AMWAL أمـــــــــوال

Amwal International Investment Company

Annual Report 2013

بسم الله الرحمن الرحيم

H. H. Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

H. H. Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince

H. H. Sheikh

Jaber Mubarak Al-Hamad Al-Sabah

Prime Minister

Board Members

Bader Fahed Al-Rezaihan	Chairman & Managing Director
Abdulaziz Abdulaziz Almeshal	Vice Chairman
Yousef Shamlan Al-Essa	Board Member & Chief Executive Officer
Mansour Salem Al-Nassar	Board Member
Bader Abdulaziz Abul	Board Member
Mohammed Abdulaziz Al-Ageel	Board Member
Ziyad Fouad Al-Saleh	Board Member

Bader Fahed Al-Rezaihan

Chairman & Managing Director

Chairman's Speech

Honorable Ladies and Gentlemen

Esteemed Shareholders of Amwal International Investment Company

I would like to welcome you to your Company's General Assembly meeting for the 2013 fiscal year. I have the pleasure, on behalf of the Board of Directors of Amwal International Investment Company ("Amwal" or the "Company"), and the Company's executive management and staff, to present Amwal's consolidated financial statements and the accompanying review of its performance for the 2013 fiscal year. Furthermore, I would like to extend my sincere appreciation and gratitude to our valued shareholders for their continued support for myself and my colleagues on the Board of Directors.

Dear Esteemed Shareholders,

During 2013, the MENA region experienced continued political tension and economic turmoil. However, by the end of the year, a more optimistic mood began to emerge when Dubai was chosen as the host city for the Expo 2020, which is expected to accelerate economic growth in the UAE and broadly across the GCC region.

Dear Esteemed Shareholders,

Throughout the 2013 fiscal year, Amwal maintained a prudent investment policy in view of the continued regional uncertainty. As such, the Company maintained a solid, debt free balance sheet in order to preserve its operational and financial flexibility.

The Company's principal investment strategy is to acquire stakes in growth-oriented local or regional companies and support their management teams to execute on their business plans.

The Company's investments are concentrated in the GCC countries. During the course of the year, we worked closely with our associate and subsidiary companies to help them with their operational and growth needs.

Regarding our investment in Dubai Golf City, a 55 million square feet parcel of land zoned for mixed-use development, we continue to evaluate several options for exiting this project in view of Dubai's improved real estate market.

Regarding our operating companies, Al Shamel Travel continues to be a strong performer in our portfolio. Al Shamel has consolidated its local and regional operations to realize additional operational efficiencies and also continues to expand its retail business through new retail locations in Saudi Arabia and Qatar.

During the year, Al Shamel acquired Net Tours, the largest private tour operator in Dubai specializing in travel and tourism related activities and packages.

Dear Esteemed Shareholders,

The Company maintained a strong liquidity position at the end of the fiscal year with K.D. 6.3 million of cash on hand, which is a slight decrease of 6.0% from K.D. 6.7 million at the end of 2012. Amwal's loss for the 2013 fiscal year decreased substantially to K.D. 0.4 million, or 2 fils per share, from K.D. 2.0 million, or 11 fills per share, in 2012 . The Company's operating expenses increased in 2013 compared to the previous year due to increased deal related expenses. Staff costs increased to K.D. 0.3 million, a 49.0% increase from 2012 due to the recruitment of additional investment and compliance professionals. The overheads and administrative expenses increased to K.D. 271 thousand at the rate of 105% in comparison with the previous year.

The Company's working capital amounted to K.D. 6.3 million compared to K.D. 6.6 million at the end of the previous year.

As at year end, total assets decreased to K.D. 16.1 million and net shareholders' equity decreased to K.D. 15.9 million representing a 2.0% decrease for each compared with the previous year.

Dear Esteemed Shareholders,

The Company will continue to focus on investments in growth-oriented and profitable operating companies with a view to diversify our risk.

During the first quarter of 2014, Amwal acquired a majority stake in Kuwait-based Noor Capital Markets, a forex and commodities electronic market maker, with offices in Turkey and Dubai.

In conclusion, Amwal weathered uncertain economic climate and ended the year with a debt free balance sheet and a strong liquidity position. Given this, we remain optimistic about the future growth of the Company and our investments, and look forward to your support in the future.

