Al Salam Group Holding Company

K.S.C (Public)
and its subsidiaries
Kuwait
Consolidated financial statements
for the year ended December 31, 2013
with
Independent auditors' report

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Independent auditors' report

The Shareholders,
Al Salam Group Holding Company
K.S.C (Public)
and its subsidiaries
Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Salam Group Holding Company - K.S.C (Public) - (the Parent Company) and its subsidiaries (together referred to as "the Group") - which comprise the consolidated statement of financial position as of December 31, 2013 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management of the Parent Company 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 perpetration of consolidated financial statements that are free from material misstatements, 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 Parent Company'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 Parent Company'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 reasonable basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion - the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Al Salam Group Holding Company - K.S.C (Public) and its subsidiaries - as of December 31, 2013 and of 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 account have been kept by the Parent Company, physical counting was carried out in accordance with recognized practices, the financial statements together with the financial contents of the report of the Board of Directors of the Parent Company are in accordance therewith. Also, we have obtained the information and explanations that we required for the purpose of our audit and the financial statements incorporate the information that is required by the Companies' Law no. 25 of year 2012, as amended, and related Executive Regulations, law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its regulation and the Parent Company's Memorandum and Articles of Association. According to the information available to us, there were no violations have occurred of either the Companies' Law no. 25 of year 2012, as amended, and related Executive Regulations, law no. 7 of 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its regulation or of the Parent Company's Memorandum and Articles of Association during the year ended December 31, 2013 that might have had a material effect on the Parent Company's business or its consolidated financial position.

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March 10, 2014
State of Kuwait

Exhibit - A

Al Salam Group Holding Company

K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of financial position as of December 31, 2013

"All amounts are in Kuwaiti Dinar"

	Note	2013	2012
Assets			
Cash and cash equivalents		**1,025,355**	271,493
Investments at fair value - statement of income	5	**5,056,560**	6,733,079
Finance and Musharka		**-**	444,401
Accounts receivable and other debit balances	6	**3,248,433**	2,252,050
Available for sale investments	7	**11,528,541**	-
Investment in associates	8	**8,894,726**	22,593,497
Intangible assets	9	**4,649,170**	2,654,644
Property and equipment	10	**1,377,020**	982,354
Total assets		**35,779,805**	35,931,518
Liabilities and equity			
Liabilities			
Accounts payable and other credit balances	11	**3,188,995**	2,171,302
Provision for end of service indemnity		**97,470**	105,182
Total liabilities		**3,286,465**	2,276,484
Equity			
Share capital	12	**25,680,000**	24,000,000
Share premium	13	**5,904,559**	5,904,559
Statutory reserve	14	**616,237**	596,930
Voluntary reserve	15	**17,978**	17,978
Cumulative changes in fair value		**(1,333,716)**	21,927
Gains on sale of treasury shares		**730,372**	730,372
Retained earrings		**846,613**	2,357,682
Equity attributable to shareholders of the Parent Company		**32,462,043**	33,629,448
Non controlling interests		**31,297**	25,586
Total equity		**32,493,340**	33,655,034
Total liabilities and equity		**35,779,805**	35,931,518

Meshari Ahmed Al Majed
Chairman

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

Exhibit - B

Al Salam Group Holding Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of income for the year ended December 31, 2013
"All amounts are in Kuwaiti Dinar"

	Note	2013	2012
Revenue			
(losses) / gain on investments	16	**(196,131)**	574,349
Group's share of associates' results		**2,046**	1,092,259
Net contracting income		**713,599**	822,562
Finance and Musharka income		-	241,815
Other income		-	117
General and administrative expenses	17	**(320,738)**	(156,901)
Net profit for the year before calculate Contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labor Support Tax		**198,776**	2,574,201
Contribution to Kuwait Foundation for the Advancement of Science		-	(3,982)
Zakat		-	(6,557)
National Labor Support Tax		**(4,827)**	(64,353)
Net profit for the year		**193,949**	2,499,309
Attributable to:			
Shareholders of the Parent Company		**188,238**	2,492,885
Non-controlling interests		**5,711**	6,424
Net profit for the year		**193,949**	2,499,309
Earnings per share / (fils)	18	**0.73**	10.04

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

Exhibit - C

Al Salam Group Holding Company

K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of comprehensive income for the year ended December 31, 2013

"All amounts are in Kuwaiti Dinar"

	2013	2012
Net profit for the year	**193,949**	2,499,309
Other comprehensive income :		
Cumulative changes in fair value	**(1,355,643)**	2,342,887
Gains on sale of treasury shares	-	334,793
Total other comprehensive (loss) /income for the year	**(1,355,643)**	2,677,680
Total comprehensive (loss)/income for the year	**(1,161,694)**	5,176,989
Attributable to:		
Shareholders of the Parent Company	**(1,167,405)**	5,170,565
Non-controlling interests	**5,711**	6,424
Total comprehensive (loss)/income for the year	**(1,161,694)**	5,176,989

