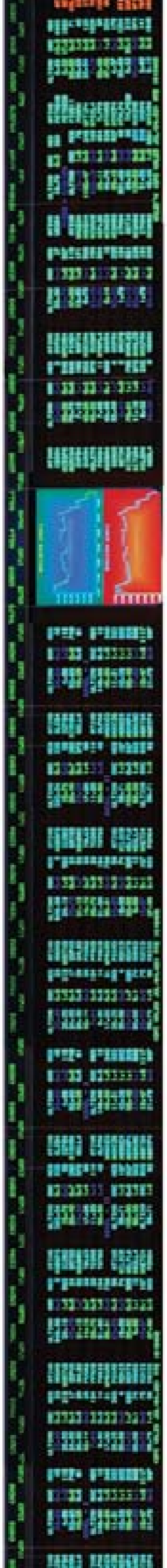
ANNUAL REPORT 2013



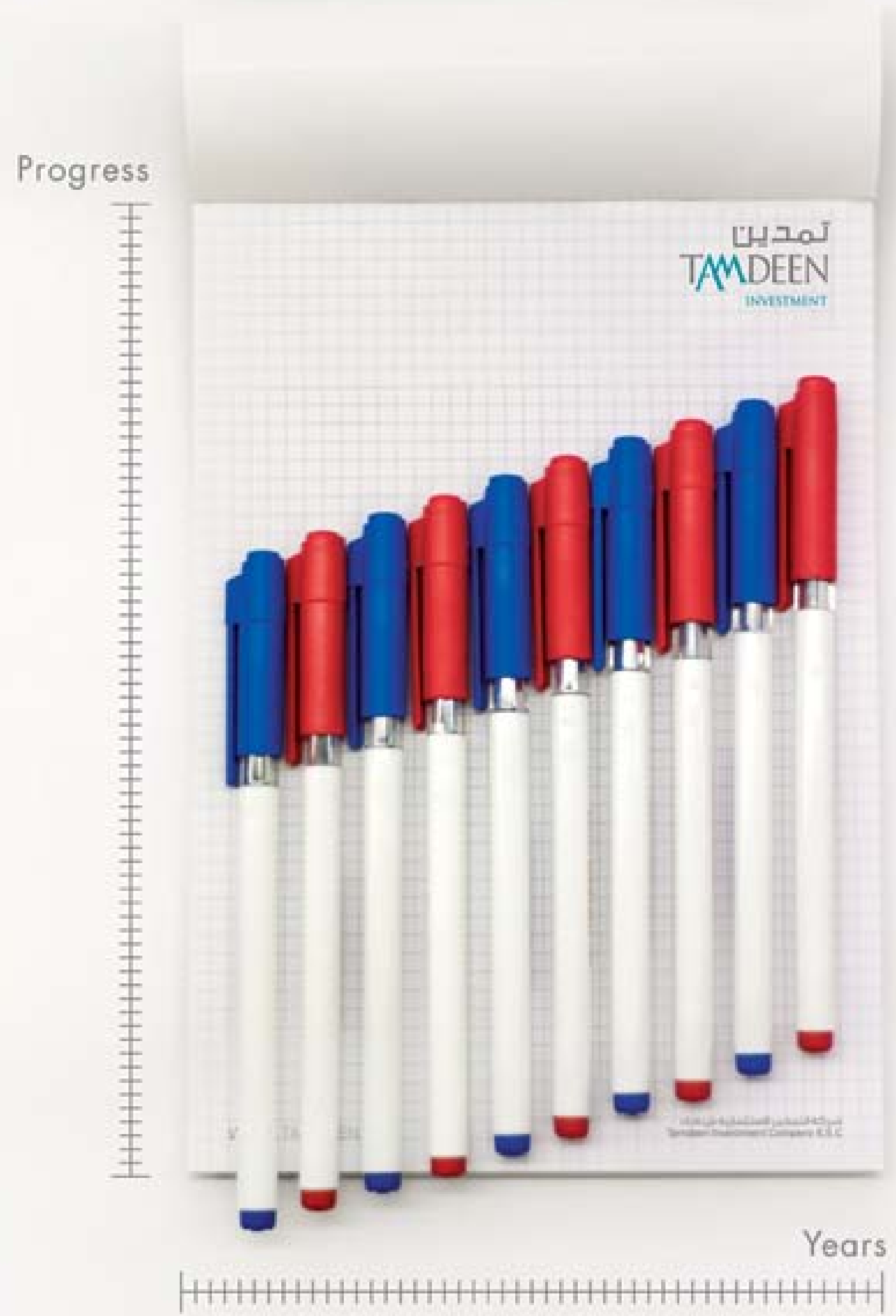
تمدين
TAMDEEN
INVESTMENT

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

H.H. Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait

H.H. Sheikh Sabah Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait

H.H. Sheikh Jaber Al Mubarak Al Hamad Al Sabah
Prime minister of the State of Kuwait



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BOARD MEMBERS

Nawaf Ahmad Al Marzouq
CHAIRMAN

Ahmad Dakhel Al Osaimi
VICE CHAIRMAN

Talal Yousef Al Marzouq
BOARD MEMBER

Abdul Aziz Abdullah Al Ghanim
BOARD MEMBER

Salah Abdul Aziz Al Bahar
BOARD MEMBER

EXECUTIVE MANAGEMENT

Meshal Jassim Al Marzouq
CEO

Nabil Abdelmoeti Soliman
DGM FINANCE

Mohammed Mustafa Al Marzouq
HEAD OF TRADING DEPARTMENT

Azzam Hamza Al Homaidi
ADMINISTRATION MANAGER

Sanaa Adel Mousa
HEAD OF SETTLEMENT DEPARTMENT

Nashmyah Ali Hadeyah
HEAD OF CO-ORDINATION &
FOLLOW UP DEPARTMENT

CHAIRMAN'S LETTER

ESTEEMED SHAREHOLDERS,

GREETINGS

FOR MYSELF AND ON BEHALF OF MY FELLOW DIRECTORS OF TAMDEEN INVESTMENT COMPANY, I AM HONORED TO PRESENT TO YOU THE SIXTEENTH ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2013.

