SECURITIES GROUP COMPANY K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

SECURITIES GROUP COMPANY K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

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MGI
Midsnell Group International
an association of independent
accounting & consulting firms

FIRST AUDIT التدقيق الحسابات الأول
محاسبون و مراجعون قانونيون

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Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Securities Group Company K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Securities Group Company K.S.C. (Closed) (the Parent Company) and subsidiaries (the Group), which comprise the consolidated statement of financial position as of March 31, 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's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Basis for qualified opinion

The Group's investment in its associate, Kuwait Qatari Co. for Real Estate Development K.S.C.C. was carried at KD 4,830,760 as of March 31, 2013. The Group accounted for its share of associate's equity movements for the year ended March 31, 2013 based on management accounts due to non-availability of the audited financial statements of the associate. Consequently, we were unable to ascertain whether any further adjustments to the carrying amount of the investment were necessary.

Qualified opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the State of Kuwait.

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of accounts have been kept by the Parent 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 all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Company's Law No. 25 of 2012 as amended, and by the Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of the Company's Law No. 25 of 2012 as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended March 31, 2013 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations 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, during the year ended March 31, 2013.

Abdul-Mageed Murad Ashkanani
Licence No. 95-A
First Audit
Member of MGI International

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

State of Kuwait
June 3, 2013

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2013	2012
Cash on hand and at banks		**7,051,721**	7,228,553
Investments at fair value through statement of income	3	**4,835,200**	300,680
Accounts receivable and other debit balances	4	**2,059,388**	990,291
Loans granted to others	5	**362,935**	-
Investments available for sale	6	**51,617,346**	63,475,666
Investment in associates	7	**26,963,299**	13,402,537
Investment in unconsolidated subsidiaries	8	**589,405**	881,219
Investment held to maturity	9	**3,000,000**	-
Investment properties	10	**24,038,637**	5,478,321
Total assets		**120,517,931**	91,757,267
LIABILITIES AND EQUITY			
Liabilities:			
Loans	11	**63,315,000**	30,831,004
Accounts payable and other credit balances	12	**2,115,932**	2,693,560
Total liabilities		**65,430,932**	33,524,564
Equity:			
Capital	13	**25,528,372**	25,528,372
Treasury shares	14	**(87,765)**	(87,765)
Share premium		**3,046,592**	3,046,592
Statutory reserve	15	**12,764,186**	12,764,186
Voluntary reserve	16	**4,405,892**	4,405,892
Foreign currency translation adjustments		**151,564**	2,128
Cumulative changes in fair value		**(11,279,149)**	(12,656,468)
Retained earnings		**20,489,621**	25,161,805
Equity attributable to the shareholders of Parent Company		**55,019,313**	58,164,742
Non-controlling interest		**67,686**	67,961
Total equity		**55,086,999**	58,232,703
Total liabilities and equity		**120,517,931**	91,757,267
Memorandum accounts off the consolidated statement of financial position	25	**1,370,595,222**	1,323,033,674

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements

Ali Y. Al - Awadi
Chairman and Managing Director

Khalid S. Al - Ali
Vice Chairman

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Revenues:			
Net investment loss	18	**(2,501,208)**	(3,831,769)
Interest income		**84,749**	46,554
Fees and commission income	19	**1,504,319**	2,292,367
Rental income		**778,701**	631,473
Group's share of results from associates	7	**1,334,756**	1,493,978
Gain on sale of an associate		**-**	6,048,600
Gain on sale of an unconsolidated subsidiaries		**10,108**	-
Gain on sale of investment properties	10	**50,000**	6,442,754
Other income		**135,353**	126,299
		1,396,778	13,250,256
Expenses and other charges:			
General and administrative expenses	20	**(1,534,514)**	(1,962,766)
Finance charges		**(1,358,405)**	(1,979,846)
Impairment loss on investments available for sale	6	**(3,158,537)**	(7,071,301)
Provisions	4, 5	**(17,781)**	(1,430,659)
		(6,069,237)	(12,444,572)
Net (loss) profit for the year		**(4,672,459)**	805,684
Attributable to:			
Shareholders of the Parent Company		**(4,672,184)**	815,478
Non-controlling interest		**(275)**	(9,794)
Net (loss) profit for the year		**(4,672,459)**	805,684
		Fils	Fils
(Loss) earnings per share attributable to shareholders of the Parent Company	24	**(18.33)**	3.20

