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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

Building a better working world

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Securities House K.S.C.P. (the "parent company") and its subsidiaries (collectively, the "group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE SECURITIES HOUSE K.S.C.P. (continued)

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Emphasis of a Matter
We draw attention to the following:

a) Note 2 to the consolidated financial statements which states that the group's current liabilities exceed its current assets by KD 36,294,973 (2012: KD 49,475,628), which indicate the existence of material uncertainty about the group's ability to continue as a going concern. The ability of the group to continue as a going concern is dependent on availability of the continued support from its creditors (i.e. rescheduling of the profit bearing murabaha payables from short term to medium/long term) and shareholders.

b) Note 18 to the consolidated financial statements which states that one of the murabaha creditors has filed legal cases against the parent company for the recovery of its dues and the uncertainty of the outcome of the legal cases and their impact on the group's consolidated financial position.

Our opinion is not qualified in respect of the above matters.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended, and by the parent company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended, or of the parent company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2013 that might have had a material effect on the business of the group or on its consolidated financial position.

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AL AIBAN, AL OSAIMI & PARTNERS

ALI A. AL-HASAWI
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27 March 2014
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2013

	Notes	*2013 KD*	*2012 KD*
INCOME			
From investment activities			
Realised gain on sale of financial assets at fair value through income statement		**125,303**	67,656
Realised gain on sale of financial assets available for sale		**445,884**	12,562
Dividend income		**249,086**	24,671
Realised gain on sale of investment in an associate	13	**150,305**	191,711
Management fee income	29	**82,545**	253,489
Investment services income	5	**1,540,618**	1,887,526
Total income from investment activities		**2,593,741**	2,437,615
From commercial activities			
Sale of goods and services		**13,361,779**	10,634,575
Cost of sales		**(9,239,475)**	(6,683,038)
Gross profit from commercial activities		**4,122,304**	3,951,537
Other income	6	**693,978**	909,886
TOTAL INCOME		**7,410,023**	7,299,038
EXPENSES			
Staff costs		**1,959,597**	1,541,047
Selling and distribution expenses		**1,229,953**	951,422
General and administrative expenses		**1,966,135**	2,312,635
TOTAL EXPENSES		**5,155,685**	4,805,104
PROFIT BEFORE FAIR VALUE ADJUSTMENTS, IMPAIRMENT LOSSES SHARE IN RESULTS AND MURABAHA PAYABLE COSTS		**2,254,338**	2,493,934
Unrealised loss on financial assets at fair value through income statement	11	**(890,466)**	(341,961)
Impairment loss on financial assets available for sale	12	**(792,552)**	(562,619)
Share of results of associates	13	**1,482,034**	(770,443)
Impairment loss on investment in associates	13	**(5,797,450)**	-
Amortisation of intangibles	13	**(131,742)**	(163,656)
Unrealised gain on investment properties	14	**162,752**	5,132
Murabaha payable costs		**(321,888)**	(797,654)
LOSS FOR THE YEAR		**(4,034,974)**	(137,267)
Attributable to:			
Equity holders of the parent company		**(4,598,726)**	(392,521)
Non-controlling interests		**563,752**	255,254
LOSS FOR THE YEAR		**(4,034,974)**	(137,267)
Basic and diluted loss per share attributable to equity holders of the parent company	7	**(7.2) fils**	(0.6) fils

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

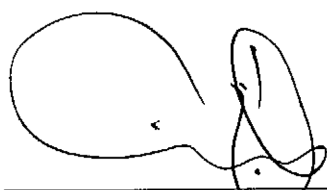
	Note	***2013*** ***KD***	*2012* *KD*
Loss for the year		**(4,034,974)**	(137,267)
Other comprehensive income:			
Other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods:			
Foreign currency translation adjustment		**(108,908)**	26,531
Share of other comprehensive income of associates	13	**672,042**	3,640,287
Other comprehensive income for the year		**563,134**	3,666,818
Total comprehensive (loss) income for the year		**(3,471,840)**	3,529,551
Attributable to:			
Equity holders of the parent company		**(3,890,616)**	3,270,117
Non-controlling interests		**418,776**	259,434
		(3,471,840)	3,529,551

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	*2013* *KD*	*2012* *KD*
ASSETS			
Bank balances and cash	8	**4,521,612**	6,653,809
Short-term murabaha investments	8	**799,571**	1,243,077
Accounts receivable and prepayments	9	**3,889,812**	3,146,932
Inventories	10	**2,450,019**	2,226,221
Financial assets at fair value through income statement	11	**4,945,836**	5,961,944
Financial assets available for sale	12	**4,803,891**	4,219,910
Investment in associates	13	**85,708,799**	90,504,323
Investment properties	14	**698,974**	536,222
Property, plant and equipment	15	**5,175,846**	15,599,164
TOTAL ASSETS		**112,994,360**	130,091,602
EQUITY			
Share capital	16	**68,000,000**	68,000,000
Foreign currency translation reserve		**44,512**	8,444
Employees' share option reserve	16	**545,456**	545,456
Other reserve	4	**(255,897)**	(255,897)
Treasury shares reserve	16	**11,376,864**	11,376,864
Treasury shares	17	**(19,867,108)**	(19,867,108)
Cumulative changes in equity of associates		**4,890,175**	4,218,133
Accumulated losses		**(12,867,900)**	(8,269,174)
Equity attributable to equity holders of the parent company		**51,866,102**	55,756,718
Non-controlling interests		**6,078,804**	5,957,513
TOTAL EQUITY		**57,944,906**	61,714,231
LIABILITIES			
Murabaha payables	18	**49,215,181**	53,506,387
Accounts payable and accruals	19	**4,867,749**	14,099,280
Employees' end of service benefits	20	**966,524**	771,704
TOTAL LIABILITIES		**55,049,454**	68,377,371
TOTAL EQUITY AND LIABILITIES		**112,994,360**	130,091,602