Bader Fahed Al-Rezaihan
Chairman & Managing Director
Amwal International Investment Company

Amwal International Investment Company K.S.C. (Closed) and Subsidiaries
Kuwait

Independent Auditor's Report
and Consolidated Financial Statements
31 December 2013

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Amwal International Investment Company K.S.C. (Closed)
Kuwait

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Amwal International Investment Company K.S.C.P, Kuwait ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Rabea Saad Al Muhanna
Licence No. 152A
Of Horwath Al Muhanna & Co.

Kuwait
23 February 2014

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	Kuwaiti Dinars 2013	Kuwaiti Dinars 2012
ASSETS			
Current assets			
Cash and bank balances	4	**6,284,030**	6,689,334
Trade and other receivables		**101,516**	-
Inventories	5	**14,252**	27,947
		6,399,798	6,717,281
Non-current assets			
Investments available for sale	6	**6,064,578**	6,217,226
Investment in an associate	7	**3,292,450**	3,283,699
Investment in an unconsolidated subsidiary	8	**-**	203,500
Equipment		**126,693**	721
Intangible asset	9	**189,670**	24,000
		9,673,391	9,729,146
TOTAL ASSETS		**16,073,189**	16,446,427
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	9	**117,442**	136,823
Non-current liabilities			
Post employment benefits		**70,874**	48,118
		188,316	184,941
EQUITY			
Equity attributable to owners of the Parent Company			
Share capital	10	**18,055,125**	18,055,125
Share premium	10	**1,500,000**	1,500,000
Legal reserve	10	**680,359**	680,359
Foreign currency translation reserve		**2,200**	(5,744)
Investment fair valuation reserve		**(442,441)**	(442,894)
Accumulated deficit		**(3,918,642)**	(3,525,436)
		15,876,601	16,261,410
Non – controlling interests		**8,272**	76
		15,884,873	16,261,486
TOTAL LIABILITIES AND EQUITY		**16,073,189**	16,446,427

The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

Bader Fahad Al-Rezaihan
Chairman

Yousef S. Alessa
Chief Executive Officer

Consolidated Statement of Income

For the year ended 31 December 2013

	Note	Kuwaiti Dinars 2013	2012
Income			
Sales		**109,922**	-
Cost of goods sold		**(48,866)**	-
Realised loss from investments at fair value through profit or loss		**-**	(878)
Impairment in value of investments available for sale		**(157,759)**	(157,306)
Share of profit from associates	7	**333,330**	351,043
Realised loss on sale of investment in an associate		**-**	(1,867,942)
Management fees and other income		**5,750**	37,327
Interest income and other income		**34,638**	3,721
Gain on foreign exchange revaluation		**18,153**	404
		295,168	(1,633,631)
Expense			
Staff costs		**(297,663)**	(199,576)
General and administrative expenses	11	**(270,662)**	(131,912)
Distribution and marketing expenses		**(78,995)**	-
Depreciation and amortization		**(32,858)**	(9,402)
		(680,178)	(340,890)
Loss for the year		**(385,010)**	(1,974,521)
Attributable to:			
Owners of the Parent Company		**(383,238)**	(1,974,508)
Non – controlling interests		**(1,772)**	(13)
		(385,010)	(1,974,521)
Loss per share	12		
Basic and diluted loss per share (Fils)		**(2)**	(11)

The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Kuwaiti Dinars	
	2013	**2012**
Loss for the year	**(1385,010)**	(1,974,521)
Other comprehensive income:		
Exchange differences arising from translation of foreign operations	**7,944**	92,797
Investments available for sale		
- Exchange differences	**453**	3,065
Total other comprehensive income for the year	**8,397**	95,862
Total comprehensive income for the year	**(376,613)**	(1,878,659)
Total comprehensive income attributable to:		
Owners of the Parent Company	**(374,841)**	(1,878,646)
Non controlling interests	**(1,772)**	(13)
	(376,613)	(1,878,659)