HONORABLE SHAREHOLDERS,

THE GCC STOCK EXCHANGES CLOSED THE YEAR 2013 WITH VARYING LEVELS OF GAINS, DESPITE THE CHALLENGES AND CHANGES WITNESSED BY THE MARKETS OF THE REGION.

THE UNITED ARAB EMIRATES, IN BOTH DUBAI AND ABU DHABI, CAME FIRST, WITH DUBAI ACHIEVING AN IMPRESSIVE 107% GAIN AND ABU DHABI A REMARKABLE 67% RISE. OTHER MARKETS FAIRED WELL WITH VARYING DEGREES OF ACHIEVEMENT. KUWAIT ROSE BY 27%, SAUDI ARABIA 26%, QATAR 24%, WHILE OMAN AND BAHRAIN CAME LAST WITH GAINS OF 19% AND 17% RESPECTIVELY.

HONORABLE SHAREHOLDERS,

With the grace of Allah, Tamdeen Investment Company achieved further progress during 2013 in implementing the investment and operating policies adopted by the board of directors in order to ensure asset preservation and growth. This was manifested by the company's investment in the Ahli United Bank, which resulted in a cash dividend of KD 4.8 million during 2013, thereby underlining the strength of the company's asset portfolio. The company seized several promising investment opportunities during the year by a KD 4.3 million increase of its investment in the affiliate company, Tamdeen Resorts Company, which plans to buy real estate investments in Khairan with a view to participate in the establishment of a major investment project in the area.

The board of directors continued to pursue a conservative policy by making additional provisions of KD 534,000 during the year in respect of its unlisted investments. During 2014, the board of directors will continue to develop, grow and preserve the company's assets.

Financially speaking, the company once again achieved good results with a net profit of KD 4 million, compared to KD 3.9 million in 2012, with a 13.59 Fils earning per share in 2013 against 13.16 Fils in the previous year. Total assets rose by an impressive 26% during the year, standing at KD 148.5 million compared to KD 118.1 million at the end of 2012, while total liabilities amounted to KD 35.9 million on 31 December 2013, rising by 11% above their level of KD 32.3 million at the end of 2012, resulting from financing the company's investments during the year. Shareholders' equity rose by 31% during the year, from KD 85.8 million in 2012 to KD 112.5 million on 31 December 2013.

The financial statements have been prepared in accordance with the requirements of the International Accounting Standards and all the applicable laws and regulations and the instructions of the supervision authorities.

In accordance with the laws and pursuant to the instructions of the supervision authorities, particularly the resolution No. 25 of 2013 of the Capital Markets Authority issuing the Corporate Governance Rules for the companies subject to CMA supervision, and the Companies Law No. 25 of 2012 as amended by the Law No. 97 of 2013, the board of directors formed a task force consisting of senior company executives with the mandate to apply the requirements of the rules of governance and introduce the amendments made necessary by the new Companies Law, within the time frame specified for achieving these changes. We hope that the new laws and regulations will help regulate the business environment and promote the growth of our national economy.

Underlining the success of its policies and the viability of its targets, the board of directors of Tamdeen Investment Company is pleased to recommend the general assembly to approve of distributing to the shareholders a cash dividend of 9% of the nominal value of the share, which is equivalent to 9 Fils per share for the financial year ended 31.12.2013.

ESTEEMED SHAREHOLDERS,

In conclusion, I would like to take this opportunity, for my self and on behalf of the board of directors, to present our deepest thanks and appreciation to His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al Sabah, to His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmad Al-Jaber Al Sabah. I would also like to thank our esteemed shareholders for the confidence and support they extended to us.

And Finally, I wish to thank the members of the board of directors and the company's employees for their valuable efforts and loyalty which were so effective in enabling the company to achieve the excellent results it did during 2013.

Peace and God's Mercy
and Blessings be upon you,

NAWAF AHMAD
AL MARZOUQ

CHAIRMAN

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Tamdeen Investment Company – KPSC "the Company" and its subsidiaries (together referred to as the Group) which comprise the consolidated statement of financial position as of 31 December 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 25 of 2012, as amended, and by the 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 the 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 material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2013, that might have had a material effect on the business of the company or on its financial position.

Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche

Al Wazzan & Co.