Ayman Abdullah Boodai
Chairman and Managing Director

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	*2013* *KD*	*2012* *KD*
OPERATING ACTIVITIES			
Loss for the year		**(4,034,974)**	(137,267)
Adjustments for:			
Realised gain on sale of financial assets at fair value through income statement		**(125,303)**	(67,656)
Realised gain on sale of financial assets available for sale		**(445,884)**	(12,562)
Dividend income		**(249,086)**	(24,671)
Share of results of associates	13	**(1,482,034)**	770,443
Realised gain on sale of investment in an associate	13	**(150,305)**	(191,711)
Unrealised loss on financial assets at fair value through income statement	11	**890,466**	341,961
Impairment loss on financial assets available for sale	12	**792,552**	562,619
Impairment loss on of investment in associates	13	**5,797,450**	-
Amortisation of intangibles	13	**131,742**	163,656
Unrealised gain on investment properties	14	**(162,752)**	(5,132)
Realised gain on sale of property, plant and equipment	6	**(156,384)**	-
Depreciation	15	**742,672**	577,157
Provision for employees' end of service benefits	20	**238,318**	101,100
Murabaha payables costs		**321,888**	797,654
		2,108,366	2,875,591
Working capital adjustments:			
Accounts receivable and prepayments		**(861,007)**	(242,049)
Inventories		**(223,798)**	(294,339)
Financial assets at fair value through income statement		**250,945**	938,385
Accounts payable and accruals		**254,884**	304,129
Cash from operations		**1,529,390**	3,581,717
Employees' end of service benefits paid	20	**(43,498)**	(403,373)
Net cash flows from operating activities		**1,485,892**	3,178,344
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(1,767,132)**	(631,278)
Proceeds from sale of financial assets available for sale		**836,483**	362,005
Purchase of investment in associates	13	**-**	(2,704,032)
Proceeds from sale of investments in associates	13	**716,440**	9,884,941
Proceeds from sale of investment in subsidiary	4	**-**	500,000
Dividend income received		**249,086**	24,671
Dividends received from an associate	13	**475,404**	269,239
Proceeds from sale of priority rights of investment in a subsidiary	21	**-**	1,296,000
Purchase of property, plant and equipment	15	**(681,781)**	(1,877,005)
Proceeds from sale of property, plant and equipment		**1,194,444**	6,200
Net cash flows from investing activities		**1,022,944**	7,130,741
FINANCING ACTIVITIES			
Non-controlling interests share in net capital increase of subsidiaries		**180,000**	3,958,030
Dividends paid to non-controlling interests		**(477,485)**	(53,900)
Receipt of murabaha payables		**-**	924,269
Repayment of murabaha payables		**(4,291,206)**	(11,427,129)
Murabaha payables costs paid		**(514,478)**	(604,588)
Net cash flows used in financing activities		**(5,103,169)**	(7,203,318)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,594,333)**	3,105,767
Foreign currency translation adjustment		**18,630**	26,531
Cash and cash equivalents at 1 January		**7,896,886**	4,764,588
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**5,321,183**	7,896,886

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

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

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2013

	Attributable to equity holders of the parent company's shareholders										
	Share capital KD	*Foreign currency translation reserve KD*	*Employees' share option reserve KD*	*Other reserve KD*	*Treasury shares reserve KD*	*Treasury shares KD*	*Cumulative changes in equity of associates KD*	*Accumulated losses KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2012	68,000,000	(13,907)	545,456	-	11,376,864	(19,867,108)	577,846	(7,876,653)	52,742,498	497,949	53,240,447
(Loss) profit for the year	-	-	-	-	-	-	-	(392,521)	(392,521)	255,254	(137,267)
Other comprehensive income	-	22,351	-	-	-	-	3,640,287	-	3,662,638	4,180	3,666,818
Total comprehensive income (loss) for the year	-	22,351	-	-	-	-	3,640,287	(392,521)	3,270,117	259,434	3,529,551
Non-controlling interests share in capital increase of a subsidiary (Note 4)	-	-	-	-	-	-	-	-	-	5,254,030	5,254,030
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(53,900)	(53,900)
Loss on partial disposal of a subsidiary (Note 4)	-	-	-	(255,897)	-	-	-	-	(255,897)	-	(255,897)
As at 31 December 2012	68,000,000	8,444	545,456	(255,897)	11,376,864	(19,867,108)	4,218,133	(8,269,174)	55,756,718	5,957,513	61,714,231

The attached notes 1 to 31 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of The Securities House K.S.C.P. (the "parent company") and subsidiaries (collectively the "group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the board of directors on 27 March 2014. The shareholders of the parent company have the power to amend these consolidated financial statements at the annual general assembly.

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

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

The details of subsidiaries are included in Note 4.

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

The new Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the "Decree"). The Executive Regulations of the new amended law issued on 29 September 2013 was published in the Official Gazette on 6 October 2013. As per article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The group's current liabilities exceed its current assets by KD 36,294,973 (2012: KD 49,475,628). The ability of the group to continue as a going concern is dependent on availability of the continued support from its creditors (i.e. settlement of rescheduling of the profit bearing murabaha payables from short term to medium / long term) and shareholders, and the ability of the group to improve profitability and cash flows.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that may be necessary if the group is unable to continue as a going concern.

3.1 BASIS OF PREPARATION

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

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

3.2 STATEMENT OF COMPLIANCE

The consolidated financial statements of the group have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the International Accounting Standard ("IAS") 39 requirement for a collective provision, which has been replaced by the CBK requirement for a minimum general provision as described under the accounting policy for impairment loss on financial assets.

3.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statement are consistent with those used in the preparation of consolidated financial statements ended 31 December 2012 except for the adoption of the following new and amended IFRS during the period. The adoption of new IFRS also resulted in amendments to policies on 'basis of consolidation' during the year.

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2013)
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. The adoption of this standard does not have any material impact on the consolidated financial statements of the group.

IFRS 10: Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IFRS 10 replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements.* It also addresses the issues raised in SIC-12 *Consolidation - Special Purpose Entities.*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the group, compared with the requirements that were in IAS 27. The group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Once control is established, the standard requires the group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. This resulted in change in accounting policy for "basis for consolidation" as described in below.

IFRS 11: Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 12: Disclosure of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013)
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in Notes 4, 13 and 22.

IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. The adoption of this standard has no material impact on the financial position, performance and disclosures of the group.

IAS 1: Presentation of Items of Other Comprehensive Income (Amendment)
The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard has no effect on the financial position or performance of the group and only resulted in presentation changes in statement of comprehensive income.

3.3 CHANGES IN ACCOUNTING POLICIES (continued)

IAS 28: Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, 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. The adoption of this standard did not have any material impact on the consolidated financial statements of the group.

3.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2015, but International Accounting Standards Board ("IASB") in its July 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the group's financial assets, but is not expected to have an impact on classification and measurements of the group's financial liabilities. The group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the group, since none of the entities in the group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the group.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2013. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The group's voting rights and potential voting rights

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss from the date the group gains control until the date the group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

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

The consolidated financial statements include the financial statements of the parent company and the following subsidiaries:

Name of the company	*Country of incorporation*	*Legal holding %* *2013*	*Legal holding %* *2012*
Gatehouse Capital - Economic & Financial Consultancy K.S.C. (Closed) [formerly Global Securities House for Economic & Financial Consultancy K.S.C. (Closed)] ("Gatehouse Capital")*	Kuwait	**58%**	58%
New Technology Bottling Company K.S.C. (Closed) ("NTBC")**	Kuwait	**92%**	95%
Kuwait Boxes Carton Manufacturing Company K.S.C. (Closed)	Kuwait	**99%**	99%
Saji Real Estate Company K.S.C. (Closed)	Kuwait	**90%**	90%
Securities House for Real Estate Services Company K.S.C. (Closed) [formerly Securities House Real Estate Company K.S.C. (Closed)] ("SHRES")	Kuwait	**92%**	92%
Securities House for Industrial Consultancy W.L.L.	Kuwait	**99%**	99%
Modern Cables Manufacturing Company K.S.C. (Closed)***	Kuwait	**-**	99%
Held through Gatehouse Capital			
Dhow Holding Corporation	Cayman Islands	**100%**	100%
Global Securities House USA L.L.C.	U.S.A.	**100%**	100%
Global Securities House France S.A.S.	France	**100%**	100%
Held through NTBC			
Al Bourouj National Company for Trading and Marketing W.L.L.	Kuwait	**99%**	99%
National Water Technology Company K.S.C. (Closed)	Kuwait	**90%**	90%
Held through SHRES			
Emirates and Kuwait Real Estate Company L.L.C.	United Arab Emirates	**80%**	80%

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

* During the previous year, the group sold 10% of its equity interest in its subsidiary, "Gatehouse Capital", to a related party at a consideration of KD 500,000 and realised a loss of KD 255,897 (Note 21). The adjustments to reflect the changes in the carrying amount of the controlling and non-controlling interests in the group are recorded within equity under 'Other reserve' in accordance with IAS 27: *Consolidated and Separate Financial Statements.*

Further, the share capital of Gatehouse Capital was increased during the previous year, in which the group sold its priority rights to participate in the capital increase to one of its associates, namely, Gatehouse Bank [Note 13 (c)]. As a result, the parent company's interest was diluted from 90% to 58%. As a result of the above, there has been an increase in non-controlling interests by KD 5,254,030.