The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in shareholder's Equity

For the year ended 31 December 2013

	Kuwaiti Dinars							
	Equity attributable to owners of the Parent Company							
	Share capital	**Share premium**	**Legal reserve**	**Foreign currency translation reserve**	**Investment fair valuation reserve**	**Accumulated Deficit**	**Non -controlling interests**	**Total**
Balance as at 1 January 2013	18,055,125	1,500,000	680,359	(5,744)	(445,959)	(3,525,436)	76	16,261,486
Loss for the year	-	-	-	-	-	(383,238)	(1,772)	(385,010)
Consolidation of unconsolidated subsidiary	-	-	-	-	-	(9,968)	9,968	-
Other comprehensive income								
Exchange differences arising on translation of foreign operations	-	-	-	7,944	-	-	-	7,944
Available for sale investments:								
- Exchange differences	-	-	-	-	453	-	-	453
Total comprehensive income for the year	-	-	-	7,944	453	(393,206)	8,196	(376,613)
Balance as at 31 December 2013	**18,055,125**	1,500,000	680,359	**2,200**	**(442,441)**	**(3,918,642)**	**8,272**	**15,884,873**

The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in shareholder's Equity

For the year ended 31 December 2013

	Kuwaiti Dinars							
	Equity attributable to owners of the Parent Company							
	Share capital	**Share premium**	**Legal reserve**	**Foreign currency translation reserve**	**Investment fair valuation reserve**	**Accumulated Deficit**	**Non -controlling interests**	**Total**
Balance as at 1 January 2012	18,055,125	1,500,000	680,359	(98,541)	(445,959)	(1,550,928)	89	18,140,145
Loss for the year	-	-	-	-	-	(1,974,508)	(13)	(1,974,521)
Other comprehensive income								
Exchange differences arising on translation of foreign operations	-	-	-	92,797	-	-	-	92,797
Available for sale investments:								
- Exchange differences	-	-	-	-	3,065	-	-	3,065
Total comprehensive income for the year	-	-	-	92,797	3,065	(1,974,508)	(13)	(1,878,659)
Balance as at 31 December 2012	18,055,125	1,500,000	680,359	**(5,744)**	**(442,894)**	**(3,525,436)**	**76**	**16,261,486**

The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	Kuwaiti Dinars 2013	2012
Cash flows from operating activities			
Loss for the year		**(385,010)**	(1,974,521)
Adjustments:			
Realized loss from investments at fair value through profit or loss		-	878
Impairment in value of an investments available for sale		**157,759**	157,306
Share of profit from associates	7	**(333,330)**	(351,043)
Realised loss on sale of investment in an associate		-	1,867,942
Interest income		**(31,373)**	(3,721)
Depreciation and amortization		**32,858**	9,402
Provision for post-employment benefits		**21,616**	14,676
		(537,480)	(279,081)
Changes in operating assets and liabilities			
Decrease in investments at fair value through profit or loss		-	2,572
Decrease in trade and other receivables		**9,708**	45,929
Increase in inventories		**(8,384)**	-
Decrease in trade and other payables		**(12,267)**	(206,391)
Net cash used in operating activities		**(436,971)**	(436,971)
Cash flows from investing activities			
Investments available for sale		**(3,079)**	-
Investment in an associate (net)		-	(4,463)
Proceeds from sale of an associate		-	6,765,033
Investment in an unconsolidated subsidiary		-	(180,500)
Dividend received from an associate		**332,524**	332,524
Acquisition of equipment		**(119,829)**	(285)
Purchase of intangible assets		**(122,631)**	-
Interest income received		**31,253**	3,721
Net cash from investing activities		**118,238**	6,092,603
Net (decrease)/ increase in cash and cash equivalents		**(430,185)**	5,655,632
Cash and cash equivalents at beginning of the year		**6,714,215**	1,033,702
Cash and cash equivalents at end of the year	4	**6,284,030**	6,689,334

The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. Incorporation and activities

Amwal International Investment Company K.S.C.P. ("the Company") is a closed Kuwaiti shareholding company. The Company is regulated as an investment company by the Capital Markets Authority of Kuwait ("the regulator") and is registered with the Central Bank of Kuwait (CBK).

The registered office of the Company is at P.O. Box 3216, Al-Sahab Tower, Safat 13032, Kuwait.

The Company along with the subsidiaries disclosed in note 3 is referred to as "the Group".

The Company's shares were listed on the Kuwait Stock Exchange on 24 March 2010.

