sale investments	-	-	-	-	608,282	-	608,282	-	608,282
Impairment of available for sale investments	-	-	-	-	300,062	-	300,062	-	300,062
Total other comprehensive income items	-	-	-	-	473,684	-	473,684	-	473,684
Change of non-controlling interests	-	-	-	-	-	-	-	6,631	6,631
Purchase of treasury shares	-	(1,246,254)	-	-	-	-	(1,246,254)	-	(1,246,254)
Sale of treasury shares	-	1,384,749	-	-	-	94,466	1,479,215	7,659	1,486,874
Transferred to statutory reserve	-	-	94,506	-	-	(94,506)	-	-	-
Balance at 31 December 2012	**22,862,423**	**(11,094)**	**94,506**	-	**(624,294)**	**921,305**	**23,242,846**	**90,683**	**23,333,529**

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

Consolidated Statement of Cash Flow for the year ended 31 December 2012
(All amounts in Kuwaiti Dinars)

	Note	2012	2011
Cash flows from operating activities			
Net profit/ (loss) for the year		1,021,544	(2,924,175)
Adjustments:			
Depreciations		5,940	5,941
(Profits)/ losses from investments		(1,727,060)	2,961,421
Investments income in Islamic debt instruments		(738)	(610,670)
Finance costs		47,107	295,321
Provision for doubtful debts		135,380	-
Operating losses before changes in the operating assets and liabilities		(517,827)	(272,162)
Investments at fair value through profit or loss		1,314,533	1,707,073
Receivables and other debit balances		(26,836)	21,625
Due from related parties		(626,452)	(244,624)
Payables and other credit balances		(177,268)	(978,345)
Net cash (used in)/ generated from operating activities		(33,850)	233,567
Cash flows from investing activities			
Paid for purchase of available for sale investments		(2,018,786)	(1,628,563)
Proceeds from sale of available for sale investments		2,751,116	3,373,286
Cash generated from disposal of a subsidiary		-	23,602
Dividends received		49,507	21,092
Investment in Islamic debt instruments		(403,237)	(931,398)
Paid for purchase of fixed assets		(1,030)	-
Net cash generated from investing activities		377,570	858,019
Cash flows from financing activities			
Purchase of treasury shares		(1,246,254)	(1,362,937)
Sale of treasury shares		1,486,874	1,520,488
Finance costs paid		-	(315,630)
Proceeds from Murabaha payables		-	(700,326)
Net cash generated from/ (used in) financing activities		240,620	(858,405)
Net increase in cash and cash equivalents		584,340	233,181
Cash and cash equivalents at the beginning of year		2,496,807	2,263,626
Cash and cash equivalents at the end of year	5	3,081,147	2,496,807

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

1. Incorporation of the Group

Ekttitab Holding Company "the Company" is a Kuwaiti shareholding company (Holding) incorporated in 1999. The Company is registered in the commercial register under No. 105414 and listed on Kuwait Stock Exchange on 19 December 2005.

The Company's office is located at Jassim Al Asfour Building – Sharq – Kuwait city, P.O. Box 2799 Safat 3028 Kuwait.

The Company's activities are represented in carrying out all transactions related to establishing and acquiring companies with limited liability, Kuwaiti shareholding and foreign companies, borrowings and acting as grantor for such companies. All activities are conducted in accordance with the Nobel Islamic Shariaa principles.

These consolidated financial statements include the financial statements of the Parent Company and its: subsidiaries (together referred to as "the Group"):

Company name	Legal entity	Ownership %	
		2012	2011
Petro Integrated Business Company	K.S.C. (Holding)	92.5	100

The audited financial statements of the subsidiary as of 31 December 2012 were consolidated based on audited financial statements. The total assets of these subsidiaries amounted to KD 6,578,220 as of 31 December 2012 (KD 4,697,660 as of 31 December 2011) and net profit of KD 942,181 for the year ended 31 December 2012 (net profits KD 230,367 for the year ended 31 December 2011).

On 26 November 2012, the Companies law No. 25 of 2012 has been issued and published in the official gazette on 29 November 2012 to replace the Commercial Companies law No. 15 of 1960. The new Law is effective from the date of its publishing in the official gazette. Companies should make necessary procedures to be in compliance with provisions of the new law within six months from its effective date. The company is currently taking the necessary procedures in this respect.

The consolidated financial statements were approved for issuance by the Board of Directors on 20 March 2013.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain 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

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

IAS 12 Deferred Taxes - Recovery of Underlying Assets

Under the amendments, investments properties that are measured using the fair value model in accordance with IAS 40 are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes unless the presumption is rebutted. This amendment has no impact on the company's financial statements.