** During the year, the share capital of NTBC was increased pursuant to an employee share option scheme and accordingly, the group's shareholding in the company decreased from 95% to 92%.

*** During the year, Modern Cables Manufacturing Company K.S.C. (Closed) was liquidated and its commercial license and registration with Ministry of Commerce and Industries was cancelled effective from 28 March 2013.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

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

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

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

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

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

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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

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

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

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

Fair value
The group measures financial assets and non-financial assets, such as, financial assets available for sale, financial assets at fair value through income statement and investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fair value (continued)
For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

- The rights to receive cash flows from the asset have expired; or
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

The financial statements of the associate are prepared for the same reporting period as the group. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

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

4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

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

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Treasury shares
Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury share reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies translation

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of income are recognised in the consolidated statement of income.

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

Fiduciary accounts

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

Judgements

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of investments

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

Classification of real estate

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

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

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

Structured entities

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

The group, considers itself the sponsor of certain limited liability companies that are Special Purpose Vehicles (SPVs) for the advisory activities. These SPVs are used to raise funds from the group's clients on basis of product offering memorandum with eventual objectives of investments in specified asset classes as defined in the offering documents of the SPVs. These SPVs are managed on a fiduciary basis by the group's advisory teams and as the group does not control these SPVs as at the reporting date in accordance with the definition of control in IFRS 10. These SPVs are not consolidated into the group's consolidated financial statements. The group has not transferred any assets to these SPVs during the year.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgements (continued)

Structured entities(continued)

The group's interest in terms of units held in these SPV's are included in financial assets available for sale amounting to KD 2,523,626. The group earns advisory fees from these SPV's and is included in investment services fee income amounting to KD 1,458,036.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

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

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

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

Impairment of investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of investment in associates

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

Impairment provision of receivables and murabaha receivables

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

Useful lives of property, plant and equipment

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

Impairment of property, plant and equipment

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

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

5 INVESTMENT SERVICES FEE INCOME

	2013 KD	*2012 KD*
Structuring and arranging fees	**749,272**	970,549
Recurring advisory fees	**708,764**	554,920
Placement fees	**82,582**	362,057
	1,540,618	1,887,526

6 OTHER INCOME

	2013 KD	*2012 KD*
Murabaha and saving accounts income	**15,282**	92,239
Foreign exchange loss	**(18,087)**	(41,407)
Ancillary services income	**172,893**	92,917
Commission income	**140,400**	-
Gain on sale of property, plant and equipment	**156,384**	-
Compensation received (see below)	**-**	552,853
Miscellaneous income	**227,106**	213,284
	693,978	909,886

During 2006, a former investment advisor filed a legal case against the parent company for unpaid past incentive fees on the disposal of a real estate investment. During the previous year, the final resolution came in favour of the parent company and an amount of KD 552,853 was received as incidental expenses.

7 BASIC AND DILUTED LOSS PER SHARE

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

	2013 KD	*2012 KD*
Loss attributable to equity holders of the parent company	**(4,598,726)**	(392,521)
	Shares	*Shares*
Weighted average number of shares (net of treasury shares) outstanding for the year	**637,720,000**	637,720,000
Basic and diluted loss per share attributable to the equity holders of the parent company	**(7.2) fils**	(0.6) fils

There are no dilutive potential ordinary shares.

8 CASH AND CASH EQUIVALENTS

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

	2013 *KD*	*2012* *KD*
Bank balances and cash	**4,521,612**	6,653,809
Short-term murabaha investments with original maturities up to three months	**799,571**	1,243,077
	5,321,183	7,896,886

Short-term murabaha investments carry effective average profit rate of 0.3% (2012: 2.0%) per annum.

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 *KD*	*2012* *KD*
Trade receivables	**3,201,936**	2,480,025
Allowance for bad and doubtful receivables	**(174,139)**	(161,894)
	3,027,797	2,318,131
Accrued income	**165,958**	163,409
Other receivables	**580,544**	540,269
Prepayments	**115,513**	125,123
	3,889,812	3,146,932

The movement in allowance for bad and doubtful receivables on trade receivables were as follows:

	2013 *KD*	*2012* *KD*
As at 1 January	**161,894**	157,360
Charge for the year	**13,202**	14,220
Amounts written off	**(957)**	(9,686)
As at 31 December	**174,139**	161,894

10 INVENTORIES

	2013 *KD*	*2012* *KD*
Raw materials and packing materials	**2,483,093**	2,588,639
Finished goods	**177,988**	181,430
	2,661,081	2,770,069
Allowance for obsolete and slow moving inventories	**(211,062)**	(543,848)
	2,450,019	2,226,221

10 INVENTORIES (continued)

The movement in allowance for obsolete and slow moving inventories were as follows:

	2013 *KD*	*2012* *KD*
As at 1 January	**543,848**	480,488
Charge for the year	**79,678**	63,360
Amounts written off	**(412,464)**	-
As at 31 December	**211,062**	543,848

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	2013 *KD*	*2012* *KD*
Held for trading		
Quoted equity securities	**564,453**	575,153
Designated upon initial recognition		
Unquoted local equity securities	**1,966,902**	1,847,893
Unquoted foreign equity securities	**2,414,481**	3,538,898
	4,945,836	5,961,944

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

During the year, the group had unrealised gain on quoted equity investments amounting to KD 165,139 (2012: gain of KD 44,991) and unrealised loss on unquoted equity investments amounting to KD 1,055,605 (2012: loss of KD 386,952).

Financial assets at fair value through income statement amounting to KD 1,685,726 (2012: KD 1,909,473) are pledged as security against murabaha payables amounting to KD 42,917,494 (2012: KD 43,352,021) (Note 18).

12 FINANCIAL ASSETS AVAILABLE FOR SALE

	2013 *KD*	*2012* *KD*
Unquoted local equity securities	**85,714**	123,429
Unquoted foreign equity securities	**4,718,177**	4,096,481
	4,803,891	4,219,910

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

12 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

During the year, the group performed impairment testing for financial assets available for sale which resulted in the recognition of an impairment loss of KD 792,552 (2012: KD 562,619) in the consolidated statement of income to account for the adverse circumstances affecting certain assets, thus reducing the value of these assets to their recoverable amount. The management believes that there is no objective evidence or circumstances that indicate any further impairment in the value of these assets and that there is no need to recognise any additional impairment in its value.

Financial assets available for sale amounting to KD 740,379 (2012: KD 911,689) are pledged as security against murabaha payables amounting to KD 42,917,494 (2012: KD 43,352,021) (Note 18).