The principal activities of the Company are:

1. Investing in real estate, industrial, agricultural and other economic sectors, through contributing in the establishment of specialized companies or purchasing shares or bonds of these companies in various sectors in Kuwait and abroad;
2. Contributing in establishments or partial ownership of companies in various sectors;
3. Managing funds of public and private institutions and invest these funds in various economic sectors, including the management of financial and real estate portfolios;
4. Providing and prepare technical and economic studies and project consultancy;
5. Mediating in lending and borrowing operations;
6. Perform businesses related to bonds issuance managers' functions issued by companies, organizations and custodians;
7. Finance and brokerage international trade operations;
8. Providing loans to different sectors taking into consideration the financial viability in granting loans and by maintaining the continuity of the Company's financial position viability in accordance with the conditions, rules and limits set by the regulator;
9. Dealing and trading in GCC and global market and precious metals market inside Kuwait and outside in favor of the Company;
10. Trading in shares and bonds of companies and local and international government organizations;
11. Providing all services that help in developing and supporting the capacity of the financial and monetary market in Kuwait and to meet its needs within the limits of the law and according to procedures or instructions issued by the regulator;
12. Establishing and managing all types of investment funds in accordance with the law.

These consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on 23 February 2014 and are subject to the approval of the Company's shareholders at their forthcoming Annual General Meeting (AGM).

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), under the historical cost basis of measurement except for the measurement at fair value of investment properties and available for sale investments.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 19.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the Company.

2.2 Significant accounting policies

New and revised accounting standards

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the following new and amended IASB Standards effective during the year:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The Group has applied the amendments to IAS 1 on presentation of items of other comprehensive income for the first time in the current year. The amendments introduce new terminology whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retains the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 also introduces a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to statement of profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 27 - Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities. The adoption of this standard has not resulted in any impact on the financial position or performance of the Group.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 - Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard did not have any material impact on the consolidated financial statements of the Group.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard did not have any material impact on consolidated financial statements of the Group.

IFRS 10 - Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has power over the investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

The Group commenced consolidation of a subsidiary's financial statements during the current year (note 3).

IFRS 12 – Disclosure of Involvement with Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The adoption of this standard has not resulted in any significant additional disclosures in the consolidated financial statements of the Group.

IFRS 13 – Fair value measurement

IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group has re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures wherever required, are provided in the notes relating to the assets and liabilities whose fair values were determined.

New standards and interpretations not yet adopted

The following IASB Standards have been issued but are not yet effective and have not been early adopted by the Group. This listing of standards issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments:

The standard was issued in November 2009, however at the IASB meeting in July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 to be left open. However, IFRS 9 would still be available for early application. The standard improves the ability of the users of the financial statements to assess the amount, timing and uncertainty of future cash flows of the entity by replacing many financial instrument classification categories, measurement and associated impairment methods. The application of IFRS 9 will result in amendments and additional disclosures relating to financial instruments and associated risks.

IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014.

The application of IFRS which will result in amendments and/or additional disclosures relating to classification, measurement and associated risks of financial instruments.

2.3 Financial instruments

Recognition and de-recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised either when: the rights to receive the cash flows from the asset have expired; the Group has transferred its right to receive cash flows from the assets or has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Classification and measurement

The Group classifies its financial assets as "investments at fair value through profit or loss", "loans and receivables", or "available for sale" and its financial liabilities as "financial liabilities other than at fair value through profit or loss". Management determines the appropriate classification of each instrument at the time of acquisition.

All financial assets and liabilities are initially measured at fair value of the consideration given plus transaction costs except for financial assets classified as investments at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

Investments at fair value through profit or loss

These are financial assets that are either held for trading or are designated as investments at fair value through profit or loss upon initial recognition. A financial asset is classified in this category only if they are acquired principally for the purpose of generating profit from short-term fluctuations in price or if so designated by the management upon initial recognition 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. Financial assets classified as investments at fair value through profit or loss are subsequently measured and carried at fair value. Resultant unrealised gains and losses arising from changes in fair value are included in the consolidated statement of profit or loss. This includes all derivative financial instruments, other than those designated as effective hedging instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortized cost using effective interest method, less any provision for impairment.

