Tharwa Investment Company K.S.C (Closed)
And Its Subsidiary (The Group)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2013
WITH INDEPENDENT AUDITOR'S REPORT

RSM Albazie & Co.
Public Accountants

50 Years of Service Since 1963

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Tharwa Investment Company - K.S.C. (Closed)
State of Kuwait

Report on the financial statements

I have audited the accompanying consolidated financial statements of Tharwa Investment Company - K.S.C. (Closed) "the Parent Company" and its subsidiary "the Group" which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of profit or loss and profit or loss and other comprehensive income, consolidated changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the 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 in 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on the consolidated financial statements.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tharwa Investment Company - K.S.C. (Closed) "the Parent Company" and its subsidiary "the Group" as of December 31, 2013, and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted in the State of Kuwait.

Report on other Legal and Regulatory Requirements

Also in my opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 25 of 2012 and its amendments and its executive regulations and the Parent Company's Article of Association and Memorandum of Incorporation and I obtained the information I required to perform my audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to me, there were no contraventions during the financial year ended December 31, 2013 of either the Companies Law No. 25 of 2012 and its amendments and its executive regulations and the Parent Company's Article of Association and Memorandum of Incorporation which have had affected the Group's financial position or results of its operations.

I further report that during the course of my review, I have not yet become aware of any material violations of Executive by Laws of Law No. 7 of 2010 regarding Capital Market Authority which might have materially affected the Group activities or its financial position.

Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
January 29, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2013

	Note	2013 KD	2012 KD
ASSETS:			
Cash and cash equivalents	3	**2,257,327**	1,581,941
Investments at fair value through statement of profit or loss	4	**13,669,176**	11,707,593
Accounts receivable and other debit balances	5	**1,681,937**	874,114
Investments available for sale	6	**6,921,763**	6,113,019
Investment in unconsolidated subsidiary	7	**-**	49,500
Investment property	8	**678,157**	772,640
Property and equipment		**17,208**	54,567
TOTAL ASSETS		**25,225,568**	21,153,374
LIABILITIES AND EQUITY:			
LIABILITIES:			
Due to bank	9	**-**	2,741,038
Accounts payable and accruals	10	**1,376,104**	502,738
Employees' end of service indemnity		**106,949**	80,519
TOTAL LIABILITIES		**1,483,053**	3,324,295
EQUITY:			
Share capital	12	**15,112,500**	15,112,500
Share premium	13	**18,000**	18,000
Statutory reserve	13	**1,502,345**	911,566
Cumulative changes in fair value		**1,604,272**	386,428
Foreign currency translation reserve		**110,368**	107,859
Retained earnings		**5,395,030**	1,292,726
TOTAL EQUITY		**23,742,515**	17,829,079
TOTAL LIABILITIES AND EQUITY		**25,225,568**	21,153,374

Marzouq Fajhan Al Mutairi
(Chairman)

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2013

	Note	2013 KD	2012 KD
REVENUE			
Realized gain on sale of investments at fair value through statement of profit or loss		**4,106,915**	246,442
Realized (loss) gain on sale of investments available for sale		**(63,873)**	1,044,002
Unrealized gain on investments at fair value through statement of profit or loss		**1,955,885**	699,808
Impairment loss for investments available for sale	6	**(424,834)**	(547,734)
Dividend income		**310,181**	152,500
Change in fair value of investment property	8	**(96,880)**	-
Investment service income	14	**2,268,603**	1,500,199
Group's share of results from associate		-	(22,249)
Gain from sale of an associate		-	54,718
Interest income		**35,688**	45,131
Foreign currency (loss) gain		**(41,860)**	134,686
Other income		**20,515**	1,372
TOTAL REVENUE		**8,070,340**	3,308,875
EXPENSES			
Staff costs		**1,743,899**	989,878
General and administrative		**290,585**	281,539
Depreciation		**51,655**	105,028
Interest expenses		**76,416**	73,787
TOTAL EXPENSES		**2,162,555**	1,450,232
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Directors' remuneration		**5,907,785**	1,858,643
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	15	**(53,170)**	(9,770)
Contribution to Zakat	16	**(57,157)**	(17,312)
Board of Directors' remuneration		**(46,500)**	(20,000)
NET PROFIT FOR THE YEAR		**5,750,958**	1,811,561
EARNINGS PER SHARE (FILS)	17	**38.05**	11.99

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2013

	2013 *KD*	*2012* *KD*
Net profit for the year	**5,750,958**	1,811,561
Other comprehensive income:		
Items that may be reclassified subsequently to statement of profit or loss		
Changes in fair value of investments available for sale	**1,217,844**	234,928
Other comprehensive loss from associate	-	(422)
Foreign currency translation reserve	**2,509**	7,991
Other comprehensive income	**1,220,353**	242,497
Total comprehensive income for the year	**6,971,311**	2,054,058

The attached notes 1 to 21 form part of these consolidated financial statements.

COSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013

	Share Capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Cumulative changes in fair value KD*	*Foreign currency translation reserve KD*	*Retained Earnings KD*	*Total KD*
Balance as at December 31, 2011	15,112,500	18,000	725,702	362,851	151,500	100,290	(695,822)	15,775,021
Accumulated losses written off	-	-	-	(362,851)	-	-	362,851	-
Total comprehensive income for the year	-	-	-	-	234,928	7,569	1,811,561	2,054,058
Transfer to statutory reserve	-	-	185,864	-	-	-	(185,864)	-
Balance as at December 31, 2012	15,112,500	18,000	911,566	-	386,428	107,859	1,292,726	17,829,079
Cash dividends (Note 12)	-	-	-	-	-	-	(1,057,875)	(1,057,875)
Total comprehensive income for the year	-	-	-	-	1,217,844	2,509	5,750,958	6,971,311
Transfer to statutory reserve	-	-	590,779	-	-	-	(590,779)	-
Balance as at December 31, 2013	**15,112,500**	**18,000**	**1,502,345**	**-**	**1,604,272**	**110,368**	**5,395,030**	**23,742,515**

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

For the year ended December 31, 2013

	Note	2013 KD	2012 KD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Contribution to Zakat and Board of Directors' remuneration		5,907,785	1,858,643
Adjustments:			
Realized gain on sale of investments at fair value through statement of profit or loss		(4,106,915)	(246,442)
Realized loss (gain) on sale of investments available for sale		63,873	(1,044,002)
Unrealized gain on investments at fair value through statement of profit or loss		(1,955,885)	(699,808)
Dividend income		(310,181)	(152,500)
Change in fair value of investment property		96,880	-
Investment service income		(2,268,603)	(1,500,199)
Group's share of results from associate		-	22,249
Gain from sale of an associate		-	(54,718)
Impairment loss for investments available for sale		424,834	547,734
Depreciation		51,655	105,028
Provision for employees' end of service indemnity		26,933	20,217
Interest income		(35,688)	(45,131)
Interest expenses		76,416	73,787
		(2,028,896)	(1,115,142)
Changes in operating assets and liabilities:			
Investments at fair value through statement of profit or loss		4,101,217	(2,606,592)
Accounts receivable and other debit balances		(220,093)	(11,409)
Accounts payable and accruals		813,186	390,291
Cash generated from (used in) operations		2,665,414	(3,342,852)
Paid to Kuwait Foundation for the Advancement of Sciences		(9,770)	-
Paid to Zakat		(17,264)	-
Payment of Board of Directors' remuneration		(20,000)	-
Payment of employees' end of service indemnity		(503)	-
Net cash generated from (used in) operating activities		2,617,877	(3,342,852)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividend income received		310,181	152,500
Interest income received		39,388	43,987
Investment services income received		1,677,172	1,331,191
Payment for purchase of investments available for sale		(79,607)	(1,574,552)
Proceeds from sale of investments available for sale		-	3,871,700
Cash dividends received from associate		-	36,450
Proceeds from sale of an associate		-	374,016
Purchase of property and equipment		(14,296)	(725)
Net cash generated from investing activities		1,932,838	4,234,567
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net movement on due to bank		(2,741,038)	(295,354)
Dividends paid		(1,057,875)	-
Interest expenses paid		(76,416)	(73,787)
Net cash used in financing activities		(3,875,329)	(369,141)
NET INCREASE IN CASH AND CASH EQUIVALENTS		675,386	522,574
Cash and cash equivalents at the beginning of the year		1,581,941	1,059,367
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	2,257,327	1,581,941

The attached notes 1 to 21 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013

1. ACTIVITIES

Tharwa Investment Company K.S.C (Closed) "the Parent Company" is a Kuwaiti Shareholding Company registered in Kuwait on August 28, 2006.