13 INVESTMENT IN ASSOCIATES

The group has interest in the following associates:

Name of company	*Country of incorporation*	*equity interest %*	
		2013	*2012*
Quoted			
Al-Aman Investment Company K.S.C.P. ("Al-Aman Investment")	Kuwait	**46%**	46%
Unquoted			
Gatehouse Bank plc ("Gatehouse Bank")	United Kingdom	**42%**	43%
Green Valley Investment Limited	Cayman Islands	**44%**	44%
Nafaes Group for General Trading and Contracting W.L.L.	Kuwait	**50%**	50%
Weaver Point Company L.L.C. ("Weaver Point")	U.S.A.	**65%**	65%

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

	2013 *KD*	*2012* *KD*
As at 1 January	**90,504,323**	95,605,974
Acquisitions (a)	**-**	2,704,032
Disposals (b)	**(545,004)**	(9,693,230)
Share of results	**1,482,034**	(770,443)
Share of other comprehensive income	**672,042**	3,640,287
Dividend received	**(475,404)**	(269,239)
Elimination of gain on downstream transaction (c)	**-**	(549,402)
Amortisation of intangible assets (d)	**(131,742)**	(163,656)
Impairment (e)	**(5,797,450)**	-
As at 31 December	**85,708,799**	90,504,323

(a) During the previous year, the group acquired 40% additional equity interest in Weaver Point for a total consideration of KD 2,704,032 from an a non-related party and as a result, the equity interest in Weaver Point was increased from 25% to 65%. The group has accounted for the investment in Weaver Point as an associate in accordance with IAS 28: *Investment in associates and joint ventures*, as the group does not have power over the Weaver Point and the ability to use its power over Weaver Point to affect its returns. Hence, the group does not have control over Weaver Point under IFRS 10.

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

13 INVESTMENT IN ASSOCIATES (continued)

During the previous year, the parent company sold 984,529,948 shares (equivalent to 6% of the total issued share capital) of Gatehouse Bank's shares to its creditors against settlement of certain outstanding murabaha payables amounting to KD 9,675,000 and accrued murabaha profit amounting to KD 261,984 for an amount of KD 9,884,941, net of transactional expenses of KD 52,043. Accordingly, the group recognised a net realised gain on sale amounting to KD 191,711 in the consolidated statement of income.

(c) During the previous year, the group sold its priority rights to participate in the capital increase of one of its subsidiaries, Gatehouse Capital to Gatehouse Bank (an associate) for KD 1,296,000. The parent company has eliminated an amount of KD 549,402 to the extent of its ownership percentage (Note 21).

(d) During the current year, the group finalised the Purchase Price Allocation ("PPA") exercise of Weaver Point and as a result, goodwill and intangible assets amounting to KD 2,284,631 and KD 391,234 respectively, were determined. The estimated useful lives of intangible assets are four years for the asset management agreements. As a result, amortisation charge for the current year of KD 131,742 is recorded against the intangible assets and is disclosed in the consolidated statement of income.

During the previous year, the group finalised the Purchase Price Allocation ("PPA") exercise of Gatehouse Bank and as a result, goodwill and intangible assets amounting to KD 45,544,214 and KD 3,302,655 respectively, were determined. The estimated useful lives of intangible assets are one year for the asset management agreements. As a result, amortisation charge of KD 163,656 is recorded against the intangible assets and is disclosed in the consolidated statement of income.

(e) As at 31 December 2013, the group performed an impairment test on its investment in associates which resulted in the recognition of an impairment loss amounting to KD 5,797,450 (2012: Nil). The management believes that there is no objective evidence on circumstances that indicates any further impairment in the value of its investment in associates. Details of the test of impairment are shown below.

Al-Aman Investment
The recoverable amount of the investment in Al-Aman Investment has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by the board of directors of Al-Aman Investment covering a 4 year period (2014 to 2017). The following rates are used by the group:

Discount rate	12.8%
Projected compounded annual growth for income	32.7%
Projected compounded annual growth for net profit	56.9%
Terminal growth rate	2.0%

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

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

Projected compounded annual growth rate of revenues
Al-Aman Investment strategic business plan is for the company to be active in portfolio and fund management services.

The carrying value and market value of Al-Aman Investment as at 31 December 2013 are KD 11,560,592 (2012: KD 12,174,585) and KD 7,084,824 (2012: KD 4,842,791) respectively.

13 INVESTMENT IN ASSOCIATES (continued)

Gatehouse Bank

The recoverable amount of the investment in Gatehouse Bank has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by the board of directors of Gatehouse Bank covering a 5 year period (2014 to 2018). The following rates are used by the group:

Discount rate	11.2%
Projected compounded annual growth for income	31.3%
Projected compounded annual growth for net profit	32.9%
Terminal growth rate	2.8%

The calculation of value-in-use for Gatehouse Bank is most sensitive to projected compounded annual growth rate of Gatehouse Bank's revenues and discount rate.

Discount rate

Discount rate reflects the current market assessment of the risk specific to Gatehouse Bank, which is an investment bank located in the United Kingdom specialised in real estate structuring advisory, wealth management and investments in accordance with the Shariaa principles. The discount rate was estimated based on the average percentage of a weighted cost of capital for the investment banking industry determined on a pre-tax basis. This rate was further adjusted to reflect the market assessment of any risks specific to Gatehouse Bank for which future estimates of cash flows have been adjusted after appropriate discount rate as the bank is not listed in any secondary capital market.

Projected compounded annual growth rate of revenues

Gatehouse Bank strategic business plan is for the bank to be active in following services:

- Real estate structuring advisory
- Wealth management
- Real estate financing
- Investment in real estate projects

Weaver Point

The recoverable amount of the investment in Weaver Point has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by the Management Committee of Weaver Point covering a 5 year period (2014 to 2018). The following rates are used by group:

Discount rate	15.7%
Projected compounded annual growth for income	16.8%
Projected compounded annual growth for net profit	17.6%
Terminal growth rate	2.0%

The calculation of value-in-use for Weaver Point is most sensitive to projected compounded annual growth rate of Weaver Point's revenues and discount rate.

Discount rate

Discount rate reflects the current market assessment of the risk specific to Weaver Point, which is a real estate advisory company located in the United States specialised in real estate advisory services in accordance with the Shariaa principles. The discount rate was estimated based on the average percentage of a weighted cost of capital for the investment advisory industry determined on a pre-tax basis. This rate was further adjusted to reflect the market assessment of any risks specific to Weaver Point for which future estimates of cash flows have been adjusted after appropriate discount rate as the company is not listed in any secondary capital market.