New and revised IFRSs in issue but not yet effective

- IFRS 7: Financial Instruments: Disclosures
- IFRS 9: Financial Instruments: Classification and Measurement
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosures of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- IAS 1: Presentation of Financial Statements
- IAS 19: Employee Benefits
- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- IAS 32: Financial Instruments: Presentation

The Company has not applied these new and revised IFRS. Following are the significant changes that are related to the company activities:

For annual periods beginning on or after 1 July 2012

IAS 1 Presentation of Financial Statement

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendment affects presentation only and has no impact on the Company's financial position or performance.

For annual periods beginning on or after 1 January 2013

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and of SIC-12 Consolidation – Special Purpose Entities.

Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The Company expects the application of this standard will have no significant impact on the company financial statements.

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company does not present separate financial statements.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 "Interests in Joint Ventures". The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs must be accounted for using the equity method. The standard has no significant effect on the financial statements of the Company.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

As a consequence of the new IFRS 11 and IFRS 12; IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The company anticipates that the application of the new standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

For annual periods beginning on or after 1 January 2014

IFRS 7 "Financial Instruments – Disclosures" and IAS 32 "Financial Instruments – Presentation"

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 retrospectively. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

For annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

The group anticipates that the application of IFRS 9 in the future may have 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 of IFRS 9 until a detailed review has been completed.

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the 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 those used by other members of the Group.

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 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.

Any related accumulated items in equity will be accounted for as if the Company had directly disposed of the relevant assets (reclassified to profit or loss or transferred directly to retained earnings). 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.

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 a business is carried at cost as established at the date of acquisition of the business 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.

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 or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 3.

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 are re-measured at fair value. The fair value is determined in the manner described in note 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.

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.

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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. 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. This is recognized in the statement of income.

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 income statement.

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 period.

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 entity.

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. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings 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 Fixed assets

Fixed assets 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 fixed assets beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis. 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 income statement.

2.3.4 End of service's 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 balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.5 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.

2.3.6 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income from deposits is recognized on time basis, and other revenues and expenses are recognized on an accrual basis.

Dividend income is recognized when the Group's right to receive dividends is established.

2.3.8 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 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

2.3.9 Zakat

The Parent Company will calculate and announce Zakat payable on each share. The shareholders will be responsible for the payment.

2.3.10 Dividend distribution

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

3. Risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's management concentrated these financial risks in the ongoing assessment of the market conditions and trends and management's estimate of changes long-and short-term market factors.

(A) Market risk

(i) Foreign risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The management has set up a policy to manage its foreign exchange risk against their functional currency, through diversifying its investments on a geographical level and in different economical sectors. In addition, the group concentrates its investments in Kuwaiti Dinar to avoid the fluctuation in foreign currency rates risk.

Had the US Dollar changed by 5% against the Kuwaiti Dinar with all other variables held constant, post-tax profit for the year ended 31 December 2012 would have been changed by KD 4,032 (KD 2,269 for the year ended 31 December 2011).

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated financial statements as available for sale or investments at fair value through profit and loss. The Group has established its policies to studying and evaluating the investments opportunities. These policies are implemented within the group within the limits of roles and responsibilities that approved by the board of directors of the Company.
The Group's investment in the quoted shares is subject to regular monitoring of the share price through indexes. However, the price of the investment in unquoted funds is monitored by the Group's management through periodic reports of the net asset value of those funds.

Investments in unquoted shares are managed and their performance is evaluated and internally reported on a fair value basis in accordance with investment strategy approved by the management.

The table below summarizes the impact of decrease of the indexes on the Group's post-tax profit for the year and on Comprehensive income. The analysis is based on the assumption that the equity indexes had decreased by 10% with all other variables held constant:

	Effect on net profit		Effect on comprehensive income	
	2012	**2011**	**2012**	**2011**
Kuwait stock exchange	17,921	72,037	79,434	94,999
Dubai and Abu Dhabi stock exchange	28,375	194,408	-	14,798
Egypt stock exchange	-	73,385	-	-

(iii) Interest rate risk

Interest rate risk arises from the changes in interest rates which affect the future cash flows or the fair values of financial instruments. The Group works under Islamic Shariaa, accordingly, it does not expose to interest rate risk.

(B) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharges their contractual obligations. Credit risk arises from cash and cash equivalents, financial institutions, Murabaha investments and due from related parties.

For cash and cash equivalents, credit risks are managed through dealing with high credit rating financial institutions.