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

Exhibit - D

Al Salam Group Holding Company

K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of cash flows for the year ended December 31, 2013

"All amounts are in Kuwaiti Dinar"

	2013	2012
Cash flows from operating activities		
Net profit for the year	**193,949**	2,499,309
Adjustments		
Provision for end of service indemnity	**26,976**	14,447
Losses / (gains) on investments	**196,131**	(574,349)
Depreciation	**219,793**	-
Finance and Musharka income	**-**	(241,815)
Group's share of associates' results	**(2,046)**	(1,092,259)
Adjusted profit before calculate the effect of change in working capital items	**634,803**	605,333
Investments at fair value - statement of income	**1,512,774**	(886,290)
Accounts receivable and other debit balances	**(996,383)**	(5,755,627)
Accounts payable and other credit balances	**621,914**	24,698
Cash generated from / (used in) operations	**1,773,108**	(6,011,886)
End of service indemnity paid	**(34,688)**	-
Net cash generated from / (used in) operating activities	**1,738,420**	(6,011,886)
Cash flows from investing activities		
Available for sale investments	**(6,568,721)**	3,817,189
Property and equipment	**(204,124)**	3,313
Cash dividends received	**-**	900
Investments in associates	**7,352,968**	9,446,756
Acquisition of a subsidiary	**(1,994,526)**	(3,367,101)
Net cash (used in)/generated from investing activities	**(1,414,403)**	9,901,057
Cash flows from financing activities		
Finance and Musharka	**444,401**	-
Islamic debt instruments	**-**	(4,649,723)
Proceeds from sale of treasury shares	**-**	2,014,793
Cash dividends paid	**(14,556)**	(1,033,195)
Net cash generated from/(used in) financing activities	**429,845**	(3,668,125)
Net increase in cash and cash equivalents	**753,862**	221,046
Cash and cash equivalents at beginning of the year	**271,493**	50,447
Cash and cash equivalents at end of the year	**1,025,355**	271,493

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

Exhibit - E

Al Salam Group Holding Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of changes in equity for the year ended December 31, 2013
"All amounts are in Kuwaiti Dinar"

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Cumulative changes in fair value	Gains on sale of treasury shares	Retained earrings	Total equity attributable to shareholders of the Parent Company	Non controlling interests	Total
Balance at January 1, 2012	24,000,000	5,904,559	340,153	17,978	(1,680,000)	(2,320,960)	395,579	1,281,574	27,938,883	-	27,938,883
Net profit for the year	-	-	-	-	-	-	-	2,492,885	2,492,885	6,424	2,499,309
Other comprehensive income / (loss) for the year	-	-	-	-	-	2,342,887	334,793	-	2,677,680	-	2,677,680
Total comprehensive income / (loss) for the year	-	-	-	-	-	2,342,887	334,793	2,492,885	5,170,565	6,424	5,176,989
Transferred to statutory reserve	-	-	256,777	-	-	-	-	(256,777)	-	-	-
Cash dividends	-	-	-	-	-	-	-	(1,160,000)	(1,160,000)	-	(1,160,000)
Sale of treasury share	-	-	-	-	1,680,000	-	-	-	1,680,000	-	1,680,000
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	19,162	19,162
Balance at December 31, 2012	24,000,000	5,904,559	596,930	17,978	-	21,927	730,372	2,357,682	33,629,448	25,586	33,655,034
Balance at January 1, 2013	24,000,000	5,904,559	596,930	17,978	-	21,927	730,372	2,357,682	33,629,448	25,586	33,655,034
Bonus shares (note - 22)	1,680,000	-	-	-	-	-	-	(1,680,000)	-	-	-
Net profit for the year	-	-	-	-	-	-	-	188,238	188,238	5,711	193,949
Other comprehensive loss for the year	-	-	-	-	-	(1,355,643)	-	-	(1,355,643)	-	(1,355,643)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	(1,355,643)	-	188,238	(1,167,405)	5,711	(1,161,694)
Transferred to statutory reserve	-	-	19,307	-	-	-	-	(19,307)	-	-	-
Balance at December 31, 2013	25,680,000	5,904,559	616,237	17,978	-	(1,333,716)	730,372	846,613	32,462,043	31,297	32,493,340

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

Al Salam Group Holding Company

K.S.C (Public)
and its subsidiaries
Kuwait

Notes to the consolidated financial statements for the year ended December 31, 2013
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Incorporation and activity

Al Salam Group Holding Company - K.S.C (Public) was incorporated on November 9, 1997.