Kuwait, 2 March 2014

Abdul Majeed Ashkanani

CIDA

Licence No. 95 "A"

First Audit

Member of MGI International

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2013

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2013	2012
Assets			
Cash and cash equivalents	5	2,949,938	2,242,946
Accounts receivable	6	174,746	783,227
Investments available for sale	7	104,499,345	82,330,250
Investments in associates	8	40,575,340	32,431,391
Properties and equipment		293,171	328,515
Total assets		148,492,540	118,116,329
Liabilities and equity			
Liabilities			
Accounts payable	9	589,203	2,328,066
Borrowings and bank facilities	10	35,312,407	29,933,541
End of service indemnity		97,462	74,857
Total liabilities		35,999,072	32,336,464
Equity			
Share capital	11	31,185,000	31,185,000
Share premium		10,000,000	10,000,000
Treasury shares	12	(2,512,530)	(2,394,959)
Gain on sale of treasury shares		240,466	240,466
Statutory reserve	13	4,049,740	3,625,485
Change in fair value reserve		53,476,447	30,534,970
Group's share in associates' reserves		702,468	(1,526,360)
Retained earnings		15,343,337	14,103,780
Equity attributed to shareholders		112,484,928	85,768,382
Non-controlling interest		8,540	11,483
Total equity		112,493,468	85,779,865
Total liabilities and equity		148,492,540	118,116,329

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

Nawaf Ahmad Al Marzouq
Chairman

Ahmad Dakhel Al Osaimi
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2013	2012
Revenues			
Gains from investments available for sale	15	5,071,699	5,755,826
Group's share from associates' results	8	1,165,120	794,355
Gain from sale of lands held for trading		-	256,534
Management fees		151,347	102,204
Loss from sale of a subsidiary		-	(112,831)
Other income		9,735	511,364
		6,397,901	7,307,452
Expenses and other charges			
Staff costs		359,064	496,253
Other expenses		529,859	776,877
Finance charges		1,243,005	1,987,398
Foreign currency exchange differences		23,421	(77,440)
		2,155,349	3,183,088
Profit for the year before deductions		4,242,552	4,124,364
Board of Directors' remuneration		50,000	50,000
Kuwait Foundation for Advancement of Science		26,237	29,151
National Labour Support Tax		98,060	95,525
Zakat expense		23,331	30,551
Net profit for the year		4,044,924	3,919,137
Distributed as follows:			
Company's shareholders		4,044,858	3,918,938
Non-controlling interest		66	199
		4,044,924	3,919,137
Earnings per share to the Company's shareholders (fils)	16	13.59	13.16

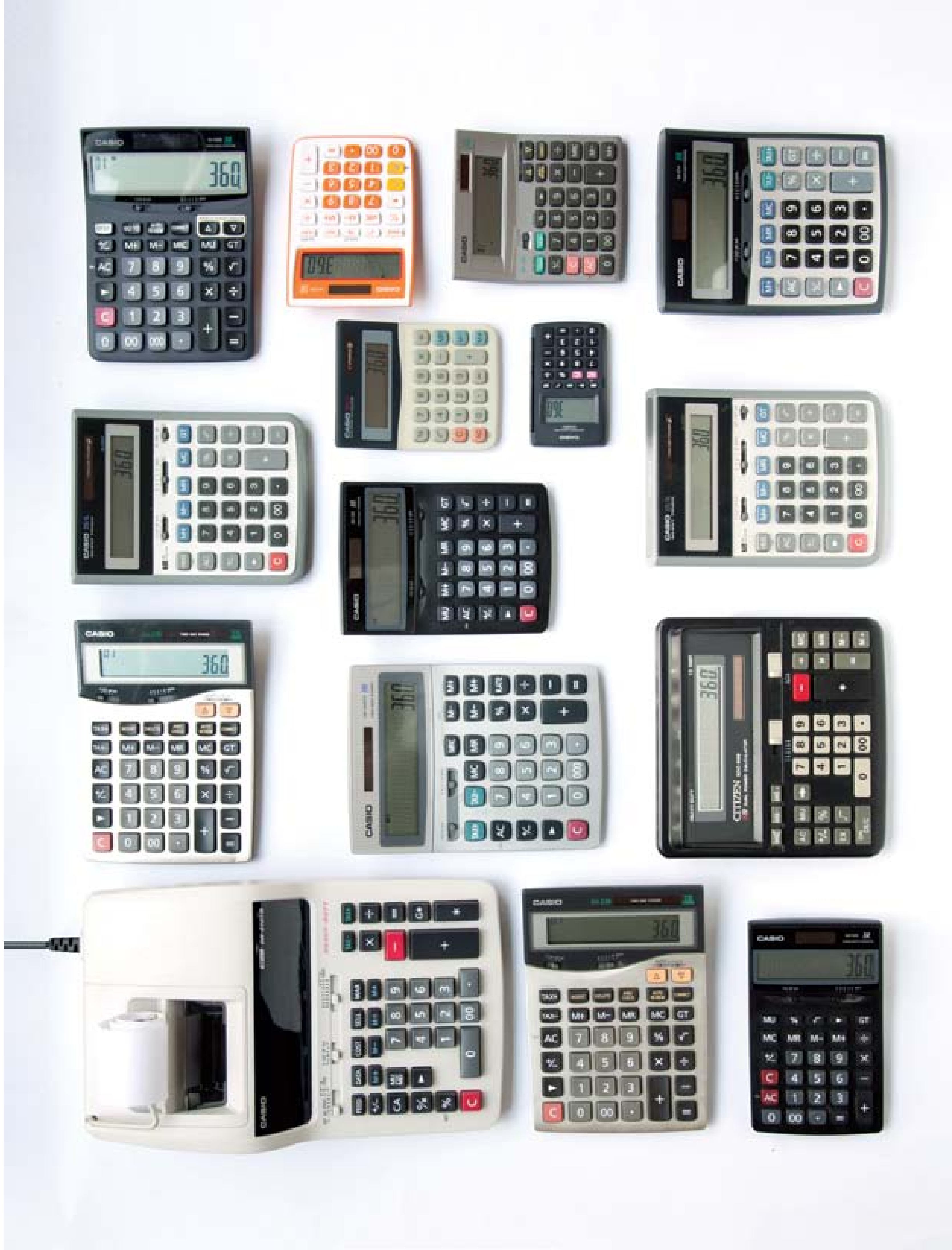
The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	2013	2012
Net profit for the year	4,044,924	3,919,137
Other comprehensive income items:		
Items that maybe reclassifies subsequently to statement of income:		
Transferred to the statement of income on sale of investments available for sale	(129,365)	(2,072,494)
Change in fair value of investments available for sale	23,070,842	(7,402,032)
	22,941,477	(9,474,526)
Group's share in associates› reserves	2,228,828	(537,757)
Total other comprehensive income items	25,170,305	(10,012,283)
Total comprehensive income for the year	29,215,229	(6,093,146)
Distributed as follows:		
Company's shareholders	29,215,163	(6,093,345)
Non-controlling interest	66	199
	29,215,229	(6,093,146)