Projected compounded annual growth rate of revenues

Weaver Point Bank strategic business plan is for the company to be active in following services:

- Real estate structuring advisory
- Real estate asset management

13 INVESTMENT IN ASSOCIATES (continued)

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

31 December 2013	***Al Aman Investment KD***	***Gatehouse Bank KD***	***Weaver Point KD***	***Other immaterial associates KD***	***Total KD***
Share of associates' assets and liabilities:					
Current assets	**11,146,319**	**38,634,703**	**699,324**	**1,439,583**	**51,919,929**
Non-current assets	**6,469,887**	**7,323,507**	**6,120**	**36,298**	**13,835,812**
Current liabilities	**(8,856,275)**	**(19,579,077)**	**(39,162)**	**(13,173)**	**(28,487,687)**
Non-current liabilities	**(196,144)**	**(1,118,880)**	**-**	**(30,004)**	**(1,345,028)**
Net assets	**8,563,787**	**25,260,253**	**666,282**	**1,432,704**	**35,923,026**
Goodwill and intangible assets acquired	**3,000,000**	**43,625,783**	**3,704,716**	**-**	**50,330,499**
Eliminated gain on downstream transaction	**-**	**(544,726)**	**-**	**-**	**(544,726)**
	11,563,787	**68,341,310**	**4,370,998**	**1,432,704**	**85,708,799**
Share of associates' revenues results and impairment:					
Revenues	**882,213**	**2,449,903**	**1,328,117**	**65,774**	**4,726,007**
Profit (loss) for the year	**184,941**	**754,719**	**598,990**	**(56,616)**	**1,482,034**
Impairment	**(1,000,000)**	**(4,797,450)**	**-**	**-**	**(5,797,450)**

31 December 2012	*Al Aman Investment KD*	*Gatehouse Bank KD*	*Weaver Point KD*	*Other immaterial associates KD*	*Total KD*
Share of associates' assets and liabilities:					
Current assets	14,358,048	37,160,395	2,023,032	1,482,274	55,023,749
Non-current assets	5,044,195	4,479,958	7,742	-	9,531,895
Current liabilities	(11,391,651)	(15,910,405)	(1,475,841)	(69,547)	(28,847,444)
Non-current liabilities	(2,439)	(1,156,640)	-	-	(1,159,079)
Net assets	8,008,153	24,573,308	554,933	1,412,727	34,549,121
Goodwill and intangible assets acquired	4,000,000	48,680,383	3,824,221	-	56,504,604
Eliminated gain on downstream transaction	-	(549,402)	-	-	(549,402)
	12,008,153	72,704,289	4,379,154	1,412,727	90,504,323
Share of associates' revenues and results:					
Revenues	(72,333)	2,547,251	1,512,964	49,138	4,037,020
(Loss) profit for the year	(1,723,631)	457,063	513,770	(17,645)	(770,443)
Impairment	-	-	-	-	-

Investment in an associate amounting to KD 6,507,235 (2012: KD 6,761,573) are pledged as security against murabaha payables amounting to KD 42,917,494 (2012: KD 43,352,021) (Note 18).

14 INVESTMENT PROPERTIES

	2013 *KD*	*2012* *KD*
As at 1 January	**536,222**	531,090
Unrealised gain	**162,752**	5,132
As at 31 December	**698,974**	536,222

Investment properties represent plots of land and are located in the Sultanate of Oman and are stated at fair value which has been determined based on sales comparison approach performed as at 31 December 2013 by two accredited independent valuers who are an industry specialist in valuing these types of investment properties.

For the valuation purpose, the group has selected the lower of these two valuations (2012: lower of the two valuations).

15 PROPERTY, PLANT AND EQUIPMENT

	Construction in process *KD*	*Buildings* *KD*	*Machinery, plant and equipment* *KD*	*Furniture, fixture and office equipment* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:						
As at 1 January 2013	10,783,087	1,351,247	5,892,878	1,592,282	990,867	20,610,361
Additions	170,870	-	210,581	128,212	172,118	681,781
Disposals (see below)	(10,360,457)	-	-	(299)	(21,570)	(10,382,326)
As at 31 December 2013	**593,500**	**1,351,247**	**6,103,459**	**1,720,195**	**1,141,415**	**10,909,816**
Depreciation:						
As at 1 January 2013	-	554,632	2,594,281	1,218,102	644,182	5,011,197
Charge for the year	-	59,172	457,118	94,678	131,704	742,672
Disposals	-	-	-	(199)	(19,700)	(19,899)
As at 31 December 2013	-	**613,804**	**3,051,399**	**1,312,581**	**756,186**	**5,733,970**
Net book value						
As at 31 December 2013	**593,500**	**737,443**	**3,052,060**	**407,614**	**385,229**	**5,175,846**

	Construction in process *KD*	*Buildings* *KD*	*Machinery, plant and equipment* *KD*	*Furniture, fixture and office equipment* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:						
As at 1 January 2012	10,765,151	1,351,247	4,311,858	1,486,082	854,467	18,768,805
Additions	17,936	-	1,584,720	115,262	159,087	1,877,005
Disposals	-	-	(3,700)	(9,062)	(22,687)	(35,449)
As at 31 December 2012	10,783,087	1,351,247	5,892,878	1,592,282	990,867	20,610,361
Depreciation:						
As at 1 January 2012	-	495,368	2,301,134	1,123,102	543,685	4,463,289
Charge for the year	-	59,264	296,847	97,862	123,184	577,157
Disposals	-	-	(3,700)	(2,862)	(22,687)	(29,249)
As at 31 December 2012	-	554,632	2,594,281	1,218,102	644,182	5,011,197
Net book value						
As at 31 December 2012	10,783,087	796,615	3,298,597	374,180	346,685	15,599,164

15 PROPERTY, PLANT AND EQUIPMENT (continued)

During the current year, an investment project related to a subsidiary company, Saji Real Estate Company K.S.C. (Closed), was completed and the sale of individual units of the project was substantially completed.

Depreciation charge for the year is allocated in the consolidated statement of income as follows:

	2013	*2012*
	KD	*KD*
Cost of sales from commercial activities	**564,952**	344,966
General and administration expenses	**177,720**	232,191
	742,672	577,157

16 SHARE CAPITAL AND RESERVES

a) Share capital

The authorised, issued and paid up share capital comprises 680,000,000 (2012: 680,000,000) shares of 100 fils (2012: 100 fils) per share which was paid in cash.

b) Employees' share option reserve

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

There were no shares or options outstanding as at 31 December 2013 and 31 December 2012.

c) Statutory reserve

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

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

d) Treasury share reserve

Reserves equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the parent company.

17 TREASURY SHARES

	2013	*2012*
Number of treasury shares	**42,280,000**	42,280,000
Percentage of share capital	**6.2%**	6.2%
Market value (KD)	**4,058,880**	2,092,860

18 MURABAHA PAYABLES

	2013	*2012*
	KD	*KD*
Current	**44,865,181**	48,646,387
Non-current	**4,350,000**	4,860,000
	49,215,181	53,506,387

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

Short-term facilities carry profit rates varying from 5% to 6% (2012: 5% to 6%). Long-term facilities carry profit rates varying from 5% to 6% (2012: 5% to 6%) per annum.

Murabaha payables amounting to KD 42,917,494 (2012: KD 43,352,021) are secured against financial assets at fair value through income statement, financial assets available for sale and investment in an associate amounting to KD 1,685,726, KD 740,379 and KD 6,507,235 respectively (2012: KD 1,909,473, KD 911,689 and KD 6,761,573) (Notes 11, 12 and 13).

In addition, a murabaha payable amounting to KD 5,800,000 (2012: KD 6,075,000) is secured against an interest in a subsidiary company amounting to KD 8,066,900 (2012: KD 8,066,900).