The Parent Company's main activities are as follows:

- Owning shares in Kuwaiti or Foreign shareholding or limited liability companies, or participating in establishing these companies and managing and lending them and providing guarantees on their behalf to others.
- Lending the companies in which it owns shares and providing guarantees on behalf of those companies to others, providing that the holding Company's ownership percentage in the share capital of the borrowed Company must be at least 20%.
- Owning industrial equity of patents, industrial trademarks, industrial fees or any other rights related to that and franchise them to other companies to utilize them inside Kuwait or abroad.
- Owning the necessary movables and properties to carry out its activity in accordance with the Law.

The Parent Company may have an interest in, or may participate in any form with the institutions that have a similar business or that will assist the Parent Company to achieve its objectives inside or outside Kuwait and it may establish or participate in or acquire these institutions or join them.

The registered address of the Parent Company is: Al-Qibla - Plot (5) - Building (11) owned by Mousa Abdullwahab Al Naqee - Kuwait.

The Board of Directors approved these consolidated financial statements for the year ended December 31, 2013 for issue on March 10,2014.

2- Application of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year and the amended and new Standards which are effective for annual period beginning on or after January 1, 2013.

2/1) Standards effective for the current year:

IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group'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 Group does not have any assets with these characteristics.

IAS 1 Presentation of Items of Other Comprehensive Income (amendments)
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the financial position or performance.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments)
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with *IAS 32 Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the consolidation guidance in *IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the returns. Further in November 2012, IASB has issued an amendment to *IFRS 10 Consolidated Financial Statements* to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with *IFRS 9 Financial Instruments*.

IFRS 11 Joint Arrangements
IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13: Fair Value Measurement
IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

2/2) Standards issued but not yet effective:
Below are the new and revised IFRSs that are not yet mandatorily effective for the year ending December 31, 2013 (but allow early application).

IFRS 9 financial instruments (as revised in 2010)
(Effective for annual periods beginning on or after January 1, 2015)

IFRS 9 is a new standard for financial instruments that is ultimately intended to replace IAS 39 in its entirety

The replacement project consists of the following phases:
- Phase 1: classification and measurement of financial assets and financial liabilities.
- Phase 2: Impairment Phase.
- Phase 3: Hedge accounting.

Amendments of IAS 32 offsetting financial assets and financial liabilities
(Effective for accounting periods beginning on or after January 1, 2014)
The amendments to IAS 32 clarify existing application issue relating to the offsetting requirements. Specifically, the amendments clarify the meaning of currently has a legally enforceable right of set-off: and simultaneous relation and settlement. The amendments to IAS 32 are effective for annual periods beginning on or January 1, 2014. Retrospective application is required.

Amendments to IFRS 10,12 and IAS 27 investment Entities
(Effective for accounting periods beginning on or after January 1, 2014)
The amendments to IFRS 10 introduce an exception from the requirements to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investments entities that provide services that relate to the investment entity's investment activities.

Amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

In general, the amendments require retrospective application, with specific transitional provisions.

The management anticipates that the new standards will be adopted in the group's accounting policies for the period beginning on or after the effective date of the pronouncement, and those new standards that have been issued but are not relevant to the group's operations will not be expected to have a material impact on the group's consolidated financial statements.

Al Salam Group Holding Company

K.S.C (Public)
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Kuwait

Notes to the consolidated financial statements for the year ended December 31, 2013
"All amounts are in Kuwaiti Dinar unless stated otherwise"

3- Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

3/1) Basis of presentation

- These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies Law requirements.
- The accounting policies used in preparation of these consolidated financial statements are consistent with those used in preparation of the consolidated financial statements of the previous year.

3/2) Accounting convention

- These consolidated financial statements are prepared under the historical cost convention, adjusted through the revaluation of some assets according to fair value as explained in detail in the accompanying policies and disclosures.
- The consolidated financial statements are prepared in Kuwaiti Dinar.

3/3) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management best knowledge, the actual results may differ from those estimates.

3/4) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, at banks and short term deposits with a maturity date not exceeding three months from the date of deposit.

3/5) Basis of consolidation the financial statements

The consolidated financial statements include the financial statements of Parent Company and its subsidiaries as of December 31, 2013 (Note - 4).
Subsidiaries are the companies controlled by the group. Control is achieved where the group directly or indirectly has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The results of subsidiaries acquired (or disposed of during the year) are included in the consolidated financial statements from the date of acquisition (or up to the date of disposal).

The financial statements of subsidiary are consolidated on a line-by-line basis by adding together alike items of assets, liabilities, revenues and expenses.

All inter-company balances and transactions, including unrealized profits or losses between the companies, are eliminated when preparing the consolidated financial statements. The consolidated financial statements are prepared using consistent accounting policies and for like transactions and other events in the same circumstances.

The financial statements of subsidiary are prepared at the same date or within three months before the financial year ends of the group, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist between the subsidiaries financial year date and the group's financial year date.