For receivables (Murabaha, receivables and due from related parties), the group assesses their credit quality taking into consideration its financial position, past experience and reputation and obtaining collaterals.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position without taking into consideration the collaterals:

	2012	**2011**
Cash and cash equivalents	3,081,147	2,496,807
Investments in Islamic debt instruments	12,521,413	12,117,438
Receivables and other debit balances	142,559	244,472
Due from related parties	4,727,374	4,100,922

(C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management has diversified funding sources, manages assets and monitors future cash flows and liquidity on a daily basis. This encompasses an assessment of expected cash flows and the availability of high grade collaterals which could be used to secure additional funding if required.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated financial statements to the contractual maturity date. Balances due within 12 months from the consolidated financial statements date equal their carrying balances as the impact of discounting is not significant.

	2012		
	Within 3 months	From 3 months to 1 year	From 1 to 5 years
Payables and other credit balances	74,472	357,240	12,339

All Murabaha and Tawarq Contract payable are matured (note 9.3).

	2011		
	Within 3 months	From 3 months to 1 year	From 1 to 5 years
Murabaha and Tawarq Contract payable	47,107	3,328,168	-
Payables and other credit balances	168,178	30,862	422,279

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 optimization of the equity balance.

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

Following is the gearing ratio as of 31 December:

	2012	2011
Total borrowings	7,062,729	7,015,622
(Less): cash and cash equivalents	(3,081,147)	(2,496,807)
Net debts	3,981,582	4,518,815
Total equity	23,333,529	21,591,050
Total capital	27,315,111	26,109,865
Gearing ratio %	14.57	17.31

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 assets or liabilities.
- Level two: Quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below represents the financial instrument's analysis that recorded at fair value on the levels above mentioned:

	2012			
	Level one	Level two	Level three	Total
Investments at fair value through profit or loss	6,110,391	307,637	2,607,939	9,025,967
Available for sale investments	1,151,796	-	185,000	1,336,796
	7,262,187	307,637	2,792,939	10,362,763

	2011			
	Level one	Level two	Level three	Total
Investments at fair value through profit or loss	3,783,268	295,869	3,972,065	8,051,202
Available for sale investments	2,022,187	-	185,000	2,207,187
	5,805,455	295,869	4,157,065	10,258,389

4. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, which are described in note (2.3.2), 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 recognised 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

As described in note (3), the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Evidence of impairment of investments

Management determines the impairment in equity instruments classified as 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.

5. Cash and cash equivalents

	2012	2011
Cash on hand	102	157
Cash at banks and financial institutions	1,042,981	1,077,186
Cash at portfolios and Kuwait Clearing Company	2,038,064	1,419,464
	3,081,147	2,496,807

6. Investments at fair value through profit or loss

	2012	2011
Investments held for trading	6,110,391	4,252,085
Investments at fair value through profit or loss at acquisition	2,915,576	3,799,117
	9,025,967	8,051,202

Investments in local shares - quoted	6,110,391	3,783,268
Investments in local shares – unquoted	2,607,939	3,287,689
Investments in foreign shares – quoted	-	468,817
Investments in foreign shares – unquoted	-	215,559
Investments in local funds – unquoted	307,637	295,869
	9,025,967	8,051,202

6.1 The fair value of investments at fair value through profit or loss is determined based on the basis of valuation disclosed in note (3.3).

6.2 Investments at fair value through profit or loss include local and foreign - quoted and unquoted shares of KD 58,959 as of 31 December 2012 (KD 65,074 as of 31 December 2011) registered in the name of a related party and there is a letter of assignment in favor of the Group.

7. Available for sale investments

	2012	2011
Local quoted shares	1,151,796	2,022,187
Local unquoted shares	185,000	185,000
	1,336,796	2,207,187

7.1 The fair value of available for sale investments is determined based on the basis of valuation disclosed in note (3.3).

7.2 Unquoted investments were carried at cost as it was not possible to reliably measure the fair value of these investments, the Group's management believes that no indication of impairment in respect of these investments.

8. Investments in Islamic debt instrument

	2012	2011
Murabaha	-	12,117,438
Musharaka	12,521,413	-
	12,521,413	12,117,438
Average yield	%-	%5.04

8.1 All Islamic debt instrument generated to related parties and matured on 31 December 2012.

8.2 The Group does not calculate fixed returns based on Sharia Supervisory board advise until the settlement of these contracts

8.3 A list of guarantees received by the Group against investments in Islamic debt instruments and the receivables balances due from related parties by KD 4,066,990 as at 31 December:

	2012	2011
Investment portfolio mortgaged - second level - managed by related party	8,530,827	3,346,709
Unquoted foreign shares	574,207	5,253,994
Unquoted local shares	3,625,240	10,603,315

This guarantee is pledged in favour of the Group based on the mortgage contract not registered in name of the Group.

8.4 During the year, the Group settled an amount of KD 403,236 from the Due from related parties (KD 826,000 as at 31 December 2011) against investments in Islamic instruments. This transaction has been eliminated from the cash flows as it is non-cash transaction.