During the previous year, a major murabaha creditor (the "plaintiff") filed four legal cases against the parent company claiming the settlement of certain past due murabaha payables amounting to KD 43,352,021 at the time of filing the lawsuits. Until the date of approval of these consolidated financial statements, the final court decision on the abovementioned legal cases is still pending as follows:

- With respect to a legal case relating to a murabaha payable of KD 35,237,430, the first instance court decision came in favor of the plaintiff on 13 December 2012 obligating the parent company to settle the due balance. On 13 February 2013, the parent company filed an appeal against this decision. On 24 April 2013, the court decision came supporting the first instance decision in favor of the plaintiff and subsequent to that, an amount of KD 434,527 was repaid, thus reducing the balance of this murabaha payable to KD 34,802,903. On 4 June 2013, the parent company filed an appeal against the ruling before the cassation court and suspended the related ruling.

- With respect to a legal case relating to a murabaha payable of KD 4,239,342, it was reserved for first instance court ruling on 25 March 2014. The court has postponed the first ruling till 8 April 2014.

- With respect to a legal case relating to a murabaha payable of KD 3,775,889, it was transferred on 10 January 2013 to the Experts Department at the Ministry of Justice for final hearing.

- With respect to a legal case relating to a murabaha payable of KD 99,360, the first instance court decision came in favor of the plaintiff on 29 January 2014 obligating the parent company to settle the due balance. On 24 February 2014, the parent company filed an appeal against this decision.

Therefore, with respect to the expected results of those lawsuits, the legal counselor of the parent company is of the opinion that all the lawsuits filed by the plaintiff, tends to be referred to the Experts Department at the Ministry of Justice to discuss many aspects of the appeal submitted by the parent company to the court. Although final results of this dispute cannot be reliably guaranteed and that all results are possible, it is expected that the reports submitted by the Experts Department in the Ministry of Justice will be in favour of the parent company and it is also expected that the litigation will continue between the two parties for a relatively long period, not less than three years.

Based on the foregoing, as the value of the abovementioned lawsuits filed against the parent company is recorded originally in the books of the parent company within murabaha payables, the parent company need not to record any provisions or recognise any additional potential liabilities in the consolidated financial statements for the year ended 31 December 2013 as a result of these lawsuits.

19 ACCOUNTS PAYABLE AND ACCRUALS

	2013 KD	*2012 KD*
Trade and notes payable	**1,399,609**	1,171,245
Advances received from customers (see below)	**442,901**	9,732,312
Staff payables	**408,985**	317,485
Other payables	**458,970**	677,097
Accruals	**2,157,284**	2,201,141
	4,867,749	14,099,280

During the current year, an investment project related to a subsidiary company, Saji Real Estate Company K.S.C. (Closed), was substantially completed and the sale of individual units of the project was substantially completed.

20 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position are as follows:

	2013 KD	*2012 KD*
As at 1 January	**771,704**	1,073,977
Charge for the year	**238,318**	101,100
Paid during the year	**(43,498)**	(403,373)
As at 31 December	**966,524**	771,704

21 RELATED PARTY TRANSACTIONS

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

Related party balances and transactions consist of the following:

	Associates KD	*Other related parties KD*	***Total 2013 KD***	*Other related parties 2012 KD*
Consolidated statement of income:				
Dividend income	-	-	-	22,608
Investment services income	76,247	-	**76,247**	66,259
Murabaha payable costs	368,753	-	**368,753**	273,205
Consolidated statement of financial position:				
Murabaha payable	5,800,000	-	**5,800,000**	6,075,000
Consolidated statement of changes in equity:				
Loss on sale of an equity interest in a subsidiary (Note 4)	-	-	-	(255,897)
Transactions:				
Sale of equity interest in a subsidiary (Note 4)	-	-	-	500,000
Sale of priority rights in a subsidiary (Note 13)	-	-	-	1,296,000

21 RELATED PARTY TRANSACTIONS (continued)

	2013 KD	*2012 KD*
Key management compensation:		
Salaries and other short term benefits	**771,575**	622,929
Employees' end of services benefits	**69,744**	90,926
	841,319	713,855

Assets amounting to KD 2,375,890 (2012: KD 2,021,140) are being managed by the parent company on behalf of related parties.

22 MATERIAL PARTLY-OWNED SUBSIDIARIES

The group has concluded that Gatehouse Capital is the only subsidiary with non-controlling interest that is material to the group. Financial information of subsidiary that has material non-controlling interest is provided below to the group:

Proportion of equity interest held by non-controlling interests:

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*	
		2013	*2012*
Gatehouse Capital	Kuwait	**58%**	58%

	2013 KD	*2012 KD*
Accumulated balances of material non-controlling interests:	**5,415,754**	5,547,986
Profit allocated to material non-controlling interests:	**534,090**	308,999

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of statement of income:	***Gatehouse Capital 2013 KD***	*Gatehouse Capital 2012 KD*
Income	**2,572,503**	2,225,834
Expenses	**(1,302,071)**	(1,075,289)
Net profit	**1,270,432**	1,150,545
Attributable to non-controlling interests	**534,090**	308,999
Dividend to non-controlling interests	**420,400**	200,000

22 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

	Gatehouse Capital 2013	*Gatehouse Capital 2012*
Summarised statement of financial position:	***KD***	*KD*
Total assets	**13,624,762**	13,975,507
Total liabilities	**(742,378)**	(778,585)
Total equity	**12,882,384**	13,196,922
Attributable to:		
Equity holders of Parent Company	**7,466,630**	7,648,936
Non-controlling interests	**5,415,754**	5,547,986

	Gatehouse Capital 2013	*Gatehouse Capital 2012*
Summarised cash flow information:	***KD***	*KD*
Cash flows from operating activities	**218,518**	499,600
Cash flows used in investing activities	**(539,249)**	(2,904,265)
Cash flows (used in) from financing activities	**(1,000,000)**	4,345,768
Net (decrease) increase in cash and cash equivalents	**(1,320,731)**	1,941,103

23 SEGMENTAL INFORMATION

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

Proprietary investment management	:	Investing of group funds in securities and real estate, financing corporate and individual customers, and managing the group's liquidity requirements.
Asset management and advisory services	:	Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related investment services.
Commercial trading activities	:	Selling and distribution of manufactured and imported goods and services.

	Proprietary investment management		*Asset management and advisory services*		*Commercial trading activities*		***Total***	
	2013 KD	*2012 KD*	***2013 KD***	*2012 KD*	***2013 KD***	*2012 KD*	***2013 KD***	*2012 KD*
Segment revenue	**970,578**	36,092	**1,623,163**	1,845,217	**13,361,779**	10,634,575	**15,955,520**	12,515,884
Segment results	**(1,579,762)**	(622,988)	**972,128**	783,325	**1,401,905**	1,543,572	**794,271**	1,703,909
Unallocated expenses							**(60,199)**	(109,423)
Share in result of associates							**1,482,034**	(770,443)
Impairment and amortisation							**(5,929,192)**	(163,656)
Murabaha payable costs							**(321,888)**	(797,654)
Loss for the year							**(4,034,974)**	(137,267)
Assets:								
Segment assets	**11,137,102**	**21,608,341**	**-**	-	**10,128,302**	9,545,830	**21,265,404**	31,154,171
Investment in associates	**1,432,704**	**1,489,320**	**84,276,095**	89,015,003	**-**	-	**85,708,799**	90,504,323
Others	**6,020,157**	**8,433,108**	**-**	-	**-**	-	**6,020,157**	8,433,108
	18,589,963	**31,530,769**	**84,276,095**	89,015,003	**10,128,302**	9,545,830	**112,994,360**	**130,091,602**