Non-controlling interests represent the portions of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated financial position separately from the equity of the shareholders. Acquisition of subsidiaries are accounted according to the purchasing method as the cost of acquisition represents the fair value of the amounts paid, assets acquired and liabilities that carried to acquire the subsidiary in addition to the direct costs related to the acquisition.

Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill, if the cost acquisition is less then fair value of the net assets of the subsidiary acquired the difference is recognized directly (decreased when acquired) in the consolidated statement of income in the period of acquisition.

3/6) Financial instruments

Classification

The investments classification depends upon the purpose of acquisition the investment. Management determines this classification at initial acquisition of financial instruments and reviews this classification at the preparation of consolidated financial statements. The group classified its financial instruments as follows:

Financial assets at fair value - statement of income

A financial asset is classified in financial asset at fair value if it acquired principally for the purpose of selling in the short term or if the management decides to classify it in the initial recognition.

Financial assets available for sale

These are non-derivative financial assets that are not included in any of the above categories and are principally acquired to be held for an indefinite period of time which could be sold when liquidity is needed or upon changes in rates of profit.

Recognition and de-recognition

Financial instrument is recognized when the group becomes a party to a contracted commitment of a financial instrument. Regular purchase and sale of financial assets are recognized on settlement date - the date on which the group receives or delivers the asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership to another party.

Measurement
All investments are initially recognized at fair value plus transaction costs for all investments not carried at fair value - statement of income as its transaction costs are recognized in the consolidated statement of income. Subsequently, financial assets at fair value - statement of income and financial assets available for sale are re-measured at fair value.
Unrealized gains and losses arising from changes in the fair value of financial assets at fair value - statement of income are included in the consolidated statement of income in the period in which they arise. Changes in fair value of financial assets available for sale are recognized directly in equity. When available for sale investments are sold or impaired, the accumulated changes in fair value recognized in equity are included in the consolidated statement of income.

Fair value
The fair value of financial instruments in a regular financial market is based on last bid prices.
For the unquoted investments, the group establishes fair value by reference to other instruments that are substantially similar or by using the expected discounted cash flows discounted by the current ratios applied for similar items that have similar risks and circumstances. Available for sale investments, with no available reliable measurement instrument to determine its fair value are carried at cost less impairment.

Impairment in value
The group assesses at each consolidated financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale investments, a significant or prolonged decline in the fair value of these investments below its cost is considered as an indicator that these investments are impaired.
If any evidence for impairment exists for available for sale financial assets, the cumulative losses measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognized in prior years are transferred from equity to the consolidated statement of income.
Impairment losses recognized on equity instruments are not reversed through the consolidated statement of income again.

3/7) **Investment in associates**
An associate is the company over which the group exerts significant influence. Investment in associates is accounted under the equity method.
Under the equity method, the investment in associate is initially recorded at cost and adjusted with changes after acquisition in the group's share of the associate's equity. The goodwill related to acquire an associate is included in the book value of the investment and not amortized.
The group recognizes its share in profits or losses of an associate realized in the consolidated statement of income from the date that the influence started effectively until the date that influences effectively ended .Adjustments on the carrying amount may also be necessary to reflect the changes in the group's share in the associate arising from changes in the associate's equity. The group share as a result of these changes is recognized in the equity.

Unrealized gains from transactions with associates are eliminated to the extent of the group's share in the associate, unrealized losses are eliminated unless the transaction provides evidence of impairment in value of the asset transferred. An assessment for impairment in investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared at the same date of the group's reporting date or to a date not earlier than three months of the group's reporting date using consistent accounting policies. There were adjustments made to reflect the effects of significant transactions and other events that occurred between the associate financial year end and the group's financial year end.

3/8) **Intangible assets and goodwill**

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets with indefinite useful lives are not subject to amortization and are tested at least annually for impairment.

Intangible assets which have a finite life are amortized over their useful lives. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable net assets acquired in a business combination or the associates at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. Goodwill is testing at least annually for impairment and carried at cost less accumulated impairment losses. Gain or losses on disposal of the subsidiary or a part of the subsidiary include the carrying amount of goodwill relating to the subsidiary or the portion sold.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible assets is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the consolidated statement of income and that relating to goodwill cannot be reversed in the subsequent periods.

3/9) **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. The recoverable value of property and equipment are reviewed at the consolidated financial position date. If the recoverable value for property and equipment decreased from the book value in which case the book value is written down to the recoverable value. If the useful lives are different from its estimated lives then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.