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Net (loss) profit for the year		**(4,672,459)**	805,684
Other comprehensive (loss) income:			
Investments available for sale:			
Changes in fair value of investments available for sale	6	**(2,197,462)**	(3,858,411)
Reversal on sale of investments available for sale		**3,477,252**	3,487,596
Reversal on impairment of investments available for sale		**-**	931,315
		1,279,790	560,500
Share of other comprehensive income of associates		**96,038**	-
Foreign currency translation adjustments		**150,927**	(315,729)
Other comprehensive income for the year		**1,526,755**	244,771
Total comprehensive (loss) income for the year		**(3,145,704)**	1,050,455
Attributable to:			
Shareholders of the Parent Company		**(3,145,429)**	1,060,249
Non-controlling interest		**(275)**	(9,794)
		(3,145,704)	1,050,455

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Shareholders of the Parent Company										
	Capital	Treasury shares	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation adjustments	Cumulative changes in fair value	Retained earnings	Sub-total	Non-controlling interest	Total
Balance as of March 31, 2011	25,528,372	(53,481)	3,046,592	12,764,186	4,405,892	317,857	(13,216,968)	26,895,651	59,688,101	-	59,688,101
Total comprehensive (loss) income for the year	-	-	-	-	-	(315,729)	560,500	815,478	1,060,249	(9,794)	1,050,455
Purchase of treasury shares	-	(34,284)	-	-	-	-	-	-	(34,284)	-	(34,284)
Effect of partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	11,018	11,018
Effect of consolidation of a subsidiary	-	-	-	-	-	-	-	-	-	66,737	66,737
Cash dividends	-	-	-	-	-	-	-	(2,549,324)	(2,549,324)	-	(2,549,324)
Balance as of March 31, 2012	25,528,372	(87,765)	3,046,592	12,764,186	4,405,892	2,128	(12,656,468)	25,161,805	58,164,742	67,961	58,232,703
Total comprehensive income (loss) for the year	-	-	-	-	-	149,436	1,377,319	(4,672,184)	(3,145,429)	(275)	(3,145,704)
Balance as of March 31, 2013	**25,528,372**	**(87,765)**	**3,046,592**	**12,764,186**	**4,405,892**	**151,564**	**(11,279,149)**	**20,489,621**	**55,019,313**	**67,686**	**55,086,999**

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

	2013	2012
Cash flow from operating activities:		
Net (loss) profit for the year	**(4,672,459)**	805,684
Adjustments to:		
Net investment loss	**2,501,208**	3,831,769
Interest income	**(84,749)**	(46,554)
Group's share of results from associates	**(1,334,756)**	(1,493,978)
Gain on sale of an associate	**-**	(6,048,600)
Gain on sale of an unconsolidated subsidiaries	**(10,108)**	-
Gain on sale of investment properties	**(50,000)**	(6,442,754)
Provision for doubtful debts no longer required	**(3,030)**	-
Provision for end of service indemnity	**162,079**	91,781
Finance charges	**1,358,405**	1,979,846
Impairment loss on investments available for sale	**3,158,537**	7,071,301
Provisions	**17,781**	1,430,659
	1,042,908	1,179,154
Changes in operating assets and liabilities:		
Investments at fair value through statement of income	**(5,070,655)**	(178,641)
Accounts receivable and other debit balances	**60,255**	2,128,793
Loans granted to others	**(366,601)**	247,500
Accounts payable and other credit balances	**(288,740)**	(538,550)
Cash (used in) generated from operations	**(4,622,833)**	2,838,256
Payment of end of service indemnity	**(45,149)**	(19,811)
Net cash (used in) generated from operating activities	**(4,667,982)**	2,818,445
Cash flow from investing activities:		
Purchase of investments available for sale	**(7,328,840)**	(12,187,648)
Proceeds from sale of investments available for sale	**13,304,640**	17,570,224
Paid for investment in associates	**(13,931,749)**	-
Proceed from disposal of investment in associate	**59,699**	12,160,000
Paid for investment in unconsolidated subsidiaries	**(15,086)**	-
Proceed from partial sale of investment in unconsolidated subsidiaries	**-**	9,643
Proceed from partial sale of investment in subsidiaries	**-**	11,018
Purchase of investment held to maturity	**(3,000,000)**	-
Paid for investment properties	**(18,921,090)**	(2,114,103)
Proceeds from sale of investment properties	**550,000**	19,940,058
Interest received	**38,681**	56,427
Dividends received	**2,686,413**	1,218,661
Net cash (used in) generated from investing activities	**(26,557,332)**	36,664,280
Cash flows from financing activities:		
Loans	**32,483,996**	(36,901,770)
Purchase of treasury shares	**-**	(34,284)
Cash dividends paid	**(77,109)**	(2,591,776)
Finance charges paid	**(1,358,405)**	(2,292,315)
Net cash generated from (used in) financing activities	**31,048,482**	(41,820,145)
Net decrease in cash on hand and at banks	**(176,832)**	(2,337,420)
Cash on hand and at banks on consolidation of a subsidiary	**-**	6,144
Cash on hand and at banks at the beginning of the year	**7,228,553**	9,559,829
Cash on hand and at banks at the end of the year	**7,051,721**	7,228,553