23 SEGMENTAL ANALYSIS (continued)

	Proprietary investment management		*Asset management and advisory services*		*Commercial trading activities*		***Total***	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Liabilities:								
Account payable and accruals	**2,619,129**	13,080,576	**-**	-	**2,248,620**	2,053,597	**4,867,749**	15,134,173
Murabaha payables	**48,717,494**	51,547,225	**-**	-	**497,687**	924,269	**49,215,181**	52,471,494
Employees' end of service benefits	**12,549**	9,438	**403,216**	321,355	**550,759**	440,911	**966,524**	771,704
	51,349,172	64,637,239	**403,216**	321,355	**3,297,066**	3,418,777	**55,049,454**	68,377,371
Other segmental information:								
Capital expenditure	**170,814**	110,181	**9,846**	-	**501,121**	1,766,824	**681,781**	1,877,005
Depreciation (Note 15)	**665**	-	**24,284**	37,400	**717,723**	539,757	**742,672**	577,157
Impairment loss on financial assets available for sale (Note 12)	**792,552**	562,619	**-**	-		-	**792,552**	562,619
Impairment loss of investment in associates (Note 13)	**-**	-	**5,797,450**	-	**-**	-	**5,797,450**	-

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities as defined in Note 4.

The fair values of financial instruments except financial assets available for sale stated in Note 12, are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

As at 31 December 2013	***Level 1 KD***	***Level 3 KD***	***Total KD***
Financial assets at fair value through income statement:			
Quoted equity securities	**564,453**	**-**	**564,453**
Unquoted equity securities	**-**	**4,381,383**	**4,381,383**
	564,453	**4,381,383**	**4,945,836**

As at 31 December 2012	*Level 1 KD*	*Level 3 KD*	*Total KD*
Financial assets at fair value through income statement:			
Quoted equity securities	575,153	-	575,153
Unquoted equity securities	-	5,386,791	5,386,791
	575,153	5,386,791	5,961,944

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	As at 1 January 2013 KD	*Loss recorded in the consolidated statement of income KD*	*Net purchases, sales and settlements KD*	*As at 31 December 2013 KD*
Financial assets at fair value through income statement				
Unquoted equity securities	**5,386,791**	**(1,055,605)**	**50,197**	**4,381,383**

	As at 1 January 2012 KD	*Loss recorded in the consolidated statement of income KD*	*Net purchases, sales and settlements KD*	*As at 31 December 2012 KD*
Financial assets at fair value through income statement				
Unquoted equity securities	6,527,735	(386,952)	(753,992)	5,386,791

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

25 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2013:

			Fair value measurement using		
	Date of valuation	**Total** *KD*	**Quoted prices in active markets (Level 1)** *KD*	**Significant observable inputs (Level 2)** *KD*	**Significant unobservable inputs (Level 3)** *KD*
Assets measured at fair value					
Financial assets held for trading:					
Local quoted securities	31 December 2013	**564,453**	**564,453**	-	-
Financial assets designated at fair value through profit or loss:					
Local unquoted securities	31 December 2013	**1,966,902**	-	-	**1,966,902**
Foreign unquoted equity securities	31 December 2013	**2,414,481**	-	-	**2,414,481**
Investment properties	31 December 2013	**698,974**	-	-	**698,974**
		5,644,810	**564,453**	-	**5,080,357**

25 FAIR VALUE MEASUREMENT (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2012:

			Fair value measurement using		
	Date of valuation	Total *KD*	Quoted prices in active markets (Level 1) *KD*	Significant observable inputs (Level 2) *KD*	Significant unobservable inputs (Level 3) *KD*
Assets measured at fair value					
Financial assets held for trading:					
Local quoted securities	31 December 2012	575,153	575,153	-	-
Financial assets designated at fair value through profit or loss:					
Local unquoted securities	31 December 2012	1,847,893	-	-	1,847,893
Foreign unquoted equity securities	31 December 2012	3,538,898	-	-	3,538,898
Investment properties	31 December 2012	536,222	-	-	536,222
		6,498,166	575,153	-	5,923,013

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

Description of significant unobservable inputs to valuation of non-financial assets:
For the purpose of measuring fair value of investment properties, the sales comparison approach is used to reflect the current market expectations about the future estimated rental value (significant unobservable valuation input), based on per square meter per month rental rate and annual growth rate in the country in which the properties are located.

26 RISK MANAGEMENT

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk, currency risk and equity price risk. The group is also subject to operational risk. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the group's strategic planning process.

26.1 CREDIT RISK

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

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

Maximum exposure to credit risk and risk concentration

With respect to credit risk arising from the financial assets of the group, which comprise bank balances and cash, short-term murabaha investments, murabaha receivables and certain accounts receivable, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of contractual financial instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The group's bank balances and short-term murabaha investments are held with high credit quality banks and financial institutions. In addition, murabaha receivables and receivable balances are monitored on an ongoing basis. As a result, the group's exposure to bad debts is not significant.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry or geographic location.

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

	Gross maximum exposure 2013 KD	*Gross maximum exposure 2012 KD*
Bank balances and short-term murabaha investments:		
- Local banks and financial institutions	**4,098,278**	6,653,809
- Foreign banks and financial institutions	**1,222,905**	1,243,077
	5,321,183	7,896,886
Trade receivables from local public sector:		
- Industrial sector	**936,024**	643,069
Trade receivables from local private sector:		
- Industrial sector	**2,003,402**	1,660,391
- Real estate sector	**262,510**	176,565
	2,265,912	1,836,956
Total exposure to credit risk	**8,523,119**	10,376,911

26 RISK MANAGEMENT (continued)

26.1 CREDIT RISK (continued)

Collateral and other credit enhancements
The group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2013 and 31 December 2012.

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

At 31 December 2013, the provision for impaired and doubtful receivables is KD 174,139 (31 December 2012: KD 161,894) (Note 9). Any difference between the amounts actually collected in future period and the amounts expected will be recognised in the consolidated statement of income.

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

It is the group's policy that not more than 60% of borrowings should mature in the next 12 month period. The group is currently considers refinancing its short-term borrowings by medium to long-term financing arrangements. 91% of the group's borrowings will mature in less than one year at 31 December 2013 (2012: 91%) based on their carrying value reflected in the consolidated financial statements.

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

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

31 December 2013	***Within 1 month KD***	***1 to 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
Murabaha payables	**43,415,181**	**-**	**1,450,000**	**4,350,000**	**49,215,181**
Future profit payable	**-**	**-**	**189,415**	**-**	**189,415**
Accounts payable and accruals	**-**	**2,379,757**	**2,045,091**	**-**	**4,424,848**
Total financial liabilities	**43,415,181**	**2,379,757**	**3,684,506**	**4,350,000**	**53,829,444**
Commitments (Note 28)	**-**	**-**	**14,650**	**-**	**14,650**

31 December 2012	*Within 1 month KD*	*1 to 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Murabaha payables	47,431,387	-	1,215,000	4,860,000	53,506,387
Future profit payable	151,377	-	-	-	151,377
Accounts payable and accruals	-	4,366,968	-	-	4,366,968
Total financial liabilities	47,582,764	4,366,968	1,215,000	4,860,000	58,024,732
Commitments (Note 28)	-	-	70,453	-	70,453

26 RISK MANAGEMENT (continued)

26.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration as disclosed in Note 22, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

26.3.1 Profit rate risk

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

26.3.2 Foreign currency risk

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

Foreign currency risk is managed by the group on the basis of determined limits and a continuous assessment of the group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, and consequently the group does not hedge foreign currency exposures.