Property and equipment are depreciated on straight line basis to reduce its value to the residual value over their estimated useful lives. The useful lives of the property and equipments are as follow:

Furniture and air conditions	20%
Machines and equipment	10%
Decorations and fixtures	20%
Motor vehicles	15%
Computers	20%

3/10) Impairment of non-financial assets

At each consolidated financial position date, the group reviews the carrying amounts of its non-financial assets, to determine whether there is any objective evidence that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated and an impartment loss recognized in the consolidated statement of income for the difference between the assets recoverable amount is estimated and the carrying amount.

Reversal of impairment losses recognized in prior years is recorded as revenue, when there is an indication that the impairment losses, recognized for the asset no longer exist or has decreased.

3/11) Islamic debt instruments

The Islamic debt instruments are initially recognized at value which received from the contracts less transactions costs incurred. Islamic debt instruments are subsequently re-measured at amortized cost and the difference between net proceeds and the payable amount are recognized in the consolidated statement of income using effective cost method over the finance period.

3/12) Treasury shares

The treasury shares represents the shares of the Group purchased and were issue and then re-buy them later by the Group and has not been reissued or canceled. Treasury shares are accounted under cost method.

Under the cost method, the weighted average cost of the treasury shares is charged to an account in equity. When the treasury shares are sold, gains are credited in a separate account in equity (Gain on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on the same account. Any excess losses are charged to retained earnings then voluntary reserve then statutory reserve. Realized gains subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and gain on sale of treasury shares account respectively. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares with the same percentage and reduces the average cost per share without affecting the total cost of treasury shares.

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3/13) Finance charges

Interest on Islamic debt instruments is calculated on the accrual basis and is recognized in the consolidated statement of income in the period in which it is incurred.

3/14) Provisions

Provision is recognized when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated financial position date and adjusted to reflect the current best estimate.

3/15) Revenue recognition

- Revenue from Finance and Musharka is recognized, based on periodic distribution to achieve consistent return on outstanding balances of these transactions.
- Dividends income is recognized when the group's right to receive it is established.
- Gains on sale of investments are recognized by the difference between the cash sale proceeds and the net book value of the investment sold.
- Other categories of income are recognized when earned, at the time the related services are rendered and / or based on the terms of the contractual agreement of each activity.

3/16) Foreign currencies

The functional currency of the group is the Kuwaiti Dinar ("KD") and accordingly, the consolidated financial statements are presented in KD. Transactions denominated in foreign currencies are translated into KD at the average rates of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated into KD at rates of exchange prevailing at the consolidated financial position date. The resultant exchange differences are taken to the consolidated statement of income.

3/17) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but disclosed when an inflow of economic benefits is probable.

4- Investments in subsidiaries

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

	Shareholding percentage %	Country of incorporation	Activity
Al Dosr International for General Trading and Contracting Company (W.L.L)	99%	Kuwait	General Trading and Contracting
Atlantic Group for General Trading and Contracting Company (W.L.L)	99%	Kuwait	General Trading and Contracting

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Al Dosr International for General Trading and Contracting Company (W.L.L) owing subsidiaries and their details are as follows :

	Shareholding percentage %	Country of incorporation	Activity
Asal Holding Company K.S.C (Holding)	99.2%	Kuwait	Holding
Reflection Group for General Trading and Contracting Company (W.L.L)	99%	Kuwait	General Trading and Contracting

- During the year, the Group acquired shareholding ownership in both Atlantic Group for General Trading and Contracting Company (W.L.L) by 99% and Reflection Group for General Trading and Contracting Company (W.L.L) by 99% as the Group became exercises control over the financial and operating policies of these companies, accordingly they were classified as subsidiaries and their financial statements have been consolidated from the date of acquisition.

5- Investments at fair value - statement of income

	2013	2012
Investments in local shares - quoted	**4,967,560**	6,644,079
Investments in local shares - unquoted	**89,000**	89,000
	5,056,560	6,733,079

- The investments have been evaluated in accordance with valuation technique methods in note (3/6).
- Investments in unquoted shares are valuated in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration recent transactions on the shares with other parties in investee companies or similar companies.

6- Accounts receivable and other debit balances

	2013	2012
Due from related parties (Note - 19)	**881,900**	379,997
Advance payments for purchasing investments	**504,168**	444,841
Trade receivables	**688,866**	421,460
Refundable depoists	**2,229**	5,000
Banks guranttee	**865,069**	913,575
Prepaid expenses	**265,419**	10,710
Staff receivables	**35,782**	64,644
Other	**5,000**	11,823
	3,248,433	2,252,050

The carrying value of accounts receivable and other debit balances approximates its fair value. The maximum exposure to credit risks at the reporting date is the fair value of each class of other debit balances mentioned above.