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Equity attributed to the Company's shareholders										
	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2012	31,185,000	10,000,000	(2,353,927)	240,466	3,213,068	40,009,496	(988,603)	12,681,859	93,987,359	-	93,987,359
Net profit for the year	-	-	-	-	-	-	-	3,918,938	3,918,938	199	3,919,137
Total other comprehensive income items	-	-	-	-	-	(9,474,526)	(537,757)	-	(10,012,283)	-	(10,012,283)
Purchase of treasury shares	-	-	(41,032)	-	-	-	-	-	(41,032)	-	(41,032)
Cash dividends (note 14)	-	-	-	-	-	-	-	(2,084,600)	(2,084,600)	-	(2,084,600)
Sale of share in subsidiaries	-	-	-	-	-	-	-	-	-	11,284	11,284
Transferred to statutory reserve	-	-	-	-	412,417	-	-	(412,417)	-	-	-
Balance as at 31 December 2012	31,185,000	10,000,000	(2,394,959)	240,466	3,625,485	30,534,970	(1,526,360)	14,103,780	85,768,382	11,483	85,779,865
Balance as at 1 January 2013	31,185,000	10,000,000	(2,394,959)	240,466	3,625,485	30,534,970	(1,526,360)	14,103,780	85,768,382	11.483	85,779,865
Net profit for the year	-	-	-	-	-	-	-	4,044,858	4,044,858	66	4,044,924
Total other comprehensive income items	-	-	-	-	-	22,941,477	2,228,828	-	25,170,305	-	25,170,305
Purchase of treasury shares	-	-	(117,571)	-	-	-	-	-	(117,571)	-	(117,571)
Cash dividends (note 14)	-	-	-	-	-	-	-	(2,381,046)	(2,381,046)	-	(2,381,046)
Sale of share in subsidiaries	-	-	-	-	-	-	-	-	-	(3,009)	(3,009)
Transferred to statutory reserve	-	-	-	-	424,255	-	-	(424,255)	-	-	-
Balance as at 31 December 2013	31,185,000	10,000,000	(2,512,530)	240,466	4,049,740	53,476,447	702,468	15,343,337	112,484,928	8,540	112,493,468

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2013	2012
Cash flows from operating activities			
Net profit for the year		4,044,924	3,919,137
Adjustments:			
Gains from investments available for sale		(5,071,699)	(5,755,826)
Group›s share from associate›s results		(1,165,120)	(794,355)
Loss from sale of a subsidiary		-	112,831
Credit interest		(9,735)	(41,693)
Finance charges		1,243,005	1,987,398
Depreciation		35,504	44,912
End of service indemnity		23,464	30,730
Operating loss before changes in operating assets and liabilities		(899,657)	(496,866)
Lands held for trading		-	11,363,778
Accounts receivable		515,418	695,359
Accounts payable		(1,601,285)	1,823,799
Net cash (used in) / generated from operating activities		(1,985,524)	13,386,070
Cash flows from investing activities			
Paid for purchase of investments available for sale		(375,453)	(4,397,666)
Proceeds from sale of investments available for sale		668,028	5,562,314
Paid for purchase of additional shares in an associate		(4,880,000)	(3,915,000)
Paid for land and real estate under development		-	(69,665)
Paid for purchase of properties and equipment		(160)	(119,896)
Proceeds from sale of properties and equipment		-	165,615
Effect of disposal of a subsidiary		(96,258)	341,133
Cash dividends received		5,381,505	3,818,376
Cash dividends received from an associate		300,000	-
Credit interest received		9,579	41,370
Net cash generated from investing activities		1,007,241	1,426,581
Cash flows from financing activities			
Cash dividends paid		(2,381,046)	(2,084,600)
Paid for purchase of treasury shares		(117,571)	(41,032)
Net proceeds / (paid) for loans and bank facilities		5,378,866	(15,261,311)
Finance charges paid		(1,194,974)	(1,985,140)
Net cash generated from / (used in) financing activities		1,685,275	(19,372,083)
Increase / (decrease) in cash and cash equivalents		706,992	(4,559,432)
Cash and cash equivalents at the beginning of the year		2,242,946	6,802,378
Cash and cash equivalents at the end of the year	5	2,949,938	2,242,946

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

1- BACKGROUND

Tamdeen Investment Company - KSCP "the Company" was incorporated in Kuwait as per incorporation memorandum No. 359, Vol. 1 dated 3 March 1997. The company is registered in the Commercial Register under registry No. 69476 on 30 April 1997 and registered as an investment company at the Central Bank of Kuwait on 20 August 1997. On 29 May 2006, the Company's shares have been listed in the Kuwait Stock Exchange. The Head office of the Company is located in South Al Sura – Al Zahra'a area – 360 Mall– 6th ring disclosed – 4th floor, Kuwait, Box No. 22509 Safat – 13066 Kuwait.