Available for sale

These are non derivative financial assets not included in any of the above classifications and are principally those acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. These are subsequently measured and carried at fair value and any resultant unrealised gains or losses are recognised as a separate component in equity. When the "available for sale" asset is disposed off or impaired, the related accumulated fair value adjustments in equity are transferred to the consolidated statement of profit or loss as realised gains or losses.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective yield method.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of profit or loss or in equity in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Fair values

For financial instruments traded in organised financial markets, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price.

The fair value of interest bearing financial instruments that are not quoted in an active market is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of forward exchange contract is calculated by reference to forward exchange rates with similar maturities.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, or the expected discounted cash flows, other appropriate valuation models or brokers' quotes.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost less impairment provisions.

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset, or a group of financial assets, may be impaired. In the case of financial asset classified as available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss, is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses on equities available for sale recognised in the consolidated statement of profit or loss are not reversed through the consolidated statement of profit or loss.

Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated statement of profit or loss.

2.4 Consolidation

Subsidiaries are those enterprises controlled by the Group. The Group controls an investee if and only if the Group has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Equity and net income are attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and comprehensive income.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on audited financial statements or audited financial information of the subsidiaries as of the same reporting date of the Parent Company unless otherwise stated. Intra group balances, transactions, income and expenses are eliminated in full. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered. If a parent loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of profit or loss.

2.5 Cash and cash equivalents

Cash and cash equivalents for the purpose of preparing the consolidated statement of cash flows comprise of cash in hand and at banks and short term bank deposits with a maturity date not exceeding three months from the date of deposit.

2.6 Inventories

Inventories are valued at the lower of weighted average cost and net realizable value.

2.7 Investments in associates

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Adjustments are made to conform the associate's accounting policies to that of the Group. Under the equity method, the Group recognises in the consolidated statement of profit or loss, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

2.8 Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure. Subsequent to initial recognition, investment properties are annually re-measured at fair value on an individual basis based on a valuation by an independent and registered real estate valuer. Changes in fair value are taken to the consolidated statement of profit or loss.

2.9 Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost of an item of equipment comprises of its acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Computers	2 - 5
Furniture & fittings	3
Other equipment	3

The carrying values of equipment are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

If any such indication exists, the assets are written down to its recoverable amount and the impairment loss is recognized in the consolidated statement of profit or loss, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Gain or loss on disposals are determined by comparing the proceeds with carrying amount and taken to the consolidated statement of profit or loss.

2.10 Intangible assets and goodwill

Identifiable non-monetary assets from which future benefits are expected to flow are treated as intangible assets. Intangible asset comprise of rights of utilisation.

Intangible asset is stated at cost less impairment loss, if any. Intangible assets with definite useful lives are amortised on a straight line basis over their expected useful lives and are tested annually for impairment. Rights of utilisation are amortised on a straight line basis over a period of 10 years.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible asset is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the consolidated statement of profit or loss.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable net assets acquired in a business combination or an associate at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of goodwill relating to the entity or the portion sold.

Goodwill and intangible assets with indefinite useful lives are tested at least annually for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill and intangible assets. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. That relating to goodwill cannot be reversed in a subsequent period. Recoverable amount is the higher of 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 pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

2.11 Post employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans, to employees at cessation of employment, in accordance with the laws of Kuwait. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the statement of financial position date and approximates the present value of the liability. Payments under state plans and changes in defined benefit plan liabilities are charged to the consolidated statement of profit or loss.

2.12 Accounting for leases

Where the Company is the lessee – operating lease

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.13 Provisions for liabilities

Provisions for liabilities are recognised, when, as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation and the amount can be reliably estimated.

2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Dividend income is recognized when the right to receive payment is established. Interest income is recognized on a time proportion basis using the effective yield method.

2.15 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of profit or loss.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets are included in the investment fair valuation reserve in equity. The income and cash flow statements of foreign operations are translated into the Company's reporting currency at average exchange rates for the year and their statement of financial positions are translated at exchange rates prevailing at the year-end. Exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such instruments, are taken to shareholders' equity. When a foreign operation is sold, any resultant exchange differences are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

2.16 Contingencies

Contingent assets are not recognised as an asset unless realization becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination is recognized only if its fair value can be measured reliably.

2.17 Segment

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3. Subsidiaries

The subsidiaries of the Company are listed below:

	% of ownership	
	2013	**2012**
Al Bareeq International WLL, Kuwait	**99%**	99%
Divine Bakery Company WLL, Kuwait (Divine)	**99%**	99%

The financial statements of Divine are consolidated from the current year.