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements

1. Incorporation and principal activities

Securities Group Company K.S.C. (Closed) (the Parent Company) is a Kuwaiti Closed Shareholding Company incorporated by agreement no. 786 / Vol. 2 dated October 24, 1981 and the latest amendment on June 9, 2007. The Parent Company is listed in the Kuwait Stock Exchange. The Parent Company's registered office is P.O. Box 26953, Safat 13130, State of Kuwait.

The principal activities of the Parent Company include:
- Trading in securities listed in Kuwait and the GCC
- Acting as custodian and managers of funds
- Conducting research and studies
- Providing financial and investment services
- Obtaining loans from the financial market, granting to others and acting as an intermediary in the lending and borrowing process
- Establishing and managing real estate portfolios for its clients inside and outside Kuwait and
- Investment in real estate.

The Parent Company is under the supervision of the Capital Market Authority according to Law No.7/2010 for investment companies.

The Companies Law issued on November 26, 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on November 29, 2012, cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on March 27, 2013 by Decree Law No. 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, the Executive Regulations which shall be issued by the Minister of Commerce and Industry within six months from the date of issue of amendments in the Official Gazette will determine the basis and rules, which the Parent Company shall adopt to regularize its affairs with the Companies Law as amended.

The consolidated financial statements were authorized for issue by the Board of Directors on June 3, 2013. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group 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 except for IAS 39 requirements for collective provision which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision. 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 that, investments at fair value through income statement and certain investments available for sale are stated at their fair value. 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 amended International Financial Reporting Standards as of January 1, 2012:

IFRS 7: Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amendment) (effective July 1, 2011)
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The adoption of the amendment did not have any material impact on the financial position or performance of the Group.

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(q).

Standards issued but not effective
The following IASB standards have been issued but are not yet effective, and have not been adopted by the Group:

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:

i) Items that will not be reclassified, subsequently to consolidated statement of income and
ii) Items that may be reclassified to consolidated statement of income when specific conditions are met. The amendments are effective for annual periods beginning on or after July 1, 2012.

Amendments to IFRS 7 and IAS 32 offsetting financial assets and financial liabilities and the related disclosures.
The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement". These are effective for annual periods beginning on or after January 1, 2014.

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 9 Financial Instruments:
The standard, which will be effective for annual periods beginning on or after January 1, 2015, specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

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 10 is effective for annual periods beginning on or after 1 January 2013.

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. IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
The new standard defines fair value, sets out in a single IFRS a framework for measuring fair value and 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. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

b) Principles of consolidation

The consolidated financial statements include the financial information of Securities Group Company K.S.C. (Closed) and the following subsidiaries:

		Percentage of holding	
Name of Subsidiary	Country of incorporation	**2013**	2012
Al Anoud Al Thahabiya Company W.L.L.	Kingdom of Saudi Arabia	**100%**	100%
North African Investment Company Limited	Cayman islands	**100%**	100%
First Securities Group For Credit Fund Company W.L.L.	Kuwait	**99%**	99%
Securities Group Morocco SARL AU	Morocco	**100%**	100%
Al-Ataya International Foods Company K.S.C. (Closed)	Kuwait	**75%**	75%

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. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full 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 shareholders' 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 Parent 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 on hand and at banks, receivables, investments, loans granted to others, loans and payables.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

i) Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

ii) Investments

The Group classifies its investments in the following categories: investments at fair value through income statement, loans and receivables, held to maturity investments and available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(a) Investments at fair value through income statement
This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(c) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Investments available for sale
Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments at fair value through income statement and investments available for sale are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through income statement are included in the consolidated statement of income. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any. When an investment available for sale is disposed off or impaired, any prior changes in fair value earlier reported in other comprehensive income is transferred to the consolidated statement of income.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

iii) <u>Borrowings</u>

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

iv) <u>Accounts payable</u>

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

d) Associates

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results and net assets of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate.