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7- Available for sale investments

	2013	2012
Investments in local shares - quoted	**4,986,624**	-
Investments in local shares - unquoted	**6,541,917**	-
	11,528,541	-

- During the year , the Group's shareholding ownership in Sarh Capital Real Estate Company K.S.C.(Closed) decreased from 39.05% to 17.54% and transferred the remaining balance from the investment in Sarh Capital Real Estate Company K.S.C.(Closed) which amounting to KD 6,337,095 to available for sale investments with carrying value equivalents to its fair value approximately (Note-8)
- Investments in unquoted shares are evaluated in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration recent transactions on the shares with other parties in investee companies or similar companies.

8- Investments in associates

The details of these investments are as follow:

	Shareholding percentage %			
Company name	2013	2012	2013	2012
Sarh Capital Real Estate Company K.S.C (Closed)	**39.05%**	39.05%	-	14,130,840
India Holding Company K.S.C (Holding)	**33.98%**	33.98%	**8,487,626**	8,462,657
Takaful International for Takaful Insurance K.S.C (Closed)	**41.71%**	-	**407,100**	-
			8,894,726	22,593,497

- During the year , the Group's shareholding ownership in the associate Sarh Capital Real Estate Company K.S.C.(Closed) decreased that was KD 14,130,840 at the beginning of the year though recording the Group's share in associate' results losses by an amount of KD 22,923 and the ownership decreased from 39.05% to 17.54% by selling interest its cost equals KD 7,770,822 that resulted in loss of KD 24,669 and transferred the remaining balance from the investment which amounting to KD 6,337,095 to available for sale investments with carrying value equivalents to its fair value approximately.

- During the year, the Group acquired shareholding percentage by 41.71% Takaful International for Takaful Insurance K.S.C (Closed) with an amount of K 407,100 , this investment has been recorded at cost and currently ,the Group is taking the necessary procedures to determine the fair of acquired assets and liabilities.

- The Group's share of associate results India Holding Company K.S.C (Closed) has been recognized based on the audited financial statements as of December 31, 2013.

- The investment balanced in India Holding Company K.S.C (Closed) includes goodwill with an amount of KD 1,455,038 and the Group's management believes that there no impairment in value of this investment during the year.

9- Intangible assets

- This item represents the value of goodwill amounting to KD 2,654,644 resulted from acquisition of Asal Holding Company K.S.C. (Holding) though a subsidiary and goodwill amounting to KD 1,994,526 resulted from acquisition during the year of Atlantic Group for General Trading and Contracting Company (W.L.L) , that were calculated initially until allocating the purchase cost over the fair value of assets and liabilities , the Group's management believes that the no impairment in value of these investments during the year.

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10- Property and equipment

	Furniture and Air condition	Machinery and Equipment	Decorations and fixtures	Vehicles	Computers	Total
Cost						
Balance at January 1, 2013	29,834	757,530	5,500	743,323	3,127	1,539,314
Addations	4,338	434,681	-	173,361	2,079	614,459
Balance at December 31, 2013	34,172	1,192,211	5,500	916,684	5,206	2,153,773
Accumulated depreciation						
Balance at January 1, 2013	17,247	233,035	5,499	299,693	1,486	556,960
Charged for the year	6,353	87,179	-	125,376	885	219,793
Balance at December 31, 2013	23,600	320,214	5,499	425,069	2,371	776,753
Net book value						
At December 31, 2013	**10,572**	**871,997**	**1**	**491,615**	**2,835**	**1,377,020**
At December 31, 2012	12,587	524,495	1	443,630	1,641	982,354

- The additions for property and equipment item include an amount of KD 410,335 was acquired in accordance with term selling contracts, the effect of this transaction has been eliminated from the consolidated statement of cash flows as it was a non-cash transaction.

11- Accounts payable and other credit balances

	2013	2012
Due to related parties (Note -19)	**1,649,428**	1,325,370
Payables for purchasing property and equipment	**586,533**	199,948
Accrued expanses	**169,610**	141,057
Trade payables	**47,822**	11,452
Payables for purchasing financial investments	**268,040**	17,369
Staff-leave provision	**60,556**	49,844
Taxable deductions	**294,757**	275,707
Dividends payables	**112,249**	126,805
Other	-	23,750
	3,188,995	2,171,302

12- Share capital

On May 13, 2013, the Extraordinary and Ordinary General Assembly of the Shareholders approved to issue bonus shares by 7% equals KD 1,680,000 equivalent to 16,800,000 share for the shareholders registered on the date of General Assembly.

The Parent Company's issued, authorized and paid-up share capital is KD 25,680,000 (Twenty Five Million and Six Hundred and Eighty Thousand Kuwaiti Dinar) divided into 256,800,000 shares (Two Hundred and Fifty Six Million and Eight Hundred Thousand shares) and all are in cash.

13- Share premium

The share premium is not available for distribution to shareholders, but can be used if the local laws don't state otherwise.

14- Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles and Memorandum of Association, 10% of net profit for the year before contribution to Kuwait Foundation for the Advancement of Science, Zakat and Board of Directors remuneration is transferred to the statutory reserve. The General Assembly may discontinue such annual transfer if the reserve excesses half of the share capital. Distribution of the reserve is limited to the amount required to secure distribution of dividends reached 5 % in years when retained earnings of the group are not sufficient that amount.

15- Voluntary reserve

As required by the Parent Company's Articles and Memorandum of Association a percentage of the net profit for the year is transferred to the voluntary reserve proposed by the Board of Directors and approved by the General Assembly. Such transfer may discontinue by a resolution of the Ordinary General Assembly of the Shareholders based on a recommendation from the Board of Directors.

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16- (Losses) / gains on investments

	2013	2012
(Losses)/gain on sale of investments	**(24,860)**	583,640
Change in value of investments at fair value - statement of income	**(171,271)**	(10,191)
Cash dividends	**-**	900
	(196,131)	574,349

17- General and administrative expenses

	2013	2012
Staff costs	**178,409**	36,997
Rent	**10,970**	10,320
Subscriptions and fees	**22,107**	20,500
Professional fees	**18,112**	8,044
Promotions and advertising	**50,779**	8,344
Traveling and transportations	**14,005**	10,127
Other	**26,356**	62,569
	320,738	156,901

18- Earnings per share / (fils)

Earnings per share is computed by dividing the net profit for the year by the weighted average of ordinary shares outstanding during the year as follows:

	2013	2012
Net profit for the year	**188,238**	2,492,885
Weighted average of outstanding shares during the year / (share)	**256,800,000**	256,800,000
Weighted average of treasury shares / (share)	**-**	(8,560,000)
Weighted average of outstanding shares less the treasury shares / (share)	**256,800,000**	248,240,000
Earnings per share / (fils)	**0.73**	10.04

19- Transactions with related parties

Related parties comprise of the associates, major shareholders, Board of Directors, key management personnel of the group, companies which they control or jointly controlled or significantly influence. The group's management determines the pricing policies and terms of these transactions. The balances and amounts due from/to related parties are interest free and have no specific maturity date.

The balances and movement of transactions with related parties which included in the consolidated financial statements are as follows:

Consolidated statement of financial position:	2013	2012
Finance and Musharka	**-**	444,401
Due from related parties (Note - 6)	**881,900**	379,997
Due to related parties (Note – 11)	**1,649,428**	1,325,370

Consolidated statement of income:	**2013**	2012
Finance and Musharka income	-	241,815

The transactions with related parties are subject to approval of the Shareholders' General Assembly.

20- Acquisition of subsidiaries

During the year, the Group has acquired both Atlantic Group for General Trading and Contracting Company (W.L.L) by shareholding ownership of 99% and Reflection Group for General Trading and Contracting Company (W.L.L) by shareholding ownership of 99%, accordingly the Group became exercising control over the financial and operating policies of these companies and they were classified as subsidiaries and their financial statements have been consolidated in the consolidated financial statements from the date of acquisition.

	Atlantic Group for General Trading and Contracting Company	**Reflection Group for General Trading and Contracting Company**
Net assets value of acquired company	3,675,654	50,000
Acquisition cost	5,670,180	50,000
Goodwill (increase against the acquisition over the net assets)	**1,994,526**	-

21- Contingent liabilities

As of December 31, 2013, the Group had contingent liabilities consists of letters of guarantee amounted to KD 1,139,332 (December 31, 2012: KD 862,004).

22- Shareholders' General Assembly

The Shareholders' General Assembly approved on May 13, 2013 the consolidated financial statements for the year ended December 31, 2012 and approved Board of Directors' proposal to distribute bonus shares by 7% of the share capital of Parent Company for the financial year ended December 31, 2013.

23- Segmental information

The group has adopted IFRS 8 "Operating Segments" with effect from January 1, 2009 Under IFRS 8, reported segments are based on internal management reporting that is regularly reviewed by the Chief Operating Decision Maker in order to allocate recourses to the segment and to assess its performance and is reconciled to group profit or loss. In contrast, the previous Standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (Business and Geographical).

The adoption of IFRS 8 has resulted in a change in the identification of the group's reportable segments. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its consolidated financial statements.

A) Operating segments:
Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Products segment for the group concentrate in investment activity and general trading and contracting.

B) Geographical segments:
The group operates in one main geographical market; the local market in State of Kuwait.

24- Financial instruments and risks management

A) Significant accounting policies

Details of the significant accounting policies - including the criteria for measurement and recognition of revenue and expenses - in respect of each class of financial assets and liabilities are disclosed in Note (3) to the consolidated financial statements.