4. Cash and bank balances

Cash and bank balances include the following:

	Kuwaiti Dinars	
	2013	**2012**
Cash in hand and at banks	**5,281,586**	6,539,334
Short-term deposits with banks with original maturities of less than three months	**1,002,444**	150,000
	6,284,030	6,689,334

The effective interest rate on short-term deposits as at 31 December 2013 was 0.625% to 1.500% (31 December 2012: 1.125% to 1.250%) per annum.

5. Trade and other receivables

	Kuwaiti Dinars	
	2013	**2012**
Trade receivables	**5,364**	20,750
Prepayments, advances and deposits	**93,777**	7,197
Accrued income	**2,375**	-
	101,516	27,947

Trade receivables represent amounts denominated in KD which are neither past due nor impaired.

The carrying value of trade and other receivables approximates its fair value.

The other classes within trade and other receivables are neither past due nor impaired. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

6. Investments available for sale

	Kuwaiti Dinars	
	2013	**2012**
Unquoted	**6,222,337**	6,453,595
Less: Impairment	**(157,759)**	(236,369)
	6,064,578	6,217,226

Investment securities are denominated in the following currencies:

	Kuwaiti Dinars	
	2013	**2012**
Kuwaiti Dinar	**7,500**	7,500
Qatar Riyal	**-**	157,305
UAE Dirham	**6,057,078**	6,052,421
	6,064,578	6,217,226

Available for sale investments include unlisted securities carried at cost of KD 6,064,578 (2012: KD 6,059,921) and include KD 6.057 million (2012: KD 6.052 million) of equity interest in a special purpose entity that is currently developing a mix use real estate project in the UAE.

The fair value of these investments cannot be reliably determined as there is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

7. Investments in associates

This represents the Group's share of investment in the following associate accounted for using the equity method.

	Kuwaiti Dinars	
	2013	**2012**
Al Shamel International Holding Company KSCC, Kuwait (Al Shamel)	**33.25%**	33.25%

Movements in investment in associate are as follows:

	Kuwaiti Dinars	
	2013	**2012**
Opening balance	**3,283,699**	11,778,279
Additions	**-**	4,463
Disposal of an associate (including loss on disposal of KD 1,867,942)	**-**	(8,606,522)
Share of profit for the year	**333,330**	351,043
Dividend received	**(332,524)**	(332,524)
Net exchange differences	**7,945**	88,960
Closing balance	**3,292,450**	3,283,699

The fair value of the Group's investment in the quoted associate (Al Shamel) as at 31 December 2013 is KD 4,469,120 (31 December 2012: KD 3,798,752) based on the last trade on the Kuwait Stock Exchange.

The summarized financial information of associate is as follows:

	Kuwaiti Dinars	
	2013	**2012**
Assets	**11,860,782**	12,017,402
Liabilities	**2,243,510**	2,426,450
Revenue	**5,367,430**	6,087,870
Profit	**1,002,495**	1,063,570

8. Intangible asset

	Kuwaiti Dinars	
	2013	**2012**
Rights of utilization	**145,700**	30,000
Software	**931**	-
Goodwill	**58,800**	-
Less: Amortization	**(15,761)**	(6,000)
	189,670	24,000

9. Trade and other payables

	Kuwaiti Dinars	
	2013	**2012**
Accounts payable	**40,850**	110,040
Accrued expenses	**74,316**	25,803
Other	**2,276**	980
	117,442	136,823

10. Share capital and reserves

Share capital

The authorized, issued and paid up share capital of the Company comprises of 180,551,250 (31 December 2012: 180,551,250) shares of 100 fils each.

Share premium is not distributable.

Legal reserve

In accordance with the Companies' Law and the Company's Articles of Association, 10% of the profit has to be appropriated towards legal reserve. Due to losses reported during the year, no appropriation was made to the legal reserve. The legal reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

Voluntary reserve

The Company's Articles of Association stipulates that the Board of Directors may propose appropriations to voluntary reserve for shareholders' approval. Due to the losses reported during the year, no appropriation was proposed.