These consolidated financial statements include the financial statements of the company and its subsidiaries as mentioned in (note 18), together referred to as the "Group".

The main objectives of the Group are conducting all of the financial investment transactions in all economic sectors inside and outside Kuwait, performing transactions related to dealing in securities such as purchase and sale of shares and bonds of both companies and government authorities, carrying out investment and portfolio management activities, acting as an intermediate in lending and borrowing transactions, financing international trading transactions, providing researches and studies and establishing and managing various investment funds, in addition to conducting the real estate and general trading and contracting activities. And conducting all kinds of investment in real estates for the purpose of development except for areas and houses for private residential purposes, whether directly or indirectly, in favour of the company or others.

The Company is owned with a percentage of 51.37% by Tamdeen Real Estate Company – K.S.C.P as of 31 December 2013 (2012: 51.37%).

The consolidated financial statements have been authorized for issue by the Board of Directors on 2 March 2014.

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain real estates and financial instruments that are measured at fair values, as explained in the accounting policies below.

2-2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and revised IFRSs issued and effective

In the current year, the Group has applied a number of new and revised IFRSs that are issued and effective for accounting periods that begin on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement to similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

IFRS 10 Consolidated Financial Statements

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

Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor›s returns.

The adoption of this standard has not resulted in any significant impact on the performance of the Group or its consolidated financial position.

IFRS 11 Joint arrangement

The standard replaces IAS 31 "Interests in Joint Ventures". The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Under IFRS 11, there are only two types of joint arrangements (a) joint ventures and (b) joint operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Investment in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the operation) and its expenses (including its share of expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards. The adoption of this standard has no impact on the performance of the Group or its consolidated financial position.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of this standard resulted in more extensive disclosures in the consolidated financial statements (note 8,18).

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under this standard is an exit price regardless of whether price is directly observable or estimated using another valuation technique. IFRS 13 includes extensive disclosure requirements (note 3.3 & 7).

Other than the additional disclosures, the application of the standard has not had any material impact on the amounts recognised in the consolidated financial statements.

IAS 1 Presentation of Financial Statement

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendments have been applied retrospectively, and hence the presentation of other comprehensive income has been modified to reflect the changes.

New and revised IFRSs in issue but not yet effective

For annual periods beginning on or after 1 January 2014

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

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

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

The directors of the Company do not anticipate that the investment entities amendments will have material effect on the Group's consolidated financial statements.

IAS 32 "Financial Instruments – Presentation"

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

The Group does not anticipate that the application of these amendments will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

For annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. The Group anticipates that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group›s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

2-3 SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Basis of Consolidation

SUBSIDIARIES

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

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

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

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

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

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

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

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

GOODWILL

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

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

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

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

INVESTMENTS IN ASSOCIATES

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" (Note 4).

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

2-3-2 Financial instruments

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

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

FINANCIAL ASSETS

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

LOANS AND RECEIVABLES

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

AVAILABLE FOR SALE (AFS)

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

The financial assets available for sale are re-measured at fair value. The fair value is determined in the manner described in note (3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

IMPAIRMENT IN VALUE

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

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

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

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

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

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

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

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

DERECOGNITION

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset›s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

FINANCIAL LIABILITIES

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

DERECOGNITION

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

2-3-3 Property and equipment

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

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

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

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

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2-3-4 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

2-3-5 Provisions

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

2-3-6 End of service indemnity

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

2-3-7 Treasury share

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

2-3-8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Revenues from sale of goods are recognized when significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred generally to the buyer on delivery.
- Services revenues are recognized when the services are rendered.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on time basis.

2-3-9 Leases

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Rental income from finance lease is allocated over the accounting periods to reflect a fixed return on the net value of the leased asset.

The Group as lessee

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

2-3-10 Borrowing costs

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

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

2-3-11 Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Outstanding monetary items in foreign currency are translated at the date of financial statements.

Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

2-3-12 Dividends

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

2-3-13 Fiduciary assets

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

3- FINANCIAL RISK MANAGEMENT

3-1 FINANCIAL RISK FACTORS

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

a. MARKET RISK

Foreign currency risks

The Group is exposed to foreign currency risk resulting primarily from dealing in financial instruments with US Dollar. Foreign currency risk is resulting from future transactions on financial instruments in foreign currency recorded in the financial statements of the Group. The Group's policies for managing foreign currency risk, represented in the careful monitoring of changes in currency rates and its related impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advises in case of any significant change in foreign currencies' rates.

Had the US Dollar changed against the Kuwaiti Dinar by 5%, the Group's net profit for the year 2013 would have changed by KD 4,434,146 as of 31 December 2013 (2012: KD 3,287,103).