The Group recognizes in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of 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) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

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

e) 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 re-measured at cost including purchase price and transactions costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings of 20 years.

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 income.

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.

f) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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 assessment 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 income, 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 income, 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) 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.

h) Provision for 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.

i) Capital

Ordinary shares are classified as equity.

j) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in consolidated statement of changes in equity (treasury shares reserve), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's equity holders.

k) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

l) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of investments and 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 entity 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 and services rendered have been resolved.

i) 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.

ii) Dividend income
Dividend income is recognized when the right to receive payment is established.

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

iv) Management fees
Management fees are recognized on a cash basis.

v) Other income
Fees, commission and consultancy revenue is recognized at the time the related services are provided.

m) 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 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 profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement 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 end of reporting period. 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 profit or loss in the period in which the foreign operation is disposed off.

n) 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 income in the period in which they are incurred.

o) 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.

Contingent assets are not recognized but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

p) Memorandum accounts off the statement of financial position

Assets held in 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.

q) Critical accounting estimates and judgments

The Group makes 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.

a) Judgments

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 on 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 met requires significant judgment.

(ii) Classification of investments

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

(iii) 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.

b) Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation 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 within the next financial year 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 other valuation 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) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Investments at fair value through statement of income

Investments at fair value through statement of income represents quoted securities held for trading.

4. Accounts receivable and other debit balances

	2013	2012
Accrued revenue	**2,857,755**	2,864,458
Due from related parties	**510,870**	450,176
Receivable from sale of investment available for sale	**1,109,570**	-
Receivable from sale of investment properties	**-**	297,135
Accrued interest and dividend	**50,665**	19,798
Other receivables	**632,584**	449,695
	5,161,444	4,081,262
Less: Provision for doubtful debts	**(3,102,056)**	(3,090,971)
	2,059,388	990,291

The movement in the provision for doubtful debts is as follows:

	2013	2012
Balance at the beginning of the year	**3,090,971**	1,660,312
Charge during the year	**14,115**	1,430,659
Provision no longer required	**(3,030)**	-
Balance at the end of the year	**3,102,056**	3,090,971

5. Loans granted to others

	2013	2012
Loan granted to an associate	**366,601**	-
Provision for loans	**(3,666)**	-
	362,935	-

The interest free loan is set to mature on December 9, 2013.

The policy of the Group for calculation of the impairment provisions for loans granted to others complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In accordance with Central Bank of Kuwait instructions, the Group provides a minimum general provision of 1% on cash credit facilities not subject to specific provision and net of certain categories of collateral.

6. Investments available for sale

	2013	2012
Quoted securities	**35,811,442**	41,896,173
Unquoted securities	**11,800,600**	17,574,189
Funds	**4,005,304**	4,005,304
	51,617,346	63,475,666

The movement during the year was as follows:

	2013	2012
Balance at the beginning of the year	**63,475,666**	80,090,632
Additions	**7,328,840**	12,187,648
Transferred from investment in associates (Note 7)	-	84,435
Related to consolidation of a subsidiary	-	225,266
Disposals	**(13,831,161)**	(19,113,918)
Changes in fair value	**(2,197,462)**	(3,858,411)
Impairment loss on investments available for sale	**(3,158,537)**	(6,139,986)
Balance at the end of the year	**51,617,346**	63,475,666

Unquoted securities and investment in funds amounting to KD 9,467,208 (2012 - KD 17,604,760) are carried at cost less impairment losses, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value for these investments. There is no active market for these investments and the Group intends to hold them for the long term.

Investments available for sale amounting to KD 18,328,650 (2012 – KD 20,393,850) were pledged with a local bank against a loan (Note 11).

Investments available for sale are denominated in the following currencies:

	2013	2012
Kuwaiti Dinar	**40,114,757**	47,683,534
US Dollar	**5,809,491**	9,843,161
Qatari Riyal	**1,316,545**	1,439,294
Sterling Pound	-	540,392
Saudi Riyal	**1,576,139**	1,576,139
Tunisian Dinar	**2,800,414**	2,393,146
	51,617,346	63,475,666

7. Investment in associates

Name of the associate	Country of incorporation	Percentage of holding	2013	2012
Kuwait Saudi Pharmaceutical Industries Co. S.A.K. (Closed) (a)	Kuwait	50%	**13,184,153**	-
Kuwait Qatari Co. for Real Estate Development K.S.C.C	Kuwait	40.72%	**4,830,760**	4,366,643
Future Communication Co. K.S.C.C (b)	Kuwait	28.18%	**8,102,126**	8,247,103
Mizin Holding Co. B.S.C. (Closed) (c)	Bahrain	20%	**-**	76,500
Alpha Atlantique Du Sahara S.A.	Morocco	22.52%	**840,030**	712,291
Mena Equities Ltd.	British Virgin Islands	44.15%	**6,230**	-
			26,963,299	13,402,537