11. General and administrative expenses

	Kuwaiti Dinars	
	2013	**2012**
Office rent	**36,444**	26,784
Office expenses	**40,849**	26,686
Travel expenses	**35,039**	13,507
Business development	**69,929**	18,000
Professional fees	**14,942**	25,546
Telephone and postage	**13,924**	8,335
Write off of obsolete inventory	**25,517**	-
Consumables	**7,015**	-
Others	**27,003**	13,054
	270,662	131,912

The Company employed 9 personnel as at 31 December 2013 (31 December 2012: 9).

12. Loss per share

Loss per share is calculated by dividing the loss attributable to the owners of the Parent Company for the year by the weighted average number of shares outstanding during the year as follows:

	2013	**2012**
Loss for the year (KD)	**(383,238)**	(1,974,508)
Weighted average number of shares (Shares)	**180,551,250**	180,551,250
Basic and diluted loss per share (Fils)	**(2)**	(11)

13. Related party transactions

These represent transactions with certain related parties, shareholders, directors, executive officers and key management of the Company and companies of which they are principal owners or over which they are able to exercise significant influence. Pricing policies and terms of these transactions are approved by management.

	Kuwaiti Dinars	
	2013	**2012**
Management fees and other income	-	22,108
Key management compensation		
Salaries and other short term employee benefits	**89,250**	89,250
Other long term benefits	**8,257**	7,560

14. Fiduciary assets

The Group manages portfolios on behalf of third parties and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2013 amounted to KD Nil (31 December 2012: KD 596,277).

15. Segment information

The Group operates in four geographic segments – Kuwait, UAE, Saudi Arabia and others as the Group organizes its operations around these segments.

2013	**Kuwait**		**UAE**	**Others**	**Elimination**	**Total**
	Investments	Food and beverages				
Revenues from investments	333,330	109,922	-	27,290	-	470,542
Interest revenue	31,251	-	-	-	-	31,251
Depreciation and amortization	7,502	25,356	-	-	-	32,858
Reportable segment (loss)	(207,808)	(179,205)	-	(2,003)	-	(385,010)
Reportable segment assets	10,180,803	781,476	6,057,078	-	(946,168)	16,073,189
Reportable segment liabilities	170,840	460,480	-	200	(443,204)	188,316

	Kuwaiti Dinars				
	Kuwait	UAE	Saudi Arabia	Others	Total
2012					
Revenues from investments	414,737	-	(27,245)	-	387,492
Interest revenue	3,721	-	-	-	3,721
Interest expense	-	-	-	-	-
Net interest revenue	3,721	-	-	-	3,721
Depreciation and amortization	(9,402)	-	-	-	(9,402)
Reportable segment profit/(loss)	77,972	-	(1,895,187)	(157,306)	(1,974,521)
Reportable segment assets	10,236,701	6,052,421	-	157,305	16,446,427
Reportable segment liabilities	123,773	-	61,168	-	184,941

16. Financial instruments, risk management and fair values

Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated financial statements may also be categorized as follows:

	Kuwaiti Dinars	
	2013	**2012**
Loans and receivables:		
Cash and bank balances (note 4)	**5,281,586**	6,539,334
Short term deposits (note 4)	**1,002,444**	150,000
Accounts receivable and other assets	**101,516**	27,947
Available for sale investments	**6,064,578**	6,217,226
Other financial liabilities:	**12,450,124**	12,934,507
Trade and other payables		
Post-employment benefits	**117,442**	136,823
	70,874	48,118
	188,316	184,941

Fair value represents amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In the opinion of the Group's management, the carrying amounts of financial assets and liabilities approximate their fair values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair values of the financial instruments carried at amortized cost approximate their carrying value. This is based on Level 3 inputs, with the discount rate that reflects the credit risk of counterparties, being the most significant input.

	Kuwaiti Dinars			
	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2013				
Available for sale investments				
- Unquoted shares	-	-	6,064,578	6,064,578
31 December 2012				
Available for sale investments				
- Unquoted shares	-	-	6,217,226	6,217,226

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year.

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as credit risk, liquidity risk and market risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the Company's Board of Directors in consultation with the Chief Executive Officer (CEO). The CEO identifies and evaluates financial risks in close co-operation with management.