The Company's main activities are:

1. Investment in real-estate, industrial, agricultural and other economic sectors through participating in formation of specialized corporations or through the purchase of the stocks or bonds of these corporations in the different sectors within and outside Kuwait.
2. Taking a stake during incorporations or partial ownership of corporations in different sectors.
3. Management of public and private institutions, funds and their investment in different sectors including real-estate and financial portfolio management.
4. Preparation of technical and economic valuation studies and consultancies and necessary studies of investment and related projects for institutions and corporations (only if the necessary conditions in the engagement party are met).
5. Brokerage and finance of lending and borrowing operations.
6. Carrying out the functions of bonds and stock issuing managers, which are issued by corporations and institutions as well as investment secretarial function.
7. Brokerage and finance of international trade operations.
8. Lending to others in different fields, taking into consideration the basics of financial adequacy in respect of lending to others, while to keeping the Company's financial adequacy in line with the rules, limits and regulations set by the Central Bank of Kuwait.
9. Dealing and trading in foreign currency and precious metals within and outside Kuwait only for the Company's benefit.
10. Operations of dealing in stock market of purchase and sale of capital stock and bonds of companies and governmental, local and international institutions.
11. Execution of all services that help developing and supporting the financial and monetary market in Kuwait and fulfilling its needs in line with the prevailing laws, regulation, instructions and procedures issued by the Central Bank of Kuwait.
12. Establishment of investment funds for the Company and third parties as well as floating its units for public subscription and acting as investment secretary or manager of leasing investment funds within and outside Kuwait as per the laws and regulations prevailing (after the approval of the Central Bank of Kuwait).

The Parent Company may conduct the above mentioned business in the State of Kuwait or abroad by its own or as an agent. The Parent Company may have an interest or to participate in any way with institutions practicing activities similar to its activities or which may assist the Parent Company in achieving its objectives in the State of Kuwait or abroad. It may establish, participate in, or acquire those institutions or have them affiliated to it.

The details of subsidiary are included in (Note 2)

The Parent Company's principal place of business and registered address is Arraya Tower 2, Floors 21, 22, Abdulaziz Hamad Al-Saqer Street, Sharq, P.O. Box: 811 Safat, 13009, State of Kuwait.

The 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 No. 25 of 2012 was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013. The Executive Regulation of the new amended law was issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article No. (3) of the executive regulation, the companies have one year, from the date of publishing the executive regulation to comply with the new amended law.

The consolidated financial statements were authorized for issue by the Board of Directors on January 29, 2014. The Shareholders' Annual General Assembly has the final authority to approve these consolidated financial statements and has the power to amend these consolidated financial statements after issuance.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No.18 of 1990. Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for the following material items that are stated at their fair value:

* Investments at fair value through statement of profit or loss.
* Certain investments available for sale.
* Investment property.

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2013:

IAS 1 Presentation of items of other comprehensive income
The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories
a) Items that will not be reclassified, subsequently to consolidated statement of profit or loss and
b) Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met.

The amendments are effective for annual periods beginning on or after July 1, 2012

Amendments to IFRS 7 Offsetting financial assets and financial liabilities and related disclosures
The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments are effective for annual periods beginning on or after January 1, 2013

IFRS 10 Consolidated Financial Statements
The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

IFRS 12 Disclosure of Interests in Other Entities
The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement
This IFRS
a) defines fair value
b) sets out in a single IFRS a framework for measuring fair value and
c) requires disclosures about fair value measurements.

IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after 1 January 2013.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(p).

b) **Principles of consolidation**

The consolidated financial statements incorporate the financial statements of Tharwa Investment Company-K.S.C. (Closed) "Parent Company" and the following subsidiary:

Name of Subsidiary	Country of incorporation	Percentage of holding	
		2013	*2012*
TIC Real Estate Company B.S.C. (Closed)	Kingdom of Bahrain	**99%**	99%

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

c) **Financial instruments**

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, accounts receivable, investments and accounts payables.

d) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

e) Property and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in statement of profit or loss.

Depreciation is computed on a straight line basis over the estimated useful lives of property and equipment as follows:

Furniture	4 years
Office equipment	3 years
Other assets	3 years

The useful life and depreciation method are revised periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits for items of property and equipment.

f) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) Employees' end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

The Group also contributes to the government defined contribution plan for its Kuwaiti employees in accordance with the legal requirements in Kuwait.

h) Share capital

Ordinary shares are classified as equity.

i) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income
Interest income is recognized using the effective interest method.