The movement during the year is as follows:

	2013	2012
Balance at the beginning of the year	**13,402,537**	18,180,354
Additions	**14,016,184**	-
Share of results from associates	**1,334,756**	1,493,978
Disposals	**(59,699)**	(6,111,400)
Cash dividends received	**(1,826,517)**	-
Transferred to investments available for sale (Note 6)	**-**	(84,435)
Share of associates cumulative changes in fair value	**97,529**	-
Foreign currency translation adjustments	**(1,491)**	(75,960)
Balance at the end of the year	**26,963,299**	13,402,537

(a) During the year, the Group acquired 49.32% equity interest in Kuwaiti Saudi Pharmaceutical Industries Co. S.A.K. (Closed) (KSPI) from a related party for a consideration of KD 12,256,780. Accordingly the Group's equity interest in KSPI increased to 50% thereby achieving significant influence over the associate. The management finalized the purchase price allocation exercise of KSPI and the provisional values of net assets of the associate identified at the acquisition date were determined as final.

(b) The market value of the associate at the end of the reporting period is KD 3,517,561 (2012 – KD 6,395,565).

(c) During the year, the associate was liquidated and the Group received KD 59,699 as final settlement.

The summarised financial information of associates was as follows:

	2013	2012
Associates' statement of financial position:		
Total assets	**51,189,322**	31,856,477
Total liabilities	**(10,667,837)**	(6,183,757)
Net assets	**40,521,485**	25,672,720
Associates' revenue and results:		
Revenue	**35,074,713**	36,964,293
Net profit for the year	**2,724,977**	1,217,232

8. Investment in unconsolidated subsidiaries

Subsidiary name	Country of incorporation	Percentage of ownership	2013	2012
Second Securities Group for General Trading and Contracting Company W.L.L.	Kuwait	99%	-	247,500
Third Securities Group For Economic Consultants Company W.L.L.	Kuwait	99%	**7,425**	7,425
Fourth Securities Group For Mechanical Consultants Company W.L.L.	Kuwait	99%	**247,500**	247,500
Sixth Securities Group For Administrative Consultant Company W.L.L.	Kuwait	99%	**7,421**	7,421
Adeem Silver Company W.L.L	KSA	100%	**7,543**	-
Al Madar Al Thahabia Company W.L.L	KSA	100%	**7,543**	-
Private Group for General Trading And Contracting Company W.L.L.	Qatar	50%	**8,000**	8,000
Salamana Silver Company W.L.L.	KSA	95%	**6,973**	6,973
Ready Office Real Estate Company W.L.L.	Kuwait	99%	**59,400**	59,400
Al Maleeh Real Estate Company W.L.L.	Kuwait	99%	-	59,400
Al Sawab Real Estate Company W.L.L.	Kuwait	99%	**59,400**	59,400
Al Jadedeiah Real Estate Company W.L.L.	Kuwait	99%	**59,400**	59,400
Al Raha Real Estate Company W.L.L.	Kuwait	99%	**59,400**	59,400
Al Sametah Real Estate Company W.L.L.	Kuwait	99%	**59,400**	59,400
			589,405	881,219

The Group had not consolidated these subsidiaries since they were not considered material to the accompanying consolidated financial statements.

9. Investment held to maturity

During the year, the Group invested KD 3,000,000 in a subordinated floating rate bond issued by a local bank. The bond carries an annual interest rate of 3.9% over the Central Bank of Kuwait discount rate and is due to mature on December 27, 2022.

10. Investment properties

The fair value of investment properties as of March 31, 2013 was KD 32,094,258 (2012 – KD 10,379,361) based on the lowest of valuations carried out by two independent valuers.

During the year, the Group acquired investment properties located in the Kingdom of Saudi Arabia for a total cost of KD 18,921,090, of which KD 7,564,561 was from a related party and sold investment property located in the State of Kuwait for KD 550,000 and recognized a gain of KD 50,000.

11. Loans

	2013	2012
Loans maturing from 3 months to one year	**63,315,000**	30,831,004

Loans carry an annual interest rate ranging from 2% to 3% (2012 – 2.5% to 3.5%).

Loan of KD 25,815,000 is secured by quoted securities (Note 6) and other loans are secured by promissory notes.