The effect on profit for the year (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	Change in currency rate by 3%			
	31 December 2013		*31 December 2012*	
Currency	***Effect on profit for the year KD***	***Effect on other comprehensive income KD***	*Effect on loss for the year KD*	*Effect on other comprehensive income KD*
USD	**137,428**	**121,882**	276,323	-
GBP	**73**	**768,601**	-	1,108,282
Euro	**(1,122)**	**-**	63,273	-
Other	**(6,502)**	**-**	-	-

26.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The equity price risk exposure arises from the group's investment portfolio. The group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on profit for the year (as a result of a change in the fair value of financial assets at fair value through income statement) and on equity (as a result of a change in the fair value of financial assets available for sale) due to a reasonably possible changes in active market indices, with all other variables held constant is as follows:

26 RISK MANAGEMENT (continued)

26.3 MARKET RISK (continued)

26.3.3 Equity price risk (continued)

	Change in equity market index by 5%			
Market index	***Effect on profit for the year 2013***	***Effect on other comprehensive income for the year 2013***	*Effect on profit for the year 2012*	*Effect on other comprehensive income for the year 2012*
	KD	***KD***	*KD*	*KD*
Kuwait	**28,223**	**-**	27,678	-

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

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

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

26.3.4 Prepayment risk

Prepayment risk is the risk that the group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The group is not significantly exposed to prepayment risk.

26.4 CONCENTRATIONS

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry or geographic location.

The distribution of assets by geographic region was as follows:

	2013	***2012***
	KD	***KD***
Geographic region		
- Kuwait	**29,798,366**	50,131,179
- United Kingdom	**70,611,521**	74,578,184
- United States of America	**8,080,792**	745,361
- Bahrain	**3,282,625**	3,614,652
- Other	**1,221,056**	1,022,226
	112,994,360	130,091,602

26 RISK MANAGEMENT (continued)

26.4 CONCENTRATIONS (continued)

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

	2013 *KD*	*2012* *KD*
Industry sector		
- Banks and financial and investment institutions	**87,322,886**	93,755,483
- Real estate	**2,036,563**	2,533,021
- Services	**1,992,338**	1,630,311
- Oil and gas	**2,946,647**	1,593,508
- Manufacturing	**888,582**	280,900
- Information technology	**123,720**	336,720
- Food and agriculture	**-**	317,991
- Others	**846,764**	774,465
	96,157,500	101,222,399

27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through income statement, financial assets available for sale and investment properties is based on management's estimate of liquidation of those investments.

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

2013	*Up to 1 year KD*	*Over 1 year KD*	*Total KD*
Assets:			
Bank balances and cash	**4,521,612**	**-**	**4,521,612**
Short-term murabaha investments	**799,571**	**-**	**799,571**
Accounts receivable and prepayments	**3,889,812**	**-**	**3,889,812**
Inventories	**2,450,019**	**-**	**2,450,019**
Financial assets at fair value through income statement	**564,453**	**4,381,383**	**4,945,836**
Financial assets available for sale	**1,087,490**	**3,716,401**	**4,803,891**
Investment in associates	**125,000**	**85,583,799**	**85,708,799**
Investment properties	**-**	**698,974**	**698,974**
Property, plant and equipment	**-**	**5,175,846**	**5,175,846**
Total assets	**13,437,957**	**99,556,403**	**112,994,360**
Liabilities:			
Murabaha payables	**44,865,181**	**4,350,000**	**49,215,181**
Accounts payable and accruals	**4,867,749**	**-**	**4,867,749**
Employees' end of service benefits	**-**	**966,524**	**966,524**
Total liabilities	**49,732,930**	**5,316,524**	**55,049,454**
LIQUIDITY (GAP) SURPLUS	**(36,294,973)**	**94,239,879**	**57,944,906**

27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2012	*Up to 1 year KD*	*Over 1 year KD*	*Total KD*
Assets:			
Bank balances and cash	6,653,809	-	6,653,809
Short-term murabaha investments	1,243,077	-	1,243,077
Accounts receivable and prepayments	3,146,932	-	3,146,932
Inventories	2,226,221	-	2,226,221
Financial assets at fair value through income statement	-	5,961,944	5,961,944
Financial assets available for sale	-	4,219,910	4,219,910
Investment in associates	-	90,504,323	90,504,323
Investment properties	-	536,222	536,222
Property, plant and equipment	-	15,599,164	15,599,164
Total assets	13,270,039	116,821,563	130,091,602
Liabilities:			
Murabaha payables	48,646,387	4,860,000	53,506,387
Accounts payable and accruals	14,099,280	-	14,099,280
Employees' end of service benefits	-	771,704	771,704
Total liabilities	62,745,667	5,631,704	68,377,371
LIQUIDITY (GAP) SURPLUS	(49,475,628)	111,189,859	61,714,231

28 COMMITMENTS

As at 31 December 2013, the group's bankers have given bank guarantees amounting to KD 14,650 (2012: KD 70,453).

29 FIDUCIARY ASSETS

In its capacity as manager of portfolios and funds belonging to third parties, the parent company manages investments and bank accounts amounting to KD 16,425,341 (2012: KD 18,092,439) in its own name as a nominee on behalf of third parties. These assets are not included in the consolidated statement of financial position of the group. Income from the managed portfolios and funds amounts to KD 82,545 for the year ended 31 December 2013 (2012: KD 253,489).

30 ZAKAT

Zakat for shareholders is calculated according to the Sharia rules approved by the parent company's Fatwa and Shariah Supervisory Board. Zakat calculated amount as of 31 December 2013 is 2.5 fils (2012: 3.0 fils) per share.

In accordance with Law No. 46 of 2006, the group has not deducted any provision for zakat for the year ended 31 December 2013 (2012: KD Nil), as a result of the losses incurred for the year.

Responsibility for payment of unsettled zakat amounting to 2.5 fils (2012: 3.0 fils) per share lies with the shareholders and not the parent company.

31 CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the group may reduce the amount of borrowings, adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The group includes within net debt, murabaha payable, accounts payable and accruals and employees' end of service benefits, less cash and cash equivalents. Capital represents equity attributable to the equity holders of the parent company.

	2013	*2012*
	KD	*KD*
Murabaha payable	**49,215,181**	53,506,387
Accounts payable and accruals	**4,867,749**	14,099,280
Employees' end of service benefits	**966,524**	771,704
Less: Cash and cash equivalents	**(5,321,183)**	(7,896,886)
Net debt	**49,728,271**	60,480,485
Equity attributable to the equity holders of the parent company	**51,866,102**	55,756,718
Capital and net debt	**101,594,373**	116,237,203
Gearing ratio	**48.9%**	52.0%