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

Gain on sale of investments
Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Commissions
When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

j) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

k) 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred.

l) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the year. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through statement of profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in the consolidated statement of other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the reporting date. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

m) Contingencies

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

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

n) Dividends distribution

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

o) Fiduciary assets

Assets held in a trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in these consolidated financial statements but are disclosed in the Notes to the consolidated financial statements.

p) Critical accounting judgements, estimates and judgments

The Group make judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

Judgements:
In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgments that have the most significant effect in the amounts recognized in the consolidated financial statements.

(i) Revenue recognition:
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are not requires significant judgement.

(ii) Classification of investments:
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of profit or loss", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of profit or loss at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(iii) Provision for doubtful debts:

The determination of the recoverability of the amount due from customers and factors determining the impairment of the receivables involve significant judgment.

(iv) Impairment of investments:

The Group follows the guidance of IAS 39 to determine when an available for sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

Estimation and assumptions
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

(i) Fair value of unquoted equity investments
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Provision for doubtful debts
The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

(iii) Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of profit or loss. For the investment property the valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

3. CASH AND CASH EQUIVALENTS

	2013 **KD**	*2012* KD
Cash on hand and at banks	**1,557,327**	559,482
Short term bank deposits	**700,000**	1,022,459
	2,257,327	1,581,941

The average effective interest rate on short term bank deposits is 1.05% per annum (2012: 1.3%) with an average maturity of 87 days (2012: 58 days).

4. INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF PROFIT OR LOSS

	2013 **KD**	*2012* KD
Held for trading		
Quoted securities– local	**3,483,000**	8,358,153
Portfolios– foreign	**8,488,828**	1,840,170
Managed funds	**1,697,348**	1,509,270
	13,669,176	11,707,593

5. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2013 **KD**	*2012* KD
Accrued income	**1,364,366**	776,635
Due from Clearing and brokerage Companies	**240,683**	27,166
Prepaid expenses and other debit balances	**76,888**	70,313
	1,681,937	874,114

6. INVESTMENTS AVAILABLE FOR SALE

	2013 **KD**	*2012* KD
Local quoted securities	**1,422,900**	1,081,000
Local unquoted equities	**570,000**	1,045,000
Foreign unquoted equities	**304,007**	304,007
Local funds	**3,382,994**	2,886,492
Foreign funds	**1,666,696**	1,344,254
	7,346,597	6,660,753
Impairment loss for investments	**(424,834)**	(547,734)
	6,921,763	6,113,019

Investments available for sale include investments amounting to KD Nil (2012 - KD 153,000) that are carried at cost since their fair value cannot be reliably measured on a regular basis. The management believes that there is no objective evidence or circumstances that indicate any impairment in the value of these investments at the reporting date.

Investments available for sale are denominated in the following currencies equivalent to Kuwaiti Dinar:

Currency	*2013* ***KD***	*2012* *KD*
KD	**5,099,060**	4,464,758
USD	**1,822,703**	1,376,212
Turkish Lira	-	272,049
	6,921,763	6,113,019

7. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

The investment in unconsolidated subsidiary consists of the following:

Name of the subsidiary	*Principal activities*	*Country of Incorporation*	*Ownership percentage %* 2013	2012
Tharwa for Economic and Financial Consultants W.L.L.	Economic and Financial Consultants	Kuwait	-	99%

During the year, the Company has liquidated Tharwa for Economic and Financial Consultants W.L.L. which resulted in a gain of KD 2,022 that has been accounted for as other income, and this was published in the newspaper on April 14, 2013.

8. INVESTMENT PROPERTY

Investment property is owned by the subsidiary and located on Al Seef area in the Kingdom of Bahrain. The fair value as of December 31, 2013 was reached based on valuation carried out by independent valuer, which resulted in a loss of KD 96,880.

9. DUE TO BANK

Due to bank represents overdraft facilities with a local bank carrying an annual interest rate of Nil (2012: 2.5%) over the Central Bank of Kuwait discount rate.

During the year the Company paid the full due to bank amount.

10. ACCOUNTS PAYABLE AND ACCRUALS

	2013 ***KD***	*2012* *KD*
Accrues expenses and bonus	**1,218,547**	455,642
Due to Kuwait Foundation for Advancement of Sciences	**53,170**	9,770
Zakat Payable	**57,157**	17,264
Board of Directors' remuneration	**46,500**	20,000
Other payables	**730**	62
	1,376,104	502,738

Board of Directors' remuneration is subject to the approval of the Shareholders' Annual General Assembly.