12. Accounts payable and other credit balances

	2013	2012
Accrued expenses	**557,147**	502,014
Dividend payable	**307,645**	384,754
Provision for end of service indemnity	**431,099**	314,169
Due to related parties	**309,787**	489,001
Other credit balances	**510,254**	1,003,622
	2,115,932	2,693,560

13. Capital

The authorized, issued and paid up capital comprises of 255,283,718 (2012 – 255,283,718) shares of 100 fils each and all shares are paid in cash.

14. Treasury shares

	2013	2012
Number of treasury shares	**351,342**	351,342
Percentage of ownership	**0.14%**	0.14%
Market value (KD)	**42,864**	80,809
Cost (KD)	**87,765**	87,765

15. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, 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 Articles of Association. During the year, the Parent Company did not transfer any amounts to statutory reserve since it had reached 50% of the capital.

16. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such transfer may be discontinued by a resolution at the Shareholders' Annual General Assembly, upon recommendation by the Board of Directors. The Shareholders General Assembly dated April 6, 2004, approved to discontinue any transfer to the voluntary reserve with effect from December 31, 2002.

17. General Assembly and proposed dividend

The Board of Directors proposed cash dividends of 5 fils per share for the year ended March 31, 2013. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on July 26, 2012 approved not to distribute cash dividends for the year ended March 31, 2012.

18. Net investment loss

	2013	2012
Unrealized loss from investments at fair value through statement of income	**(484,980)**	(21,329)
Realized loss from investments at fair value through statement of income	**(51,155)**	(132)
Realized loss from investments available for sale	**(2,809,768)**	(5,031,290)
Dividend income	**844,695**	1,220,982
	(2,501,208)	(3,831,769)

19. Fees and commission income

	2013	2012
Portfolio management fees	**1,107,653**	1,948,241
Consultancy fees	**45,823**	136,926
Commission	**350,843**	207,200
	1,504,319	2,292,367

20. General and administrative expenses

	2013	2012
Staff costs	**1,119,484**	1,011,741
Management & consultancy fees	**136,360**	300,791
Professional fees	**27,940**	54,526
Other expenses	**250,730**	595,708
	1,534,514	1,962,766

21. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to KFAS is calculated at 1% of the net profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. No KFAS has been provided since there was no profit base on which KFAS could be calculated.

22. National Labor Support Tax (NLST)

NLST is calculated at 2.5% of the net profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration and after deducting its share of income from Kuwaiti listed shareholding subsidiaries and associates and dividends from Kuwaiti listed shareholding companies in accordance with Law No 19/2000 and Ministry of Finance resolution No. 24/2006 and their executive regulations. No NLST has been provided since there was no profit base on which NLST could be calculated.

23. Zakat

Zakat is calculated at 1% of the net profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of income from shareholding subsidiaries and associates in accordance with Law No. 46/2006 and Ministry of Finance resolution No. 58/2007 and their executive regulations. No Zakat has been provided since there was no profit base on which Zakat could be calculated.

24. (Loss) earnings per share

There are no potential dilutive ordinary shares. (Loss) earnings per share is calculated by dividing the net (loss) profit for the year by the weighted average number of shares outstanding during the year:

	2013	2012
Net (loss) profit for the year attributable to shareholders of the Parent Company	**(4,672,184)**	815,478
	Shares	Shares
Number of shares at beginning of the year	**255,283,718**	255,283,718
Less: weighted average number of treasury shares	**(351,342)**	(326,970)
Weighted average number of shares outstanding	**254,932,376**	254,956,748
	Fils	Fils
(Loss) earnings per share attributable to shareholders of the Parent Company	**(18.33)**	3.20

25. Memorandum accounts off the consolidated statement of financial position

The Parent Company manages investment portfolios and funds for others amounting to KD 1,370,595,222 as of March 31, 2013 (2012 - KD 1,323,033,674) to earn management fees. These investment portfolios are registered in the name of the Group and are not accounted in the accompanying consolidated financial statements.

26. Segment information

The Group is divided into operating segments for managing its business activities based on internal reporting provided to the chief operating decision maker as follows:

- Investment activities: Direct investment for the Group's benefit in securities, portfolios and funds
- Asset management services: Portfolio and Fund management services for clients
- Lending activities: Direct lending to others and acting as a broker in lending and borrowing activities.
- Real estate activities: Investment in real estate and managing real estate portfolios.