Following is the significant foreign currencies' net positions of the as of 31 December:

	2013	2012
US$ Surplus	91,486,318	68,545,470

Fair value risk

The fair value risk arises from fluctuation of financial instrument value resulting from change in market prices. The Group is exposed to the price risk as a result of holding investments classified as available for sale investments in the consolidated financial statement.

The Group is managing this risk through monitoring the market prices of these investments if they are listed in an active market, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for other investments.

The following sensitivity analysis shows the impact of the change on the indexes of the financial markets on the Group's business, as well as equity. This analysis is based on the change in the index by 5%.

	Impact on equity	
	2013	2012
Index of the Kuwait Stock Exchange	248,725	226,619
Index of the Bahrain Stock Exchange	4,441,052	3,320,356

Interest rate risk

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's assets are not exposed to this risk as the Group does not hold financial assets bearing interests. The Group's exposure to interest rate risk arises from loans and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group›s cash flows and profits in addition to take the necessary action in order to meet the possibility of these probability.

As at 31 December 2013, had the interest rates increased by 0.5%, the net profit would have decreased by KD 62,150 (2012: KD 99,370).

b. CREDIT RISK

Credit risk is the risk that the Group will incur a loss because the counterparties of financial instruments failed to discharge their contractual obligations.

Credit risk is managed by the level of the Group by monitoring credit policy on regular basis.

Credit risk is highly concentrated in cash and cash equivalents, time deposits and receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation. The group does not approve credit unless within the limits of requirements and normal course of business taking into consideration the financial position of clients and the previous history of transaction and reputation.

c. LIQUIDITY RISK

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

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

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

All outstanding liabilities as of 31 December 2013 and 2012 will mature within one year from the date of consolidated financial statements.

3-2 CAPITAL RISK MANAGEMENT

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

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

The Group has a target gearing ratio of 20% - 30% determined as the proportion of net debt to equity.

The gearing ratio as of 31 December:

	2013	2012
Total Borrowings	35,312,407	29,933,541
Less: cash and cash equivalents	(2,949,938)	(2,242,946)
Net debt	32,362,469	27,690,595
Total equity	112,493,468	85,779,865
Total capital	144,855,937	113,470,460
Gearing ratio (%)	22.3	24.4

3-3 FAIR VALUE ESTIMATION

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

Level one: Quoted prices in active markets for financial instruments.

Level two: Quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.

Level three: Inputs for the asset or liabilities that are not based on observable market data.

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

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

Financial assets	Fair value as at		Date of valuation	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2013	31/12/2012					
Investments available for sale							
Quoted Shares	93,795,556	70,939,503	31/12/13	1	Last bid price	-	-
Unquoted shares	4,857,644	1,737,715	31/12/13	3	Market value estimation	Book value adjusted with market risk	The higher market risk the lower the fair value

Reconciliation of level 3 fair value measurements

	Unquoted investments available for sale	
	2013	2012
Balance as of 1 January	1,737,715	1,962,340
Transfers into level 3	3,654,178	-
Impairment – recorded in statement of income	(534,249)	(224,625)
Balance as of 31 December	4,857,644	1,737,715

The fair values of other financial assets and financial liabilities which are not measured at fair value on ongoing basis equal approximately their carrying values.

4- CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of financial instruments

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

Evidence of impairment of investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. (Note 15) shows the impact of this estimate on the consolidated financial statements.

Impairment of associates

Estimation of impairment of an associate is made when there is an indicator for this impairment. The assessment is made for the entire carrying amount of the Group›s investments in associate including goodwill, accordingly, impairment testing of goodwill is not prepared independently. Impairment and reversal of those losses are recognized in the consolidated statement of income.

5- CASH AND CASH EQUIVALENTS

	2013	2012
Current accounts at banks	1,532,683	489,691
Time deposits (less than 3 months)	1,413,412	1,752,755
Cash in portfolios	3,343	-
Cash on hand	500	500
	2,949,938	2,242,946

The weighted average interest rate on time deposits is 1% as of 31 December 2013 (2012: 1%).

6- ACCOUNTS RECEIVABLE

	2013	2012
Due from customers' portfolios	22,550	21,229
Prepayments	18,874	60,989
Due from related parties (note 17)	110,958	626,634
Others	22,364	74,375
	174,746	783,227

Accounts receivables do not include impaired balances as of 31 December 2013 / 2012.

7- INVESTMENTS AVAILABLE FOR SALE

	2013	2012
Investment in foreign securities – Quoted	88,821,050	66,407,121
Investment in local securities – Quoted	4,974,506	4,532,382
Investment in local securities – Unquoted	4,602,766	5,016,795
Investment in foreign securities – Unquoted	6,101,023	6,373,952
	104,499,345	82,330,250

7-1 The fair value of investments available for sale was determined based on basis mentioned in (note 3.3) in the consolidated financial statements.

7-2 Certain investments available for sale are pledged against borrowings and bank facilities (note 10).