11. RELATED PARTY DISCLOSURES

The Group has entered into various transactions with related parties, i.e. Shareholders, Board of Directors, key management personnel, associate and other related parties in the normal course of its business. Prices and terms of payments are approved by the Group's management.

Significant related party balances and transactions are as follows:

Balances included in the consolidated statement of financial position are as follow:

	2013 *KD*	*2012* *KD*
Accounts receivable and other debit balances	**93,283**	59,286
Investment at fair value through statement of profit or loss	**1,697,348**	1,509,270
Investments available for sale	**4,862,749**	3,698,933

Transactions included in the consolidated statement of profit or loss are as follows:

	2013 *KD*	*2012* *KD*
Investment service income – management fees	**519,240**	382,328

Related parties transactions are subject to the approval of the Shareholders' Annual General Assembly.

Key management compensation:

	2013 *KD*	*2012* *KD*
Salaries, benefits and bonus	**1,075,000**	427,188

12. SHARE CAPITAL AND DIVIDENDS

Authorized, issued and fully paid up capital consists of 151,125,000 shares (2012 - 151,125,000 shares) with a par value of 100 Fils each and all shares are in cash.

The Board of Directors' meeting held on January 29, 2014 recommended a cash dividend of 20 fils per share for the year ended December 31, 2013. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

The Shareholders' General assembly held on June 3, 2013 approved the distribution of cash dividends of 7 fils per share with a total amount of KD 1,057,875 for the year ended December 31, 2012.

13. RESERVES

Share premium
This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except under specific circumstances as provided in the Law.

Statutory reserve
As required by Companies law and the Parent Company's Memorandum of Incorporation, 10% of the profit for the year before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by law and the Parent Company's Memorandum of Incorporation.

Voluntary reserve
As required by companies law and the Parent Company's Memorandum of Incorporation, 5% of the profit for the year before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' General Assembly upon recommendation by the Board of Directors. As per the General Assembly Meeting held on June 3, 2013, which approved not to transfer to the voluntary reserve.

14. INVESTMENT SERVICE INCOME

	2013 **KD**	*2012* KD
Management fees	**1,115,978**	889,976
Incentive fees	**1,082,455**	559,957
Other fees	**70,170**	50,266
	2,268,603	1,500,199

15. CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting the transfer to statutory reserve.

16. CONTRIBUTION TO ZAKAT

Zakat is calculated at 1% on the profit of the Parent Company after deducting dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations that are effective from December 10, 2007.

17. EARNINGS PER SHARE (FILS)

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows.

	2013 **KD**	*2012* KD
Net profit for the year	**5,750,958**	1,811,561
	Shares	Shares
Weighted average of shares outstanding during the year	**151,125,000**	151,125,000
Earnings per share (fils)	**38.05**	11.99

18. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, receivables, investments and accounts payable and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

18.1. Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (loss) (through the impact on floating rate borrowings).

	Increase / (Decrease) in interest rate	Balance as of December 31, (KD)	Effect on profit (loss) (KD)
2013			
Due to bank	**±50 basis points**	**-**	**-**
2012			
Due to bank	±50 basis points	2,741,038	±13,705

18.2. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of short term bank deposits. The Group's deposits are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of short term bank deposits and receivables.

18.3. Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between USD, SAR, BHD, UAE Dirham, Turkish Lira and Kuwaiti Dinar.

	2013			*2012*		
Currency	*Change in Currency rate %*	*Effect on the consolidated statement of profit or loss KD*	*Effect on statement of profit or loss and other comprehensive income KD*	*Change in Currency rate %*	*Effect on the consolidated statement of profit or loss KD*	*Effect on statement of profi or loss and other comprehensive income KD*
USD	**±5%**	**93,317**	**90,885**	±5%	± 119,005	± 61,161
SAR	**±5%**	**37,145**	**-**	±5%	-	-
BHD	**±5%**	**34,822**	**-**	±5%	± 40,652	-
UAE Dirham	**±5%**	**387,301**	**-**	±5%	±52,250	-
Turkish Lira	**±5%**	-	-	±5%	±13,611	-

18.4 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 invests in short term bank deposits or other investments that are readily realizable.

The maturity table of financial assets and financial liabilities.