	2013					2012				
	Investment activities	Asset management services	Lending activities	Real estate activities	Total	Investment activities	Asset management services	Lending activities	Real estate activities	Total
Segment operating (loss) revenue	(2,416,459)	1,504,319	-	778,701	(133,439)	(3,792,934)	2,292,367	7,719	631,473	(861,375)
Segment operating expenses	(1,358,405)	-	-	(117,902)	(1,476,307)		-	(4,161)	(107,278)	(2,091,285)
Unallocated operating expense					(1,416,612)					(1,851,327)
Operating loss					(3,026,358)	(1,979,846)				(4,803,987)
Group's share of results from associates					1,334,756					1,493,978
Gain on sale of an associate					-					6,048,600
Gain on sale of an unconsolidated subsidiary					10,108					-
Gain on sale of investment properties					50,000					6,442,754
Other income					135,353					126,299
Impairment loss on investments available for sale					(3,158,537)					(7,071,301)
Provisions					(17,781)					(1,430,659)
Net (loss) profit for the year					(4,672,459)					805,684
Other information										
Segment assets	59,476,431	58,357	362,935	24,038,637	83,936,360	63,816,167	58,357	-	5,478,321	69,352,845
Investment in associates					26,963,299					13,402,537
Investment in unconsolidated subsidiaries					589,405					881,219
Unallocated assets					9,028,867					8,120,666
Total assets					120,517,931					91,757,267
Segment liabilities	63,315,000	-	-	-	63,315,000	30,831,004	-	-	-	30,831,004
Unallocated liabilities					2,115,932					2,693,560
Total liabilities					65,430,932					33,524,564

27. Related party balances and transactions

The Group has entered into various transactions with related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant balances and transactions with other related parties are as follows:

	2013	2012
(i) Consolidated statement of financial position		
Cash at banks	**6,813,575**	6,977,919
Accounts receivable and other debit balances	**510,870**	450,176
Loan granted to others	**362,935**	-
Loans	**63,315,000**	30,831,004
Accounts payable and other credit balances	**309,787**	489,001

	2013	2012
(ii) Consolidated statement of income		
Interest income	**12,937**	38,834
Finance charges	**(1,358,405)**	(1,938,289)

	2013	2012
(iii) Compensation to key management personnel		
Short-term benefits	**285,505**	310,304
Termination benefits	**22,556**	22,917

The related party transactions are subject to approval by the shareholders of the Parent Company in the Annual General Assembly.

28. Capital commitments and contingent liabilities

	2013	2012
Letters of guarantee	**200,000**	1,200,000
Uncalled capital for investments	**13,796**	13,796
	213,796	1,213,796

29. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, investments, receivables, loans granted to others, loans and payables and as a result, are exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) 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 cash at banks, receivables and loans granted to others. The Group's cash at banks are placed with high credit rating financial institutions. Receivables and loans granted to others are presented net of allowance for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, receivables and loans granted to others.

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

	2013	2012
Cash at banks	**7,051,721**	7,228,553
Accounts receivable and other debit balances	**2,059,388**	990,291
Loans granted to others	**362,935**	-
Investment held to maturity	**3,000,000**	-
	12,474,044	8,218,844

(ii) Concentration of assets and liabilities:

	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
State of Kuwait	**82,804,450**	**65,196,605**	71,415,828	33,255,221
Europe	**6,230**	**-**	540,392	-
North America	**2,593,619**	**-**	9,843,161	-
Africa	**2,420,200**	**14,215**	3,123,612	768
Asia	**32,693,432**	**220,112**	6,834,274	268,575
	120,517,931	**65,430,932**	91,757,267	33,524,564

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

(i) Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities

The maturity profile of assets and liabilities of the Group as of March 31 was as follows:

2013	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash on hand and at banks	7,051,721	-	-	-	-	7,051,721
Investments at fair value through statement of income	4,835,200	-	-	-	-	4,835,200
Accounts receivable and other debit balances	-	1,109,570	949,818	-	-	2,059,388
Loans granted to others	-	-	362,935	-	-	362,935
Investments available for sale	25,335,764	14,480,979	11,800,603	-	-	51,617,346
Investment in associates	-	-	-	26,963,299	-	26,963,299
Investment in unconsolidated subsidiaries	-	-	-	-	589,405	589,405
Investment held to maturity	-	-	-	-	3,000,000	3,000,000
Investment properties	-	14,683,351	-	9,355,286	-	24,038,637
	37,222,685	30,273,900	13,113,356	36,318,585	3,589,405	120,517,931
Liabilities						
Loans	-	-	63,315,000	-	-	63,315,000
Accounts payable and other credit balances	307,645	268,012	1,109,176	431,099	-	2,115,932
	307,645	268,012	64,424,176	431,099	-	65,430,932