7-3 Unquoted investments available for sale at KD 6,000,323 are carried at cost less impairment losses as their fair values could not be reliably determined as of 31 December 2013. (2012: KD 11,176,462)

7-4 Following is the analysis of investments available for sale by currencies as of 31 December:

	2013	2012
US Dollar	90,689,091	68,513,744
Kuwaiti Dinar	10,512,633	10,245,956
Other currencies	3,297,621	3,570,550
	104,499,345	82,330,250

8- INVESTMENTS IN ASSOCIATES

Company's name	Country of incorporation	Activity	Ownership %	2013	2012
Manshar Real Estate Co. - KSCC	Kuwait	Real estate	50	15,308,168	15,171,983
Tamdeen Holding Co. - KSCC	Kuwait	Holding	40	12,700,017	10,105,591
Tamdeen Residence Co. - KSCC	Kuwait	Real estate	20	203,960	208,763
Tamdeen Imtiazat Holding Co. - KSCH	Kuwait	Holding	20	6,837,898	6,445,054
Gulf and Asia Holding Co. - KSCH	Kuwait	Holding	20	470,799	500,000
Al Maysam General Trading Co. - WLL	Kuwait	General Trading	20	799,139	-
Tamdeen Resorts Co. – WLL	Kuwait	Real estate	46	4,255,359	-
				40,575,340	32,431,391

8-1 The Group's share in the associates' results based on the unaudited financial statements prepared by the managements of those associates is amounted to KD 1,165,120 for the year ended 31 December 2013 (2012: KD 794,355).

8-2 The associates are not listed in active markets. Following is a summary of the financial information of these associates based on the latest available financial statements:

Manshar Real Estate Co. - KSCC

	2013	2012
Current assets	12,921,426	14,048,346
Non-current assets	55,788,030	54,992,142
Current liabilities	2,854,426	4,950,386
Non-current liabilities	35,238,695	33,746,137

	2013	2012
Revenues	3,277,290	3,533,274
Profit for the year	272,369	394,655
Total other comprehensive income for the year	272,369	394,655

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Manshar Real Estate Co. – KSCC which is recognized in the consolidated financial statements:

	2013	2012
Net assets of the associate	30,616,335	30,343,965
Group's ownership percentage in Manshar Real Estate Co. – KSCC (%)	50	50
Book value of the Group's investment in Manshar Real Estate	15,308,168	15,171,983

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Tamdeen Holding Co. - KSCC

	2013	2012
Current assets	2,002,218	923,288
Non-current assets	35,010,397	28,682,197
Current liabilities	5,320,689	4,267,046
Non-current liabilities	7,556	140,133

	2013	2012
Revenues	1,566,660	1,064,832
Profit for the year	1,253,151	706,450
Other comprehensive income for the year	5,278,276	(1,456,626)
Total other comprehensive income for the year	6,531,427	(750,176)

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Tamdeen Holding Co. – KSCC which is recognized in the consolidated financial statements:

	2013	2012
Net assets of the associate	31,684,370	25,198,306
Group's ownership percentage in Tamdeen Holding Co. - KSCC (%)	40	40
Other adjustments	26,269	26,269
Book value of the Group's investment in Tamdeen Holding	12,700,017	10,105,591

Tamdeen Imtiazat Holding Co. - KSCH

	2013	2012
Current assets	212,559	1,074,828
Non-current assets	45,800,540	43,735,034
Current liabilities	11,792,092	12,551,925
Non-current liabilities	954	507

	2013	2012
Revenues	3,501,135	2,462,805
Profit for the year	2,880,201	1,716,438
Other comprehensive income for the year	587,592	214,348
Total other comprehensive income for the year	3,467,793	1,930,786
Cash dividends collected from associate during the year	300,000	-

Following is reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Tamdeen Imtiazat Holding Co. – KSCH which is recognized in the consolidated financial statements:

Continuation / Tamdeen Imtiazat Holding Co. - KSCH

	2013	2012
Net assets of the associate Group's ownership percentage in Tamdeen Imtiazat	34,221,652	32,257,430
Holding Co. - KSCH (%)	20	20
Other adjustments	(6,432)	(6,432)
Book value of the Group's investment in Tamdeen Imtiazat Holding	6,837,898	6,445,054

Total summarized financial information for other insignificant associates

	2013	2012
Current assets	7,260,851	50,106
Non-current assets	29,942,409	1,000,000
Current liabilities	20,564,434	5,383
Non-current liabilities	1,609	909

	2013	2012
Revenues	22,111	140
Loss for the year	(183,853)	(11,369)

9- ACCOUNTS PAYABLE

	2013	2012
Accrued expenses	362,477	319,785
Contribution to Kuwait Foundation for Advancement of Science	26,237	29,151
National Labour Support Tax	98,060	95,525
Zakat	23,331	30,551
Due to related parties (note 17)	-	1,702,732
Others	79,098	150,322
	589,203	2,328,066

10- BORROWINGS AND BANK FACILITIES

	2013	2012
Short term borrowings	35,312,407	27,500,000
Bank facilities	-	2,433,541
	35,312,407	29,933,541
Average interest rate on borrowings (%)	4	4

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

10-1 All loans and bank facilities are dominated in Kuwaiti Dinars and bearing floating interest rates.

10-2 Borrowings and bank facilities were granted against pledging investments available for sale with carrying value of KD 61,883,214 as of 31 December 2013 (2012: KD 59,070,992).

10-3 All bank facilities are matured during one year from the date of the consolidated financial statements.

11- SHARE CAPITAL

The authorized, issued and fully paid capital of the Company is amounted to KD 31,185,000 distributed over 311,850,000 shares of 100 fils each per share and all shares are in cash.