9. Murabaha and Tawarq contracts payable

	2012	2011
Murabaha and Tawarq contracts payables from local financial institutions (Kuwaiti Dinar)	4,764,718	4,717,611
Murabaha payables from foreign financial institutions (Sterling Pound)	2,298,011	2,298,011
	7,062,729	7,015,622

	2012	2011
Murabaha payables	5,533,422	5,486,315
Tawarq contracts payables	1,529,307	1,529,307
	7,062,729	7,015,622

9.1 These represent amounts granted by local and foreign financial instruments, according to Murabaha contracts. This Murabaha carry a fixed rate cost. The average rate of this Murabaha 1% as at 31 December 2012 (4% as at 31 December 2011).

9.2 Murabaha payables are secured against investments at fair value through profit or loss and available for sale investment with fair value of KD 2,752,650 and KD 220,400 respectively as of 31 December 2012 (KD 3,215,150 as of 31 December 2011). In addition to a guarantee of a related party.

9.3 Murabaha and Tawarq contracts payable were past due and not paid due to lawsuits between the Group and all creditors. The Group has stopped recognizing finance costs of Murabaha that were past due and unpaid since the due date. Such lawsuits are still in its initial stages and currently it is difficult to predict the resultant outcome thereof.

10. Payable and other credit balances

	2012	2011
Due against purchase of investments	5,000	171,424
Dividends payables	34,546	34,956
Kuwait Foundation for the Advancement of Sciences (KFAS)	262,505	86,837
National labour support tax	8,656	239,805
Accrued Zakat	66,837	5,856
Others	66,507	82,441
	444,051	621,319

11. Share capital

The issued and fully paid up capital amounted to KD 22,862,423 as of 31 December 2012 and 31 December 2011distributed over 228,624,230 shares with nominal value of 100 fils each, all shares are in cash.

On 21 December 2011, the General Assembly approved to increase the share capital in cash with an amount of KD 9,000,000 distributed over 90,000,000 shares with nominal value of 100 fils each without share premium. This increase has been registered in the Commercial Register on 9 January 2012.

On 15 January 2013, the Board of Directors call the share capital increase.

12. Treasury shares

	2012	2011
Number of shares (share)	123,547	2,193,378
Percentage to issued share capital (%)	0.05	1
Market value	8,772	96,509

13. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of profit for the year before KFAS and National Labor Support Tax, Zakat expense and Board of Directors' remuneration is required to be transferred to statutory reserve. Statutory reserve is not distributable to shareholders; however, the reserve could be utilized to secure for payment of a dividend of 5% of share capital in years when retained earnings are not sufficient payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the company and its shareholders.

14. Profits/(losses) from financial investments

	2012	2011
Investments at fair value though profit or loss		
Realized profits/(losses)	2,342,348	(942,537)
Losses from change in fair value	(196,300)	(556,847)
Cash dividends	192,757	21,092
	2,338,805	(1,478,292)
Available for sale investments		
Realized losses	(311,683)	(1,348,129)
Impairment	(300,062)	-
	(611,745)	(1,348,129)
	1,727,060	(2,826,421)

15. Earnings/ (loss) per share

Earnings/ (Losses) per share are calculated by dividing the net loss for the year by the weighted average number of outstanding shares during the year as follows:

	2012	2011
Net profit /(loss) for the year attributable to shareholders of the Company	945,151	(2,924,175)
Weighted average number of outstanding shares during the year /(share)	227,969,026	226,762,481
Earnings/ (Loss) per share (fils)	4.15	(12.90)

16. Dividends

On 10 May 2012, the General Assembly meeting of the shareholders approved the financial statements for the year ended 31 December 2011 and approved not to distribute dividends for the year ended 31 December 2011.

On 20 March 2013, the Board of Directors proposed not to distribute dividends for the year ended 31 December 2012.

17. Related parties' transactions

Related parties comprise of the Company's shareholders who have representation in the Board of Directors, members of the Board of Directors and major shareholders. In the normal course of business, subject to the management approval, there were transactions with related parties. The significant transactions and outstanding balances with related parties, other than what disclosed in other notes, were as follows:

	2012	2011
Transactions		
Murabaha income	738	610,670

	2012	2011
Balances		
Murabaha and Mudaraba investments	12,521,413	12,117,438
Due from related parties	4,727,374	4,100,922
Cash at investment portfolio	915,869	2,516

Investments at fair value through profit or loss include a portfolio which the fair value amounted to KD 1,225,523 as of 31 December 2012, this portfolio was pledged against Murabaha payables granted to a related party.

These transactions are subject to the approval of the shareholders in the General Assembly Meeting.

18. Segment distribution

The Group's activities are mainly concentrated in the investment segment.