2013	*Within 1 month KD*	*1 to 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Assets					
Cash and cash equivalents	1,552,327	700,000	-	5,000	2,257,327
Investments at fair value through statement of profit or loss	-	13,669,176	-	-	13,669,176
Accounts receivable and other debit balances	1,604,681	5,933	9,530	61,793	1,681,937
Investments available for sale	-	-	-	6,921,763	6,921,763
Investment property	-	-	-	678,157	678,157
Property and equipment	-	-	-	17,208	17,208
Total assets	3,157,008	14,375,109	9,530	7,683,921	25,225,568
Liabilities					
Accounts payable and accruals	-	-	1,376,104	-	1,376,104
Employees' end of service indemnity	-	-	-	106,949	106,949
Total liabilities	-	-	1,376,104	106,949	1,483,053

2012	*Within 1 month KD*	*1 to 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Assets					
Cash and cash equivalents	1,576,941	-	-	5,000	1,581,941
Investments at fair value through statement of profit or loss	-	10,912,544	795,049	-	11,707,593
Accounts receivable and other debit balances	780,460	28,596	3,265	61,793	874,114
Investments available for sale	-	-	-	6,113,019	6,113,019
Investment in unconsolidated subsidiary	-	-	-	49,500	49,500
Investment property	-	-	-	772,640	772,640
Property and equipment	-	-	-	54,567	54,567
Total assets	2,357,401	10,941,140	798,314	7,056,519	21,153,374
Liabilities					
Due to bank	-	-	2,741,038	-	2,741,038
Accounts payable and accruals	-	-	502,738	-	502,738
Employees' end of service indemnity	-	-	-	80,519	80,519
Total liabilities	-	-	3,243,776	80,519	3,324,295

18.5. 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 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 as disclosed in Note 19, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

18.6. Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31.

	2013			*2012*		
Market Index	***Change in equity Price %***	***Effect on consolidated statement of profit or loss KD***	***Effect on consolidated statement of profit or loss and other comprehensive income KD***	*Change in equity Price %*	*Effect on consolidated statement of profit or loss KD*	*Effect on consolidated statement of profit or loss and other comprehensive income KD*
Kuwait Stock Exchange	**±5%**	**245,295**	**230,948**	±5%	±417,908	±54,050
S&P 500 Stock Exchange	**±5%**	-	-	±5%	±7	-
Abu Dhabi Stock Exchange	**±5%**	**387,297**	-	±5%	±52,249	-
Saudi Stock Exchange	**±5%**	**37,144**	-	±5%	-	-

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair value is obtained from current bid prices, discounted cash flows models and other models as appropriate. At December 31, the fair value of financial instruments approximate their carrying value except some instalments available from sale which are carried at cost (Note 6).

FAIR VALUE ESTIMATION

The Group had measured at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at December 31.

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at fair value through statement of profit or loss	**11,971,828**	**1,697,348**	**-**	**13,669,176**
Investments available for sale	**1,422,900**	**4,867,856**	**631,007**	**6,921,763**
2012	Level 1	Level 2	Level 3	Total
Investments at fair value through statement of profit or loss	10,198,323	1,509,270	-	11,707,593
Investments available for sale	1,081,000	4,158,012	721,007	5,960,019

19. CONCENTRATION

Concentration 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 geographic location.

The distribution of assets by geographic region was as follows:

	2013 ***KD***	*2012* *KD*
Geographic region		
State of Kuwait	**12,496,525**	15,298,080
Kingdom of Bahrain	**696,437**	813,038
United States of America	**151,080**	973,181
Cayman Islands	**3,387,609**	2,598,868
Kingdom of Saudi Arabia	**742,890**	1
Arab Republic of Egypt	**5,000**	153,000
United Arab Emirates	**7,746,027**	1,044,992
Republic of Turkey	-	272,214
	25,225,568	21,153,374

20. Capital risk management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns and benefits for Shareholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of cash dividends paid to Shareholders, return paid up capital, issue new shares, sell assets to reduce debt or obtain loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2013 ***KD***	*2012* *KD*
Cash and cash equivalents	**(2,257,327)**	(1,581,941)
Due to bank	-	2,741,038
Net deficit	**(2,257,327)**	1,159,097
Total equity	**23,742,515**	17,829,079
Total capital resources	**21,485,188**	18,988,176
Gearing ratio	**(10.51%)**	6.10%

21. FIDUICIARY ACCOUNTS

In its capacity as manager of portfolios and funds belonging to third parties and related parties, the Parent Company holds investments and bank accounts amounting to KD 118,487,084 (2012: KD 111,740,237) in its own name as a nominee for the these parties. These assets are not included in the consolidated statement of financial position of the Group.