The significant risks that the Group is exposed to are discussed below:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits and trade and other receivables. The Group manages credit risk by placing funds with financial institutions of high credit rating and transacting principal business with counter parties of repute.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing commitments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Kuwaiti Dinars			
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2013				
Trade and other payables	117,442	-	-	-
At 31 December 2012				
Trade and other payables	136,823	-	-	-

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's primary exposure to market risk is in equity price risk, currency risk and interest rate risk.

(i) Equity price risk

The Group is exposed to equity price risk arising from equity investments. If equity prices had been 5% higher/lower, loss for the year ended 31 December 2013 would have been unaffected as equity investments are classified as available for sale and other comprehensive income for the year ended 31 December 2013 would increase/decrease by KD 303,200 as a result of the change in fair value of these equity investments.

(ii) Currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The impact on loss arising from a 10% change of the functional currency against the major currencies to which the Group is exposed to is not material.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

Interest rate change of 1% does not have any material impact in cash flows.

17. Capital risk management

The Group's objectives when managing capital are to safeguard its 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. The Group has no external borrowings.

The Group is required to maintain a minimum share capital of KD 15 million as it is registered as an investment company with the Central Bank of Kuwait.

18. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair values of financial assets and liabilities and off balance sheet financial instruments approximated their respective net book values at the consolidated statement of financial position date.

19. Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Judgments and estimates that are significant to the consolidated financial statements are shown below:

Judgment

Classification of financial instruments

Management has to decide on acquisition of a financial instrument whether it should be classified as at 'fair value through profit or loss', 'available for sale' or as 'loans and advances'. In making the judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if changes in fair value of instruments are reported in the consolidated statement of profit or loss or in the consolidated statement of profit or loss and other comprehensive income.

Classification of real estate property

Management decides on acquisition of a real estate whether it should be classified as trading property held for development or investment property. The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Evidence of impairment in investments

The Group treats available for sale investment securities as impaired when there has been significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Impairment

At each statement of financial position date, management assesses, whether there is any indication that equipment may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Sources of estimation uncertainty

Unquoted investment securities

The valuation techniques for unquoted investment securities make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Trade and other receivables

The Group estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

Investment properties

The Group estimates fair value of investment properties based on valuation reports of registered and approved valuers.

Impairment and useful lives of equipment

The Group tests annually whether equipment has suffered impairment in accordance with accounting policy stated in note 2.9. The recoverable amount of an asset is determined based on "value in use method". This method uses estimated cash flow projection over the estimated useful life of the asset discounted using the market rate. The Group's management determines the estimated useful lives and related depreciation charge for its equipment. It could change significantly as a result of change in technology. Management will increase the depreciation charge where useful lives are less than previously estimated lives.

Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each statement of financial position sheet date based on existence of 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 recognises the impairment loss in the consolidated statement of profit or loss.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets.

20. Commitments and contingencies

	Kuwaiti Dinars	
	2013	**2012**
Letters of guarantee (share of associate)	**1,031,425**	1,171,832
Letters of credit (share of associate)	**1,879**	58,523
Capital commitments (note 21)	**3,825,000**	35,000
Capital commitments (share of associate)	**-**	10,508
Operating lease rental commitment	**224,686**	-

21. Subsequent event

The Group signed a sale and purchase agreement during December 2013 to acquire 51% of issued share capital of Noor Capital Markets KSCC whose principal activity is brokerage of financial instruments for a consideration of KD 3,825,000. The Group completed all legal formalities of the acquisition on 7 January 2014.

	2013
Total consideration settled in cash	3,825,000
Non-controlling interests' share	2,191,110
Total	6,016,110
Less: Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	396,442
Trade receivables and other assets	2,291,915
Due from related parties	1,047,994
Investments at fair value through profit or loss	1,483,256
Equipment	163,163
Intangible assets	1,258,114
Trade and other payables	(2,096,457)
Staff indemnity	(72,774)
Total identifiable net assets	4,471,653
Goodwill arising from business acquisition	1,544,457

The above goodwill is attributable to the profitability of the acquired business and the significant synergies expected to arise from the acquisition.

The initial accounting for the business combination is provisional and will be adjusted retrospectively when the final purchase price allocation is completed during the one year measurement period from the acquisition date.

22. Comparatives

Certain comparative amounts have been reclassified to conform to current year presentation but with no change in previously reported profit or equity.