Categories of financial instruments
The group's financial assets and liabilities have been classified in the consolidated statement of financial position are as follows:

Financial assets	**2013**	2012
Cash and cash equivalents	**1,025,355**	271,493
Investments at fair value - statement of income	**5,056,560**	6,733,079
Finance and Musharka	**-**	444,401
Accounts receivable and other debit balances	**3,248,433**	2,252,050
Available for sale investments	**11,528,541**	-
	20,858,889	9,701,023

Financial liabilities	**2013**	2012
Accounts payable and other credit balances	**3,188,995**	2,171,302

Fair value of financial instruments
Fair value of financial instruments is defined as the amounts at which the asset could be exchanged or a liability settled in a current transaction between knowledgeable willing parties in an arm's length transaction other than in forced or liquidation sale. The group used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid market is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from identifiable current market transactions and dealer quotes for similar financial instruments.
- The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values.

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Fair value measurement recognized in the consolidated statement of financial position

The group adopted the amendments to IFRS 7 effective from January 1, 2012. These amendments require the group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position The following table presents financial assets and financial liabilities measured at fair value in the statement of consolidated financial position in accordance with the fair value hierarchy. This hierarchy group's financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.
The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant inputs to the fair value measurement.
The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Investments at fair value - statement of income				
Quoted securities	4,967,560	-	-	4,967,560
Unquoted securities	-	-	89,000	89,000
Investments at fair value - statement of income				
Quoted securities	4,986,624	-	-	4,986,624
Unquoted securities	-	-	6,541,917	6,541,917
	9,954,184	-	6,630,917	16,585,101
Liabilities:	-	-	-	-
Net fair value	9,954,184	-	6,630,917	16,585,101

There were no transfers between the three levels during the year.

December 31, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Investments at fair value - statement of income				
Quoted securities	6,644,079	-	-	6,644,079
Unquoted securities	-	-	89,000	89,000
	6,644,079	-	89,000	6,733,079
Liabilities:	-	-	-	-
Net fair value	6,644,079	-	89,000	6,733,079

B) Financial risks management

The group's use of financial instruments exposes it to a variety of financial risks such as credit risks, liquidity risks, and market risks.

The group continuously reviews its risks exposures and takes the necessary procedures to limit these risks to acceptable level.

- **Credit risks**

Credit risk is the risk that one party to a financial instrument will fail to pay an obligation causing the other party to incur financial loss. Financial assets which potentially are subject the group to credit risk are mainly represented in cash and cash equivalents and accounts receivable and other debit balances. The group's cash and cash equivalents are placed with high credit rating financial institutions and also receivables are stated by net after deducting provision for doubtful debts (If any).

- **Liquidity risks**

Liquidity risks are the risks that the group will be unable to meet its cash obligations. The management of liquidity risks consist of keeping sufficient cash, and arranging financing sources through enough facilities, managing highly liquid assets, and monitoring liquidity on a periodically basis by method of future cash flow.

The maturity of liabilities stated below based on the period from the consolidated financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

The maturity analysis of financial liabilities as of December 31, 2013 is as follows:

	During one year	More than one year	Total
Accounts payable and other credit balances	**3,188,995**	-	**3,188,995**
Provision for end of service indemnity	-	**97,470**	**97,470**
	3,188,995	**97,470**	**3,286,465**

The maturity analysis of financial liabilities as of December 31, 2012 is as follows:

	During one year	More than one year	Total
Accounts payable and other credit balances	2,171,302	-	2,171,302
Provision for end of service indemnity	-	105,182	105,182
	2,171,302	105,182	2,276,484

- **Market risks**

Market risks comprises of interest rate risks , foreign currencies risks and equity price risks. These risks arise due to the changes in market prices, interest rates and exchange rates.

Foreign currencies risks
Foreign currencies risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Interest rate risks
Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.
As the group has no significant bearing interest assets therefore group's the income and its operating cash flows are not affected by changes in market rates.

Equity price risks
Equity price risks are the risks that the fair value of equities fluctuates as the result of changes in the levels of equity indices and the value of individual stocks. These risks resulted from changes in the fair value of the investments in stocks.
The group is exposed to equity price risks as the group held investments which were classified at the consolidated financial position date as investments at fair value - statement of income and available for sale investments.
The effect on profit and equity as result of change in fair value of investments at fair value - statement of income and available for sale investments as of December 31, 2013 as a result of expected changes in Kuwait Stock Exchange Market by (±10%) and with all other variables held constant as follows:

	Effect on profit		**Effect on equity**	
	2013	2012	**2013**	2012
Kuwait Stock Exchange Market	**496,756**	332,204	**51,914**	-

The group manages these risks through diversifying its investment portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

25- Capital risks management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders and other Stakeholders through the optimization of the debt and equity balance.
The capital structure of the Group comprises of equity that include share capital, share premium, reserves, cumulative changes in fair value, treasury shares, gains on sale of treasury shares, retained earnings and non-controlling interests.
Currently, the Group does not have borrowings or bank facilities.