2012	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash on hand and at banks	7,228,553	-	-	-	-	7,228,553
Investments at fair value through statement of income	-	300,680	-	-	-	300,680
Accounts receivable and other debit balances	-	297,135	693,156	-	-	990,291
Investments available for sale	29,198,543	7,112,050	9,560,313	17,604,760	-	63,475,666
Investment in associates	-	-	8,247,102	5,155,435	-	13,402,537
Investment in unconsolidated subsidiaries	-	-	-	-	881,219	881,219
Investment properties	-	-	4,074,767	1,403,554	-	5,478,321
	36,427,096	7,709,865	22,575,338	24,163,749	881,219	91,757,267
Liabilities						
Loans	-	-	30,831,004	-	-	30,831,004
Accounts payable and other credit balances	-	511,924	1,867,467	314,169	-	2,693,560
	-	511,924	32,698,471	314,169	-	33,524,564

c) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices as indicated below:

i) 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 consolidated statement of income (through the impact on floating rate borrowings).

Year	Increase / (Decrease) in interest rate	Balance on March 31	Effect on consolidated statement of income
2013			
KD Loans	**±50 basis points**	**63,315,000**	**±316,575**
2012			
KD Loans	±50 basis points	30,831,004	±154,155

ii) 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, other currencies and Kuwaiti Dinar.

Currency	Change in foreign currency rate	Effect on consolidated statement of income	Effect on other comprehensive income
2013			
US Dollar	**±5%**	**±64,368**	**±290,475**
Qatari Riyal	**±5%**	**±561**	**±65,827**
Sterling Pound	**±5%**	**±8**	**-**
Saudi Riyal	**±5%**	**±7,651**	**±78,807**
Tunisian Dinar	**±5%**	**±51**	**±140,021**
Euro	**±5%**	**±164**	**-**
Egyptian Pound	**±5%**	**±76**	**-**
Morocco Dirhams	**±5%**	**±685**	**-**

Currency	Change in foreign currency rate	Effect on consolidated statement of income	Effect on other comprehensive income
2012			
US Dollar	±5%	±19,062	±492,158
Qatari Riyal	±5%	±361	±71,347
Bahraini Dinar	±5%	±3,706	-
Sterling Pound	±5%	±8	±27,020
UAE Dirhams	±5%	±389	±78,807
Saudi Riyal	±5%	±437	±119,657
Tunisian Dinar	±5%	±168	-
Euro	±5%	±77	-
Egyptian Pound	±5%	±395	-

iii) Equity price risk

Equity price risk is a risk that the value of a financial instrument will fluctuate as a result of changes in the level of equity indices and the value of individual stocks. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The equity price risk exposure arises from the Group's investment in equity securities classified as "at fair value through income statement" and "available for sale".

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 March 31:

	2013			2012		
Market index	Change in equity price %	Effect on consolidated statement of income	Effect on other comprehensive income	Change in equity price %	Effect on consolidated statement of income	Effect on other comprehensive income
Kuwait Stock Exchange	±5%	±241,760	±1,584,724	±5%	±15,034	±1,903,805
Tunisia Stock Exchange	±5%	-	±140,021	±5%	-	±119,657
Doha Stock Exchange	±5%	-	±65,827	±5%	-	±71,347

d) 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 a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At March 31, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain investments available for sale as indicated in Note 6.

For financial instruments that are measured in the statement of financial position at fair value; IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the group's assets and liabilities that are measured at fair value at March 31:

2013	Level 1	Level 2	Total
Investments at fair value through statement of income	**4,835,200**	**-**	**4,835,200**
Investments available for sale	**35,811,442**	**6,338,696**	**42,150,138**
Total	**40,646,642**	**6,338,696**	**46,985,338**

2012	Level 1	Level 2	Total
Investments at fair value through statement of income	300,680	-	300,680
Investments available for sale	41,896,173	3,974,733	45,870,906
Total	42,196,853	3,974,733	46,171,586

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily traded equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

30. Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional 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 on hand and at banks. 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	2012
Loans	**63,315,000**	30,831,004
Less: cash on hand and at banks	**(7,051,721)**	(7,228,553)
Net debt	**56,263,279**	23,602,451
Total equity	**55,086,999**	58,232,703
Total capital resources	**111,350,278**	81,835,154
Gearing Ratio	**50.52%**	28.84%