12- TREASURY SHARES

	2013	2012
Number of shares (share)	14,878,664	14,219,200
Percentage to issued shares (%)	4.77	4.56
Market value	2,588,888	2,331,949

The Company is committed to retain reserves and retained earnings equivalent to the treasury shares throughout the period, in which they are held by the Company, pursuant to the relevant instructions of the regulatory authorities.

13- STATUTORY RESERVE

In accordance with the Companies Law and the Company's Articles of Association, 10% of the net profit for the year before board of directors' remuneration, Kuwait Foundation for Advancement of Science share, National Labour Support Tax and Zakat, is required to be transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfer when the reserve balance reaches 50% of the share capital of Company. This reserve is used to secure appropriation of profit to shareholders, up to 5% in such years where the profit of the Company does not allow such percentage of appropriation.

When the balance of the reserve exceeds 50% of the share capital, the General Assembly, is permitted to utilized amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Company and its shareholders.

14- DIVIDENDS

On 22 April 2013, the General Assembly for shareholders of the Company approved the consolidated financial statements for the year ended 31 December 2012 and also approved cash dividends of 8 fils per share.

On 2 March 2014, the Company's Board of Directors proposed to distribute cash dividends of 9% (9 fils per share), the proposal is subject to the shareholder's approval.

15- GAINS FROM INVESTMENTS AVAILABLE FOR SALE

	2013	2012
Cash dividends	5,381,505	3,818,376
Gain on sale	224,443	2,162,075
Impairment losses	(534,249)	(224,625)
	5,071,699	5,755,826

16- EARNINGS PER SHARE

Earnings per share are calculated based on net profit attributable to shareholders and the weighted average number of common shares outstanding during the year. The following is the computation of earnings per share:

	2013	2012
Net profit for the year	4,044,858	3,918,938
Weighted average number of outstanding shares (share)	297,582,800	297,758,319
Earnings per share (fils)	13.59	13.16

17- RELATED PARTIES TRANSACTIONS

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

	2013	2012
Transactions		
Management fees	76,912	52,595
Subscription and consulting fees	51,911	23,300
Salaries and bonus for executive management	235,300	235,300
Sale of shares in subsidiaries	274,571	341,133
Purchase of investments available for sale	-	3,548,800
Purchase of shares in associates	2,250,000	3,915,000
Balances		
Accounts receivable (note 6)	110,958	626,634
Accounts payable (note 9)	-	1,702,732
Off consolidated balance sheet items		
Net assets of clients portfolios' (major shareholders)	63,686,999	62,026,678

18- SUBSIDIARIES

Following are the consolidated statement of the subsidiaries included in consolidated financial statements:

COMPANY'S NAME:	LEGAL ENTITY	ACTIVITY	OWNERSHIP (%) 2013	2012
Al-Madina Al-Thaniya General Trading and Contracting Company	W.L.L.	General Trading and Contracting	99.9	99.9
Al-Madina Al-Namozagia General Trading and Contracting Company	W.L.L.	General Trading and Contracting	99.9	99.9
Wafra Holding Company	K.S.C. (Holding)	Investments	98	98
Tamdeen Consulting Company	W.L.L.	Consulting	-	99
Tamdeen first for Real Estate Trading Company	W.L.L.	Real Estate	99	99

As at 31 December 2013, total assets of the subsidiaries amounted to KD 2,519,848 (31 December 2012: KD 1,373,851), and their losses amounted to KD 8,395 for the year ended 31 December 2013 (profits by KD 273,180 for the year ended 31 December 2012). Audited financial statements were relied on when consolidating the subsidiaries as at 31 December 2013.

During the year ended 31 December 2013, the Company has sold 99% of Tamdeen Consulting Company for KD 274,571 to related parties. No gain or loss was resulted from this transaction, as the selling price equals Group's share in net assets of disposed company.

The following is an analysis of the subsidiary's assets and liabilities at the date of disposal

	2013
Assets	
Cash and cash equivalents	370,829
Accounts receivable	89,350
Inventory	3,869
Total assets	464,048
Liabilities	
Accounts payable	185,845
End of service indemnity	859
Total liabilities	186,704
Net assets	277,344
Group's share in net asset disposed	274,571
Consideration received	(274,571)
Loss on sale of a subsidiary	-

Cash generated from disposal of a subsidiary as of the disposal date:

Consideration received	274,571
Less: cash and cash equivalents of a subsidiary	(370,829)
Net cash generated from disposal of a subsidiary	(96,258)

19- SEGMENT INFORMATION

The management has determined segments based on the reports reviewed by the executive management of the Group.

The executive management has taken into consideration dividing the activities geographically, as the main activity of the Company is investment, geographical segment is as follows:

	2013		
	Kuwait	G.C.C.	Total
Segment revenues	1,469,761	4,928,140	6,397,901
Segment expenses	2,155,349	-	2,155,349
Unallocated expenses	-	-	197,628
Assets	53,570,467	94,922,073	148,492,540
Liabilities	35,999,069	-	35,999,072

	2012		
	Kuwait	G.C.C.	Total
Segment revenue	1,633,009	5,674,443	7,307,452
Segment expenses	3,183,088	-	3,183,088
Unallocated expenses	-	-	205,227
Assets	44,593,150	73,523,179	118,116,329
Liabilities	32,336,464	-	32,336,464

20- OFF CONSOLIDATED BALANCE SHEET ITEMS

The Group manages portfolios for clients of KD 165,314,172 as of 31 December 2013 (2012: KD 162,937,498).